



REPUBLIC OF CROATIA  
STATE AUDIT OFFICE

CLASS: 041-01/24-18/3  
REG. NO.: 613-01-14-25-10  
Zagreb, 3 March 2025

## Report on the 2023 Compliance Audit of the

**Croatian National Bank**

## CONTENT

page

---

I	OPINION	1
II	CNB Data	3
	Competence and internal organisation	3
	Internal controls	6
	Planning	10
	Financial reporting	13
	Public procurement	15
	Operating expenses	16
	– Staff costs	17
	– Administrative expenses	34
	Management and use of fixed assets	54
III	2023 AUDIT	59
	Audit objectives and areas	59
	Implementations of 2020 recommendations	78

## I OPINION

The 2023 Compliance Audit of the Croatian National Bank was carried out pursuant to provisions of Articles 11, 12, 13, 19 and 21 of the Act on State Audit Office (Official Gazette 25/2019).

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, management and use of real property, movable property and equipment with laws, regulations and internal bylaws that have a material impact on CNB operations.

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.

The audit was planned and carried out with an aim to express an opinion whether CNB operations comply with laws, regulations and internal bylaws. The compliance of operations received an unqualified opinion.

The audit was conducted in the manner and in compliance with the procedures set forth by the Framework of professional principles, standards and guidelines of the International Organisation of Supreme Audit Institutions (INTOSAI) Official Gazette 66/2023) and the Code of Professional Ethics of State Auditors.

### **UNQUALIFIED OPINION ON COMPLIANCE OF OPERATIONS**

According to the opinion of the State Audit Office, the CNB's 2023 operations complied in all material respects with laws, regulations and internal bylaws referred to in chapter III, THE 2020 AUDIT, Criteria for expression of opinion.

#### ***Basis for an unqualified opinion on compliance of operations***

The opinion on compliance of operations was expressed in accordance with ISSAI 400 Fundamental Principles of Compliance Auditing and associated audit standards. Sufficient and appropriate audit evidence was compiled for the expression of opinion. A review of compliance of operations against the criteria for expression of opinion established no material irregularities

#### ***CNB's obligations***

The CNB is obligated to utilise funds purposefully and run its operations in compliance with laws, regulations and internal bylaws.

### ***Obligations of the State Audit Office***

Pursuant to International Standards of Supreme Audit Institutions, ISSAI 400, item (13), Principles of Compliance Auditing, the objective of the compliance audit is to express an opinion whether the subject of the audit operated in compliance with the laws, regulations and internal bylaws.

In conducting the audit, state auditors assess the risks of operations not being carried out in accordance with laws, regulations and internal bylaws. Based on the risk assessment they determine the audit approach and procedures and collect sufficient and appropriate audit evidence, ensuring the basis for expressing an opinion. In addition, they check internal controls that ensure compliance of operations.

Pursuant to the provisions of Article 11, paragraph (1) of the Act on the State Audit Office, the State Audit Office is authorised to examine and assess the use of funds by the Croatian National Bank which do not directly pertain to pursuit of objectives and execution of tasks prescribed 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.

In addition, in accordance with the provisions of Article 12 of the Act on the State Audit Office, the activities subject to the audit of operations of the Croatian National Bank by an independent external auditor shall not be subject to the audit conducted by the State Audit Office. The State Audit Office is not authorised to examine or assess the fulfilment of the objectives and tasks of the Croatian National Bank prescribed by the law governing the operations of the Croatian National Bank, nor the tasks prescribed by other laws or tasks that 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 State Audit Office expresses its opinion on the compliance of CNB's operations with laws, regulations and internal bylaws, stipulated in chapter III, THE 2023 AUDIT, Criteria for expression of opinion.

## II CNB Data

### Competence and internal organisation

The Croatian National Bank has legal personality with the rights, obligations and responsibilities determined by the Constitution of the Republic of Croatia (Official Gazette 56/1990, 135/1997, 8/1998 – consolidated text, 113/2000, 124/2000 – consolidated text, 28/2001, 41/2001 – consolidated text, 55/2001 – corrigendum, 76/2010, 85/2010 – consolidated text and 5/2014 – Decision of the Constitutional Court of the Republic of Croatia), Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020) (hereinafter referred to as 'Act on the CNB') and other regulations. The CNB's seat is in Zagreb. The CNB is represented by the Governor. The CNB is not entered in register of companies The Republic of Croatia guarantees for the obligations of the CNB. The capital of the CNB is 331,807,021.04. The CNB is owned solely by the Republic of Croatia.

Pursuant to the provisions of Article 53 of the Constitution of the Republic of Croatia, the CNB is the central bank of the Republic of Croatia. The CNB is autonomous and independent and reports on its operations to the Croatian Parliament. The organisation, objectives, tasks and competence of the CNB are governed by law.

The Act on the CNB governs the status, the position, the objectives, the tasks and the organisation of the CNB, as well as other issues important for the functioning and operation of the CNB, the relationship between the CNB and the Republic of Croatia, credit institutions, international institutions and organisations, and bodies and institutions of the European Union, the tasks and competences of the CNB as of the date of accession of the Republic of Croatia to the European Union, the tasks and competences of the CNB in cooperation with the Single Resolution Board and the tasks and competences of the CNB after the introduction of the euro as the official currency of the Republic of Croatia.

The objective of the CNB is to maintain price stability.

The CNB is an integral part of the European System of Central Banks. Pursuant to the provision of the Treaty on the Functioning of the European Union, Statute of the European System of Central Banks and of the European Central Bank, directly applicable regulations of the European Union and the Act on the CNB, the CNB must work on the accomplishment of the objectives and tasks of the European System of Central Banks. The CNB is part of the European System of Financial Supervision and as such participates in the work of the European Banking Authority and the European Systemic Risk Board.

The tasks of the CNB as part of the European System of Central Banks pursuant to the Treaty on the Functioning of the European Union and the Statute of the European System of Central Banks and the European Central Bank are as follows (Article 88 of the Act on the CNB):

- 1) participate in the implementation of monetary policy of the European Union;
- 2) conduct foreign exchange operations as set out in Article 219 of the Treaty establishing the European Union; and
- 3) ensure the smooth operation of payment systems.

The CNB carries out the following tasks in accordance with the relevant legal acts of the European Union, its institutions and bodies (Article 89 of the Act on the CNB):

- 1) manages the assets referred to in Article 100, paragraph (1) of the Act on the CNB;

2) issues and withdraw or revoke authorisations and approvals and adopt other decisions in accordance with the laws governing the operation of credit institutions and the operation of credit unions, payment service providers, electronic money issuers and payment systems, payment operations, the issuance of electronic money as well as foreign exchange operations and the operation of authorised foreign exchange offices;

3) exercises supervision and oversight in accordance with the laws governing the operation of credit institutions and credit unions, payment service providers, electronic money issuers and payment systems, payment operations and the issuance of electronic money;

4) opens accounts for and accept deposits from credit institutions, executes payment transactions across these accounts and grants loans to credit institutions;

5) collects and processes statistical data;

6) regulates and improves the payment system and ensures its smooth operation;

7) acts as fiscal agent for the Republic of Croatia and performs other operations on behalf of the Republic of Croatia, as provided by law;

8) adopts subordinate legislation on the operations within its competence;

9) implements macroprudential policy for the purpose of contributing to maintaining the stability of the financial system as a whole; and

10) performs other operations as provided by other regulations.

By introducing the euro as its official currency on 1 January 2023, the Republic of Croatia became a euro area member state, thus completing the procedure started in 2017 with the preparing of the Strategy for the Adoption of the Euro in the Republic of Croatia. When Croatia joined the euro area, that is, when the CNB became member of the Eurosystem the manner of its operation changed. The most important change is related to the CNB being included in the formulation and operational implementation of the monetary policy for the euro area. Namely, on 1 January 2023 the Governor of the CNB became member of the Governing Council of the European Central Bank, which formulates, the joint monetary policy, while the CNB as the national central banks implements this policy within the Croatian financial system. Further, the CNB continues to be competent for macroprudential policy and in cooperation with the European Central Banks it carries out the supervision and oversight of credit institutions, in the framework of the Single Resolution Mechanism it carries out the resolution of credit institutions, ensures the smooth operation of the payment system, provides cash to the economy, participates in the production of official statistics and oversees. the implementation of anti-money laundering and terrorist financing measures in institutions under its supervision. In performing the said activities, the CNB cooperates, within the framework fo different committees and working bodies with the European Central Bank, with the European Central bank and other national central banks of the Eurosystem.

According to Article 21 of the CNB Statute, the organisation and manner of operation of the CNB is governed by the general act and the organisational structure of the CNB and other internal bylaws adopted by the Governor. The organisation of the CNB is governed by the Ordinance on the organisational structure of the CNB. The CNB is organised as a single organisational unit striving to accomplish the set objectives and tasks of the central bank as laid down by the Act on the CNB, the CNB Statute and other regulations. In order to accomplish the CNB's objectives and tasks with regard to the CNB's role and Croatia's entry in the euro area, a new Ordinance on organisational structure of the CNB was adopted in December 2022.

The activities and tasks of the CNB are carried out within the organisational units specified in the Ordinance on the organisational structure of the CNB. Pursuant to the

provisions of Article 5 of the Ordinance on the organisational structure of the CNB, the CNB is organised into 14 areas (39 departments and 54 divisions) and 9 offices. The Visitors' Centre represents a special organisational unit.

In 2023, the CNB started preparations on the establishment of the information-education centre, i.e. the Money Museum of the Croatian National Bank – Moneterra, aiming to make citizens regardless of their age or academic background acquainted with the concept and history of money, monetary policy, central banking, banks and their development, financial crises and other topics relevant to their personal finances.

The activities of the CNB include the following: analysis of the monetary policy transmission mechanism and shaping of monetary policy measures, analyses of risks to financial stability and macroprudential policy shaping, research, preparation of economic analyses and preparation and implementation of macroeconomic models, statistics, monetary policy implementation, foreign exchange reserves management, tasks relating to international and European relations, prudential regulation and supervision, payment services, treasury, controlling, finances and accounting, development of application systems and system support, operative support function (human resources management, technical and general services, procurement and business protocol); communication, expert and administrative support to the CNB management and the Council internal audit; security; legal affairs; consumer protection monitoring; credit institution resolvability assessment; foreign exchange regulation: succession issues; compliance of operation and informing and training different segments of the public on the role, objectives, competences and activities of the CNB

As at 1 January 2023, the CNB's team counted 735 employees, and as at 31 December 744 employees, of which eight officials. In 2023, 43 staff members were employed (34 were newly employed and nine exercised their right to reactivate their employment with the CNB) and 34 employees left the CNB (18 terminated their employment contract and 16 applied for non-active status of their employment relationship).

According to the provisions of Article 7 of the Rules of operation, the CNB's needs for employment of new staff are established by the Governor in the CNB's Operating plan. It has been set forth in the 2023 Operating plan, within the framework of the Human resources plan that the expected number of employees in professional and managerial positions is expected to reach 773. At the end of the year, this number was 29 employees or 3.8% short of the plan.

The management of the CNB is governed by the Act on the CNB, the Treaty on the Functioning of the European Union and the Statute of the European System of Central banks and the European Central Bank.

According to the provisions of Article 41 of the Act on the CNB, the decision-making bodies of the CNB are the Council of the Croatian National Bank and the Governor of the Croatian National Bank. The Governor, Deputy Governor and Vicegovernors of the CNB are appointed by the Croatian Parliament at the proposal of the Elections, Appointments and Administration Committee, taking into account the opinion of the Finance and Central Budget Committee. The members of the CNB Council are appointed for a term of six years.

The CNB Council is competent and responsible for the achievement of the objective and the carrying out of the tasks of the CNB. The CNB Council defines policies with respect to the activities of the CNB. It is competent for adopting the financial plan of the CNB,

reporting to the Croatian Parliament on the financial condition, degree of price stability achieved and the implementation of the monetary policy, adopting the CNB Statute and for other activities referred to in Article 104 of the Act on the CNB. The CNB Council takes decisions on matters within its field of activity at its meetings. The CNB Statute specifies the matters within the competence of the Council of the Croatian National Bank which the Council of the Croatian National Bank may delegate to the Governor. The CNB Council consists of eight members, including the Governor, Deputy Governor and six Vicegovernors of the CNB. The Governor of the CNB is the chairperson of the CNB Council.

According to the provisions of Article 43 of the Act on the CNB, the Governor of the CNB is responsible for implementing the decisions of the Council. The Governor manages and governs the operation of the CNB, organises its functioning, represents and acts for the CNB, adopts internal bylaws on the internal organisation and job classification in the CNB and internal bylaws on the rights, duties and responsibilities of the CNB employees, the Governor adopts internal bylaws on the functioning and development of the CNB information system, appoints and removes from office persons vested with special powers and responsibilities in the CNB.

In addition, the Governor specifies the conditions for and methods of exercising the supervision and oversight, the types, time limits, order of and procedure for taking measures with respect to credit institutions, adopts decisions in the process of supervision and oversight of these institutions, adopts subordinate legislation, decisions and internal bylaws on matters within the field of activity of the CNB and decides on other issues falling within the competence of the Governor of the CNB pursuant to the Act on the CNB and other laws and regulations. The Governor of the CNB is authorised to issue instructions for the uniform implementation of subordinate legislation and decisions of the CNB Council. The Governor of the CNB is a member of the General Council of the European Central Bank.

In accordance with the provisions of the CNB Statute, the Governor of the CNB represents and acts for the CNB and the Deputy Governor and Vicegovernors shall do so within the limits of authority granted to them. The Governor may authorise employees of the CNB or other persons to act for the CNB in property and other relations. The documents of the CNB may be signed by other employees of the CNB within the limits of authority granted in accordance with special decisions of the Governor of the CNB.

At the time of the audit, the Governor of the Croatian National Bank was Prof. D. Sc. Boris Vujčić, Deputy Governor D. Sc. Sandra Švaljek, and Vicegovernors D. Sc. Michael Faulend, Bojan Fras, M. Sc. Slavko Tešija, D. Sc. Roman Šubić, M. Sc. Ivana Jakir Bajo and D. Sc. Tomislav Ćorić.

The CNB holds a 100 percent share in the capital of Hrvatska kovnica novca d.o.o., the main activity of which is the production of money, medals of gold and other precious metals, the production of coins and commemorative coins, production of jewellery and related products and trading in gold and other precious materials. The consolidated financial statements are not prepared because investment in Hrvatska kovnica novca is neither quantitatively or qualitatively significant.

### **Internal controls**

The system of internal controls is a set of procedures and measures put in place with an aim of achieving operational efficiency, reliable financial reporting and compliance of

operations with laws and regulations. The procedures and measures are described in internal bylaws, ordinances, methodologies, procedures and operating instructions.

– Internal audit

Pursuant to Article 51 of the CNB Statute, the internal audit unit is organised as an independent organisational unit directly accountable to the Governor, for the purpose of continuous and comprehensive oversight of operations. It has been laid down that internal audit shall evaluate and improve the efficiency of risk management, internal control systems and management procedures of the CNB, periodically audit the performance of persons vested with special powers and responsibilities and of all organisational units of the CNB in order to ensure strict compliance with the laws and regulations applying to the CNB, perform audits and give recommendations to the Governor of the CNB on the accounts and books, as well as on the accounting procedures and controls and audit financial statements.

The Ordinance on internal audit (December 2002) lays down the powers, the responsibilities and the tasks of internal audit, including planning, implementation and reporting on performed audits. The Office audits operations and provides advisory services to all organisational levels of the CNB. It assesses the adequacy of the internal control system and reports to competent persons, the Governor and the CNB Council on the performance of the internal controls system. The Internal Audit Office reports on its activities to the CNB's Audit Committee. A report has been prepared on the work of the Internal Audit Office for the period 1 March 2023 to 29 February 2024.

The Internal Audit Office 2023 Work plan envisaged four audits. The audits were initiated in 2023, of which two were completed in within the reporting period and two will span the next reporting period. In addition, two audits under the Internal Audit Office 2022 Work plan were completed. Four completed audits ended in five audit reports, of which four subjects of the audit were assessed as "adequate" internal control systems, while one was assessed as "minimally adequate". In addition, eleven follow-ups were conducted regarding the implementation of recommendations and one control of balance in the vaults.

In addition, the Internal Audit Office is responsible for the implementation of tasks under the Audit Charter for the Eurosystem/European System of Central Banks and the Single Supervisory Mechanism and participates in the work of the Internal Auditors Committee and carries out the joint audit engagements of the Eurosystem/European System of Central Banks and the Single Supervisory Mechanism functions. The Internal Audit Office participates in annually planned audits by the Internal Auditors Committee (the decision-making bodies of the European Central Bank approve the annual audit plan) of the tasks and activities of the Eurosystem/European System of Central Banks and the Single Supervisory Mechanism. The Internal Audit Office schedules these audits in accordance with the set joint audit plan. In the 2023 period under review the Internal Audit Office completed six audits under the 2023 Annual plan of the Internal Auditors Committee.

– Audit Committee

According to Article 22a of the CNB Statute, for the purpose of strengthening internal and external controls and contributing to further improvement of the CNB's corporate management within the Eurosystem. The CNB Council adopted a decision to appoint the CNB Audit Committee. The Decision on the appointment of the CNB Audit Committee laid down its competence. In November 2022, the Council adopted the Decision on the Audit Committee of the Croatian National Bank. On the date of entry into force of this Decision, the Decision on the appointment of the Audit Committee of 2015 ceased to have effect. The

Governor adopted decisions appointing the chairperson and three members of the Audit Committee for a period of three years.

According to the provisions of Article 5, paragraph (1) of the Decision on the Audit Committee of the CNB, the Audit Committee has the following tasks: reporting to the CNB Council of the results of external audit and explaining the manner in which the external audit contributed to the integrity of financial reporting and explains the role the Audit Committee played in this process, monitors the process of financial reporting and submits recommendations and proposal in this regard, monitors the efficiency of the internal quality control system, the risk management system, of internal audit, etc. In 2023, the Audit Committee held six meetings discussing the tasks within its competence.

– Code of Conduct

By virtue of the Code of Conduct of the CNB which entered into force in June 2023 the Code of Conduct of September 2021 and the Amendments to the Code of Conduct of the CNB of November 2021 ceased to have effect. The Code of Conduct of the CNB implemented the Guideline (EU) 2021/2253 of the European Central Bank of 2 November 2021 laying down the principles of the Eurosystem Ethics Framework (ECB/2021/49) Guideline (EU) 2021/2256 of the European Central Bank of 2 November 2021 laying down the principles of the Ethics Framework for the Single Supervisory Mechanism (ECB/2021/50) harmonising the ethical rules of the CNB with those of other European central banks.

By adopting the Code of Conduct, the CNB adopted the principles of the ethic framework of the Eurosystem and the Single Supervisory Mechanism and established the standards of ethical conduct and integrity of the CNB's employees directed at strengthening transparency, independence, impartiality and professional conduct of the CNB and its public role.

The ethical values prescribed by the Code of Conduct apply to all CNB employees and where appropriate to external agents performing tasks associated with the CNB's tasks. the Provisions of the Code of Conduct apply together with the provisions of the CNB Statute and of the Act on the Prevention of Conflict of Interests (Official Gazette 143/2021 and 36/2024).

The purpose of the Code of Conduct of the CNB is to create the preconditions for ethical behaviour and responsible conduct of the Bank's employees. Responsible, honest, independent and impartial conduct, avoidance of any form of inappropriate behaviour, professionalism, transparency, equality, diversity and inclusion make the core ethical principles of the Bank, while compliance with ethical rules is a personal responsibility of all employees.

Employees are obligated to avoid situations which might lead to the conflict of interests and mechanisms have been put in place to avoid and prevent such conflict of interests. Communication is open, accurate and professional, with special attention being paid to preserving the confidentiality of information. Any misuse of non-public information is prohibited. Employees are prohibited from accepting advantages connected with the performance of their work and exceptions to this rule are regulated in detail.

In addition to the Code of Conduct of the CNB, the ethics framework of the CNB consists of the following: Decision on the limits to key private financial transactions of the

employees of the CNB, Decision on the management of the conflict of interest and Decision on exceptions to the prohibition to accept advantages.

Pursuant to the provisions of the Decision on the limits to key private financial transactions of the employees of the CNB of June 2023, CNB employees, are, among other things, prohibited from conducting key private transactions (transactions connected with the exercise of the tasks of the Eurosystem and the Single Supervisory Mechanism) with: equity and debt instruments issued by the regulated entity, derivative financial instruments with equity and debt instruments issued by the regulated entities and shares in joint investment programmes with investment policy related exclusively to regulated entities.

Pursuant to the provisions of the Decision on the management of the conflict of interest a procedure is in place for reporting, assessment and conduct in cases of conflict of interest, including the apparent conflict of interests.

The Compliance Office is an organisational unit of the CNB competent for promoting ethical behaviour of employees, providing education, advice, opinions and recommendations, creating policies and procedures governing the ethical values of the CNB, conducting oversight of the implementation of the Code of Conduct and identifying, assessing and monitoring risks related to money laundering and terrorist financing at the CNB level. The tasks of the Office are laid down in the Ordinance on the organisational structure of the CNB. In September 2020, the Governor of the CNB adopted the Rules of Procedure of the Compliance office defining the objectives, the scope and the manner of operation of the Compliance Office.

The Office carries out oversight pursuant to the Annual audit plan and prepares the Annual report on the activities of the Office. In March 2024, the Office submitted to the Governor of the CNB the Annual report on the activities of the Compliance Office for 2023 containing the description of the completed activities of the Compliance Office and assessment of the compliance of organisational units of the CNB and the CNB as a whole. The Office participated in the preparation of the new ethics framework and other internal bylaws. Further, it educated employees on the ethics framework of the CNB, provided instructions and council, and answered employee queries or queries by different organisational units, provided opinions and interpretations of individual provisions of the acts constituting the CNB's ethics framework. In addition, it carried out the regular oversight of the code of ethics compliance.

Based on the conducted oversight the Office assessed the risk of code of ethics non-compliance for 28 organisational units of the CNB as low, and for two organisational units of the CNB as medium risk of code of ethics non-compliance. The organisational units identified to be under medium risk were provided adequate recommendations. In addition, by implementing the Decision on the limits to key private financial transactions of the employees of the CNB, the Compliance Office keeps and regularly updates Lists of regulated entities and equity and debt instruments issued by non-regulated entities and purchased by central banks of the Eurosystem within the framework of any asset purchase programme of the European Central Bank.

– Confidential person

Pursuant to the provisions of the Whistle-blower Protection Act (Official Gazette 46/2022), in June 2022 the Governor adopted the Ordinance on the method of appointing a confidential person and the internal whistleblowing procedure. The Ordinance governs the procedure of reporting irregularities and of the appointment of the confidential person and deputy confidential person in the CNB. In July 2022, the Governor of the CNB adopted the

Decision on the appointment of a confidential person and deputy confidential person in the CNB. The confidential person and deputy confidential person receive reports of irregularities and undertake actions aimed at examining irregularities, that is, forward the reports to competent authorities, notify the whistle-blower of the outcome of report examination, monitor the implementation of the act governing the protection of whistle-blowers and promote compliance with legal solutions and the protection of whistle-blowers. Information on the confidential person and deputy confidential person and the manner of submitting reports, as well as the form for reporting irregularities are available on the CNB's website. The confidential person prepares and submits the report on irregularities in the previous year to the Governor by 31 January of each year.

The report on the activities of the confidential person and the report on irregularities in 2023 of January 2024 states that no reports of fraud or corruption , or irregularities relating to internal whistleblowing were reported in 2023.

#### – Personal data protection

Pursuant to the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) the CNB appointed a data protection officer the contact details of whom are available on the CNB's website. In addition, the contact information of the Information Officer, information on the manner of submitting requests for access to information, as well as information and documents that the CNB is obligated to publish under the Act on the Right of Access to Information (Official Gazette 25/2013, 85/2015 and 69/2022). The Report on the implementation of the Act on the Right of Access to Information in 2023 was also prepared and published on the CNB's website.

## **Planning**

The strategic planning is regulated by the Strategic planning methodology of July 2021, and annual planning by the provisions of the Act on the CNB and the Operational planning methodology of December 2022. The provision of Article 59 of the Act on the CNB prescribes that the CNB forecast its income and expenditures in the financial plan that is adopted by 31 December of the current year for the next year. The CNB is competent for adopting the financial plan.

The strategic planning determines the direction of the future development of the CNB for a period of three years or some other period if so specified by the Governor. The strategic planning is a process that includes determining the vision, mission and core common values and the drawing up of the CNB's Strategic plan and the Three-year guideline for strategic planning in the CNB.

According to the Strategic planning methodology, the strategic plan is a document that builds on the objectives stipulated in the CNB's mission and is created and implemented in accordance with the Methodology. The Strategic plan contains the strategic objectives for a specific period. The preparation process of the Strategic plan for a specific strategic period is initiated by the order of the Governor. The Strategic plan is adopted by the Governor for the determined strategic period and it consists of: introduction, vision, mission, guidelines which take into account the current environment and strategic objectives.

According to the Strategic planning methodology, strategic areas are unified business functions of the CNB represented by name and number. The strategic areas for a particular strategic period are determined by the Governor when initiating the process of strategic planning. The allocation of an organisational unit to a strategic area depends on the business area for which it is competent. A Strategic area plan is prepared for each strategic area. The Strategic area plans constitute integral parts of the Three-year guideline for strategic planning.

Pursuant to Article 14 of the CNB Statute and items 2.5.3. and 2.6.3. of the Strategic planning methodology, the Governor adopted a decision identifying strategic areas (in October 2022, as amended in November 2023). A Three-year guideline for strategic planning in the CNB for the period from 2024 to 2026 was adopted in November 2023.

Due to specific circumstances of the entry of the Republic of Croatia in the euro area on 1 January 2023 and challenges in the period thereafter, the Strategic plan was adopted after the introduction of the euro. The Strategic plan for the period from 2024 to 2026 was thus adopted in November 2023. The strategic objectives for the planned period arise from the key objective and tasks determined by the Act on the CNB, which are at the same time long-term guidelines, and the impacts and required adjustment to the environment, which are: maintaining price stability, preserving financial stability, efficient functioning of payment system and cash supply system, successful integration in the Eurosystem, orientation towards sustainable development and efficient, responsible and transparent management of the organisation.

The CNB's Operational planning methodology consists of the Ordinance on operational planning and instructions for the preparation of the following: Activities plan, Human resources plan, Procurement plan, Expenses plan, Planned banknote and coin requirements, Plan of income and expenses from monetary operations and other positions, Plan of income and expenses from financial assets management and the Financial plan.

Pursuant to the CNB's Operational planning methodology and Ordinance on operational planning the Governor adopted the 2023 Operating plan, consisting of the 2023 Financial plan, Activities plan, Human resources plan, Procurement plan, Expenses plan, Planned banknote and coin requirements, Plan of income and expenses from monetary operations and other positions and Plan of income and expenses from financial assets management.

**The 2023 Financial plan** which constitutes an integral part of the Operating plan was adopted by the CNB Council at the meeting held on 21 December 2022. The 2023 Financial plan provided for income and expenses in accordance with the items of the Profit and loss account which is part of the CNB's financial statements.

The total income and expenses envisaged under the CNB's 2023 Financial plan, are among other indicators, additionally broken down into two groups as planned expenses arising from functions and planned expenses arising from regular operations. Expenses arising from regular operations are subject to audit procedures. According to the Plan of expenses arising from CNB's regular operation for 2023, the expenses of regular operations totalled EUR 75,458,600.00. Funds for the acquisition of assets are planned at EUR 27,419,371.50.

**The 2023 Activities plan** is one of the basic documents of the CNB's Operating plan and the foundation for the preparation of other plans. It is prepared on the basis of activities plans of different organisational units (39 departments, 9 offices and the Visitor's Centre).

The planned activities are connected with the tasks under the Act on the CNB, strategic areas identified pursuant to the CNB's Strategic planning methodology and CNB's strategic objectives. The planned activities comply with the Ordinance on the CNB's organisational structure.

**The 2023 Human resources plan** includes the specification of the existing and expected number of employees by professional, other and managerial positions and the specification of future employment needs by organisational units and professional positions, as well as a plan of educational needs.

According to the Plan of financial assets for procurement in 2023 the total estimated value of procurement procedures totalled EUR 120,402,060.00 without value added tax (hereinafter referred to as 'VAT'), and the financial commitment for 2023 amounts to EUR 106,538,985.50. The Plan of financial assets for procurement is created based on the CNB's Procurement plan which is publicly disclosed and which is, pursuant to the Public Procurement Act (Official Gazette 120/2016 and 114/2022), prepared by the organisational unit competent for procurement.

In addition to information on the subject and value of procurement without VAT taken over from the CNB's Procurement plan, the Plan of financial assets for procurement, also contains the declared value of the procurement including VAT, and based on this value, the financial commitment in the planned year. The financial commitment, that is the planned amount in the planned year, also includes, in addition to the amounts related to procurement procedures during the planned year, the amounts related to procurement procedures completed over previous years but whose impact is felt in the planned year. The Plan of financial assets for procurement which constitutes an integral part of the Operating plan is the basis for the preparation of the CNB's Expenses plan and at the same time the basis for the preparation of the CNB's Financial plan as the umbrella document of the Operating plan.

According to the Operational planning methodology, the Plan of financial assets for procurement is a document which shows the financial assets for the procurement of goods, works and services in order for these assets to be ensured in the CNB's Financial plan adopted by the CNB Council.

**The 2023 Expenses plan** includes expenses that are planned in the group of operating expenses under the CNB's 2023 Financial plan, in the amount of EUR 113,280,700.00, of which staff costs are EUR 37,151,200.00, administrative expenses EUR 29,452,100.00<sup>1</sup>, the costs of production of banknotes and coins EUR 37,026,400.00 and depreciation and amortisation costs EUR 9,651,000.00.

According to the provisions of the Ordinance on operational planning a report is prepared on the execution of the CNB's Financial plan. In March 2024, the Report on the execution of the CNB's 2023 Financial plan was adopted, pursuant to which operating expenses totalled EUR 98,140,769.77, of which staff costs EUR 35,045,775.48, administrative expenses EUR 30,070,902.30, the costs of production of banknotes and coins EUR 23,173,133.68, depreciation and amortisation costs EUR 9,762,930.15 and other costs EUR 88,028.16.

---

<sup>1</sup> Planned administrative expenses also include the costs of protecting and transporting money, destroying and disposing of unfit banknotes and coins, and the costs of banknote and coin storage and safekeeping services in the amount of EUR 795,700.00 which are not subject to audit procedures.

## Financial reporting

Under the provisions of Article 60 of the Act on the CNB, the CNB prepares financial statements in accordance with the Guideline of the European Central Bank, and for reporting transactions not regulated by the Guideline (Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34)) the CNB applies, provided there is no decision to the contrary by the CNB Council, the valuation principles in accordance with the International Financial Reporting Standards, as adopted by the European Union, which are relevant to the CNB operations and statements.

The Annual financial statements for 2023 were prepared, in particular: Balance Sheet as at 31 December 2023, Profit and Loss Account and Notes to financial statements. The Annual financial statements for 2023 were adopted at the meeting of the CNB Council held in March 2024. The CNB's 2023 Financial statements were prepared in accordance with Article 60 of the Act on the CNB.

The result of the 2023 Profit and Loss is EUR 0.00. The Profit and Loss account was unfavourably affected by the accrued costs of participation in the allocation of the Eurosystem monetary income. Namely, in accordance with the provisions of Article 107 of the Act on the CNB, the annual financial statements of the CNB also include the portion of monetary income of the European System of Central Banks and the European Central Bank, as determined by the European Central Bank pursuant to Article 32 of the Statute of the European System of Central Banks and the European Central Bank and accrued in the implementation of the common monetary policy.

Namely, all national central banks of the Eurosystem participate in the allocation of income and expenses accrued in the implementation of the common monetary policy, whereby certain income and expenses are recorded during the calendar year and adjusted to the Eurosystem's allocation key at the end of the calendar year. Arising on this basis, the CNB had an obligation to make an additional contribution in 2023 to the common monetary income so the cost of net result of pooling of monetary income totalled EUR 224,666,984.02. To offset the negative impact of the pooling of monetary income, the loss absorption buffer was reduced by an amount of EUR 201,612,635.14. According to the data from the Balance Sheet as at 31 December 2023, the value of asset and liabilities was EUR 47,499,745,777.56.

Accounting policies and Accounting procedures have been put in place to objectively and realistically report the value of assets, liabilities, capital and operating results. Accounting policies comprise principles, bases, rules and procedures as a basis for reporting assets, liabilities, capital, income and expenses in business books and financial statements of the CNB. Accounting policies have been amended due to the introduction of the euro as the official currency of the Republic of Croatia and the CNB joining the Eurosystem.

Accounting policies are founded on the provisions of the Act on the CNB, the Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34), International Financial Reporting Standards as published in the Official Journal of the European Union and the Accounting Act (Official Gazette 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020 – corrigendum, 114/2022 and 82/2023) applied as appropriate. Business books comprise: the log, the main ledger and ancillary ledgers.

Financial statements comprise: the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flow, and notes.

Accounting procedures include procedures by which business events are recorded. They also include control procedures ensuring the accuracy and reliability of accounting records.

The CNB prepares and publishes on its website its annual financial report, which among other information contains, financial statements together with the independent auditor's report. The CNB's 2023 Annual Report was submitted to the Croatian Parliament in May 2024. A part of its Annual Report is also the 2023 Climate Report which contains climate metrics for CNB's non-monetary portfolios. Namely, the central banks of the Eurosystem have agreed on a common framework for climate-related disclosures for non-monetary portfolios. In 2021, the CNB made a Climate pledge and joined the European and International efforts and became member of the Network for Greening of the Financial System.

In accordance with the provisions of Article 62, paragraph (1) of the Act on the CNB, the CNB informs the Croatian Parliament on a semi-annual basis about financial condition, the level of price stability achieved and monetary policy implementation. The Semi-annual Information on the Financial Condition, the Degree of Price Stability Achieved and the Implementation of Monetary Policy for the first half of 2023 was submitted to the Croatian Parliament in November 2023 and the Semi-annual Information on the Financial Condition, the Degree of Price Stability Achieved and the Implementation of Monetary Policy in the second half of 2023 was submitted to the Croatian Parliament in July 2024.

In accordance with the provision of Article 62, paragraph (2) of the Act on the CNB, the CNB, on a monthly basis and at the latest within ten working days from the end of the previous month, prepares, draws up and submits to the Ministry of Finance its summary balance sheet as at the last day of the respective month.

The Semi-annual Information on the Financial Condition, the Degree of Price Stability Achieved and the Implementation of Monetary Policy and the 2023 Annual Report are published on the CNB website.

#### – External audit of financial statements for 2023

The decision on the selection of the auditor to audit the financial statements of the CNB is made by the Finance and Central Budget Committee of the Croatian Parliament on the proposal of the CNB Council pursuant to the provisions of Article 61 of the Act on the CNB. The audit of prepared financial statements and the overall operation of the CNB is carried out by independent external auditors in accordance with audit regulations and the International Auditing Standards. On the proposal of the CNB Council, the Finance and Central Budget Committee of the Croatian Parliament adopted in October 2021 the Decision on the selection of the audit firm to perform the audit of the CNB's financial statements in 2022, 2023 and 2024.

The audit of the CNB's 2023 financial statements was carried out and it included the Balance Sheet, the Profit and Loss account and Notes as at 31 December 2023. In the opinion of the independent auditor, the financial statements give a true and fair view of the financial position of the CNB as at 31 December 2020, and of its financial performance and

its cash flows for the year then ended in accordance with the provisions of Article 60 of the Act on the CNB, governing the implementation of the Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34). The Audit firm reported the key issues arising from their audit to the Audit Committee.

As at the day of the introduction of the euro as the monetary unit of the Republic of Croatia (1 January 2023) the provisions of Article 108 of the Act on the CNB entered into force laying down that the decision on the appointment of an independent external auditor to audit the financial statements of the CNB is made in accordance with the Statute of the European System of Central Banks and the European Central Bank.

### **Public procurement**

The CNB carries out public procurement procedures in compliance with the provisions of the Public Procurement Act, Ordinance on the Implementation of Simple Procurement Procedures of December 2022, Ordinance on amendments to the Ordinance on the Implementation of Simple Procurement Procedures of March 2023, Ordinance on procurement, which includes security features for treasury operations of the Croatian National Bank of December 2022, Instructions for public procurement in the CNB of November 2022 and other implementing regulations and internal bylaws. The Ordinance on the Implementation of Simple Procurement Procedures lays down the public procurement procedure for subjects of procurement of estimated value below EUR 26,540.00 without VAT for goods and services and below EUR 66,360.00 without VAT for works.

The CNB Procurement plan for 2023 forecast the procurement of goods, works and services in the total estimated value of EUR 66,548,860.00. As a result of 34 amendments to the Procurement plan (and two Corrigenda to Amendments of the Procurement plan) the estimated procurement value increased to EUR 38,111,062.00. The amendments reduced the Procurement plan by EUR 28,437,798.00 or 42.7%. The reduction of in relation to the Procurement plan predominantly refers procurements planned in 2023 but not realised. The most significant procurement item removed from the Procurement plan was related to works on the construction of the vault in the total amount of EUR 36,002,390.00.

The CNB concluded certain procurement agreements through the central procurement body. Namely, as of 2013 the CNB is a member of the Eurosystem Procurement Coordination Office (hereinafter referred to as 'EPCO'), established in 2008 by the Governing Council of the European Central Bank to lay down the framework for joint procurement activities of which all national central banks are part. One member from each national central bank makes up the EPCO's Governing Council. Central banks adopt coordinated requirements and standards for goods and services serving as the basis for joint procurement of goods and services with an aim of obtaining more favourable conditions in accordance with the principles of cost efficiency and effectiveness. Within the framework of joint procurements under the umbrella of EPCO as the central procurement body, in 2023 the CNB concluded agreements with suppliers on the procurement of equipment and services.

Based on four concluded framework agreements and the agreements for which EPCO as the central procurement body completed the procurement procedure for the benefit of the CNB, EUR 449,903.50 were paid, of which the highest amount was paid based on the framework agreement for the procurement of IT equipment and services (printer cartridges, computer peripherals and personal computers) in the total amount of EUR

276,801.16 and agreements for the procurement of software packages in the total amount of EUR 106,981.88.

Pursuant to the Statistical report on public procurement for 2023, based on 71 open public procurement procedures and 14 negotiated procedures without prior publication, 83 agreements were concluded on the public procurement of goods, works and services in the total amount of EUR 26,868,155.86 and USD 1,195,099.20, seven annexes to agreements on the public procurement of goods, works and services in the amount of EUR 63,119.87 and HRK 72,467.17 (EUR 9,618.05) and two framework agreements in the amount of EUR 144,763.71. The selection criterion applied in most conducted public procurement procedures was the criterion of the most economically advantageous tender.

The procedures of simple procurement of goods, works and services reached the amount of EUR 1,961,402.39, of which goods accounted for EUR 702,548.04, services for 1,110,897.40 and works for EUR 147,956.95.

### Operating expenses

The CNB's Financial plan for 2023 forecast total operating expenses of EUR 76,254,300.00 without the costs of production of banknotes and coins. This includes staff costs of EUR 37,151,200.00, administrative expenses of EUR 29,452,100.00 and amortisation and depreciation costs of tangible and intangible fixed assets of EUR 9,651,000.00.

Table 1 shows the structure of planned and realised operating expenses.

Table 1

#### Planned and realised operating expenses<sup>2</sup>

in EUR

Row no.	Description	Planned in 2023	Realised in 2023	Index (3/2)
	1	2	3	4
I	Staff costs	37,151,200.00	35,045,775.48	94.3
II	Administrative expenses	29,452,100.00	30,070,902.30	102.1
III	Depreciation/amortisation of tangible and intangible fixed assets	9,651,000.00	9,762,930.15	101.2
IV	Other costs	0.00	88,028.16	-
	Total	76,254,300.00	74,967,636.09	98.3

Total regular operating expenses in 2023 relate to staff costs of EUR 35,045,775.48, administrative costs of EUR 30,070,902.30, costs of amortisation/depreciation of tangible and intangible fixed assets of EUR 9,762,930.15 and other costs in the amount of EUR 88,028.16. In terms of value, the most significant amounts were staff costs of EUR 35,045,775.48, accounting for 46.7% and administrative expenses of EUR 30,070,902.30 or 40.1%.

<sup>2</sup> Excluding the costs of production of banknotes and coins which are not subject to audit procedures.

The amortisation/depreciation of tangible and intangible fixed assets for 2023 totalled EUR 9,762,930.15 or 13.0% of total operating expenses. The amortisation/depreciation of tangible and intangible fixed assets is calculated on a straight-line basis pursuant to determined amortisation/depreciation rates decided by the Governor. The amortisation/depreciation of IT equipment and construction facilities accounts for the greatest share.

### – Staff costs

The staff costs planned in the CNB's 2023 Operating plan, within the framework of 2023 Expenses plan totalled EUR 37,151,200.00, of which gross salaries accounted for EUR 28,413,400.00, contributions on salaries for EUR 5,016,300.00, other gross compensations to staff for EUR 3,243,600.00 and provisions for compensations to staff EUR 477,900.00.

The staff costs were executed in the amount of EUR 35,045,775.48, which was EUR 2,105,424.52 or 5.7% below the 2023 plan. The execution below the plan was to the largest extent a consequence of a lower-than-planned number of employees at the end of the year.

According to the data from the business books, staff costs were realised in the amount of EUR 35,045,775.48, which is EUR 2,163,392.55 of 6.6% more than in the previous year. They are accounted for by gross salaries in the amount of EUR 27,134,175.71, contributions on salaries and other remuneration in the amount of EUR 4,423,238.72, other gross compensations to staff in the amount of EUR 3,081,058.26 and costs of provisions for compensations to staff in the amount of EUR 407,302.79.

Table 2 shows data on of planned and realised staff costs.

Table2

### Staff costs

in EUR

No.	Description	Planned in 2023	Realised in 2023	Index (3/2)
	1	2	3	4
1	Gross salaries	28,413,400.00	27,134,175.71	95.5
1.1	Monthly gross salaries	27,447,100.00	26,235,989.39	95.6
1.2.	Employee promotions	265,500.00	201,824.88	76.0
1.3	Bonuses and one-off monetary rewards	654,300.00	656,661.44	100.4
1.4	Extraordinary occasional benefits	46,500.00	39,700.00	85.4
2	Contributions on salaries and other remuneration	5,016,300.00	4,423,238.72	88.2
3	Other gross compensations to staff	3,243,600.00	3,081,058.26	95.0
4	Costs of provisions for compensations to staff	477,900.00	407,302.79	85.2
	Total	37,151,200.00	35,045,775.48	94.3

In terms of value, the most significant amount of staff costs, of EUR 27,134,175.71 or 77.4% were gross salaries. This includes monthly gross salaries of EUR 26,235,989.39, expenses for promotion of employees in the amount of EUR 201,824.88, one-off monetary rewards, in the amount of EUR 656,661.44 and extraordinary occasional benefits, in the amount of EUR 39,700.00.

Contributions were realised in the amount of EUR 4,423,238.72 and refer to contributions on salaries at prescribed rates, in the amount of EUR 4,202,644.22 and contributions on other remuneration to staff in excess of deductibles, in the amount of EUR 220,594.50.

Expenses on other gross compensations to staff totalled EUR 3,081,058.26 (contributions from gross compensations totalled EUR 267,318.14, and taxes and surtaxes totalled EUR 233,025.04). Other gross compensations refer to subvention of meal, transport allowance, additional health insurance premiums, premiums of voluntary pension insurance III pillar, use of company cars, parking places and garages, subsidies for interest on housing loans, compensation for sick leave above Health Fund's maximum, jubilee awards, gifts to employees and other benefits.

Costs of provisions for compensations to staff were realised in the amount of EUR 407,302.79 and relate to provisions for short-term and long-term employee benefits (provisions for unused days of annual leave, severance payments and jubilee awards).

According to the provision of Article 52, paragraph (3) of the Act on the CNB, the internal bylaws stipulating the terms and conditions of employment and work of the employees are adopted by the Governor in accordance with the Labour Act and other regulations. In order to regulate labour terms and conditions, the Governor adopted the Rules of operation, the Ordinance on salaries and other income in the CNB, 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 general bylaws.

The basis and criteria for the calculation of salaries, the manner of calculation and payment, the cases and conditions for payment of salary compensations are laid down by the provisions of the Ordinance on salaries and other income of January 2020, amendments to it of July 2020, August 2021 and November 2022 and the Ordinance on salaries and remuneration in the CNB of June 2023 (hereinafter referred to as 'Ordinance on salaries').

Employees are entitled to salaries for their work and in case of temporary inability to work they are entitled to salary compensation. Employees are entitled to other remuneration pursuant to their employment relationship as governed by law, Ordinance on salaries, other regulations or their contract of employment. Employee salaries, salary compensation and other remuneration of employees are laid down in the contract of employment. Where the contract of employment does not regulate rights related to salaries, salary compensation or other remuneration such remuneration is subject to the provisions of the Ordinance on salaries.

Employee salaries may consist of the basic salary component, various allowances and other remuneration. Employees are entitled to compensation of salary for temporary inability to work, when due to justified reasons as specified by law, Ordinance on salaries or other regulations they are absent from work or prevented to work. The calculation and payment

of taxes and contributions from and on salaries of employees were made in accordance with regulations.

The average monthly salary paid in the CNB includes salaries paid to staff members as basic salary, allowances, other remuneration and salary compensation paid by the CNB. The average gross salary paid in December 2023 for 746 employees totalled EUR 3.128,78, in gross terms, which was EUR 2,111.57 in net terms, and the average gross salary for December 2023 for eight officials totalled EUR 10,581.62 in gross terms, that is, EUR 6,620.89 in net terms.

The highest paid gross salary of officials for December 2023 for a full volume of hours of work totalled EUR 11,312.39 and the lowest totalled EUR 9,995.76, while the highest gross salary paid out to other employees in December 2023 for a full volume of hours of work was EUR 8,586.84, and the lowest gross salary totalled EUR 1,209.94.

#### – Basic salary

Basic salary is determined based on the complexity of activities within the framework of a particular position. The basic salary of Staff members is laid down by the Ordinance on salaries for full-time work and regular work performance. It is calculated by multiplying the number of points for performance of individual activities and tasks with the number of working hours and the value of the point.

The Ordinance on professional and other positions and positions of officials in the CNB of 2 January 2020 and Ordinance on amendments to the Ordinance on professional and other positions and positions of officials in the CNB of 23 August 2021 govern professional and other positions and CNB officials. Professional positions include officers' positions, associate positions, advisory positions and managing positions. Other positions are not characteristic for CNB operations and include vocational positions (driver, maintenance worker, electrician, central heating operator and auxiliary worker). The positions held by CNB officials are the Governor, Deputy Governor and Vicegovernors of the CNB. Job descriptions include descriptions of typical responsibilities, degrees of independence, knowledge, skills and abilities and the necessary formal requirements.

The Ordinance on salaries specifies the range of points allocated to specific positions (for instance, a senior advisor may get points ranging from 775 to 975). The lowest number of points of the basic salary for all categories, including professional and other positions and officials is 205 points and the highest is 2 327 points. The narrowest range of the points of basic salary for one position is 55 points, and the highest is 455.

The number of points for professional positions in four offices and ten areas is additionally increased (for example, depending on the organisational unit, the points allocated to a senior advisor may range from 775 to 1 080). The employment contract specifies the number of points allocated to the employee within the band envisaged for the particular position by the Ordinance on salaries.

The value of the point is determined by the Decision on the value of the point by working hour for calculating the base gross salary of CNB employees that is applied from 22 December 2022. In accordance with the said Decision, the value of the point by working hour for calculating the base gross salary increased by 6.0% in relation to the value of the point for calculating the salary for December, starting from the salary for January 2023, which is paid out in February 2023 and by 2.0% in relation to the value of the point for the

previous period starting from the salary for April 2023, which is paid out in May 2023. The said increase in the point value was envisaged by the CNB's Operating plan for 2023. It was explained in the Operating plan of the CNB for 2023 that the increase in the number of points was a result of the considerable increase in the volume of work of the CNB amid the Republic of Croatia joining the CNB, which due to the complexities of the monetary policy pursued by the European Central Bank requires efforts to keep, as well as to attract financial and economic experts on a continuous basis.

As a result of the current conditions in the labour market, increased competitiveness of the financial sector (in terms of salaries) with employers competing for employees also required by the CNB, indicates the need for the CNB to maintain competitive developments in the level of its salaries, at least to a degree. Accordingly, the said Decision was adopted in line with similar developments in the CNB's external environment, for instance, in public and government services.

**The costs of employee promotion** were EUR 201,824.88, of which the costs of employee promotion within the same position were EUR 104,937.40 and the costs of employee promotion to a higher position/ due to advancement to a higher position were EUR 96,887.48. In 2023, the basic salary increased for 249 employees due to higher position. Pursuant to the provisions of the Ordinance on salaries, the basic salary may be increased within the range of points allocated for the same position provided at least two criteria of the following have been met: progress in results stemming from work experience regarding activities in the position that the employee holds, permanent expansion of the scope of activities of the same complexity and/or continued acquisition and proven application of new knowledge and skills in the performance of an employee's activities. In addition, basic salary may be increased as a result of the promotion of the employee to a higher position in case of the rise in complexity of the activities performed by the employee. An increase in salary is possible only if the employee's performance assessment has been at least an effective work performance or higher.

**Salary compensations** for the period of temporary inability to work reached EUR 650,145.98 (reimbursed by the CNB EUR 553,480.22 and reimbursed by the Croatian Health Insurance Institute EUR 96,665.76). Salary compensation for periods of temporary inability for work reimbursed by the Croatian Health Insurance institute is determined pursuant to the basis laid down in health insurance regulations. If the salary compensation for periods of temporary inability for work is reimbursed by the CNB the compensation paid totals 95.0% of the base, which is the average salary of the employee in the six months preceding the temporary inability to work.

Where all the conditions are met, the basic salary of an employee is increased by salary allowances, as follows: for length of service rendered, for difficult working conditions (hardship allowance) for 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 in accordance with the powers referred to in the Act on the Resolution of Credit Institutions and Investment Firms (Official Gazette 146/2020 and 21/2022), for overtime work, for comparative value of salaries, for performing additional tasks of special interest to the CNB outside the framework of an employee's regular activities and/or the need to keep employees and/or attract new employees to the CNB and for activities of team leaders.

**The allowance for the length of service rendered** was realised in the amount of EUR 2,166,236.43. Pursuant to the provisions of Article 10 of the Ordinance on salaries, the

basic salary of employees laid down in the contract of employment is increased by 0.5% of the basic salary for each completed year of service.

**The allowance for difficult working conditions (hardship allowance)** was granted to 94 employees in the amount of EUR 155,293.53. The allowance for work under difficult working conditions requiring psychological and physical strength was realised by 46 employees in the amount of EUR 57,560.20, while the allowance for work in shifts was realised by 59 employees in the amount of EUR 97,733.33. According to the provisions of Article 11, Ordinance on salaries, the allowance for work under difficult working conditions is set at 10.0% of the basic salary of the employee expressed in the number of points.

Work in shifts is also considered as work under difficult working conditions requiring psychological and physical strength such as management and safeguarding of vault keys during 24 hours, operating machine while counting, sorting and shredding banknotes, disposal of shredded banknotes, opening, closing and operation of the payment system and handling cash and other valuables (gold and silver coins, etc.). The allowance is set at 10.0% of the basic salary of the employee expressed in the number of points. In case of multiple difficult working conditions, the hardship allowance may be increased to a maximum of 20.0%. The right to allowance is realised if it has been established by the decision of the Governor or contract of employment with the individual employee that the employee works under difficult conditions. In the period between April 2019 and December 2023, the Governor adopted eight Decisions and two amendments to the Decision on difficult working conditions. The allowance for work under difficult working condition for work in shifts was calculated in accordance with the Ordinance on salaries.

**Allowance for overtime work** granted to 267 employees in the amount of EUR 281,335.06 for 13,258.51 overtime hours worked. Overtime work is regulated by the Labour Act (Official Gazette 93/2014, 127/2017, 98/2019, 151/2022, 46/2023 and 64/2023 – Decision of the Constitutional Court of the Republic of Croatia, Rules of employment and Ordinance on salaries.

According to the provisions of Article 26, paragraphs (1), (3) and (7) of the Rules of employment, employees are obligated to work overtime with regard to full volume of hours, that is, not full volume of hours (overtime work, but not more than 10 hours per week, in case of *force majeure*, exceptional increase in the volume of work and other similar cases of urgent need. Overtime work of an employee may not exceed 180 per annum. The Governor designated persons authorised to decide on overtime work by the Decision on working hours in the CNB.

In accordance with the provisions of Article 13, paragraph (1) and (4) of the Ordinance on salaries, the basic salary of employees expressed in points is increased in the following circumstances: by 30.0% for night work, by 50.0% for overtime work on Sundays, by 100.0% for work during holidays or non-working days and by 50.0% for overtime work. Allowances on the basic salary expressed in points are cumulated when there is more than one condition met.

Authorised persons submitted requests for overtime work of individual employees prior to the commencement of such work, specifying the reasons for overtime work. The requests describe the activities performed and specify the time when overtime work took place. The volume of overtime working hours was in line with the prescribed maximum, i.e. ten hours per week or 180 hours per annum. The maximum number of realised overtime hours worked was 180, and the minimum 2 hours of overtime work per employee.

**The allowance based on the comparative value of salaries** totalled EUR 44,713.20 for 45 employees. According to the provisions of Article 14, paragraph (1) and (3) of the Ordinance on salaries and other income in the CNB of January 2020, the allowance based on the comparative value of salaries is an increase in basic salary for employees expressed in points. The allowance may be granted to individual employees of certain organisational units from the position of chief associate upwards where there are justified reasons to align the level of their salaries with the salaries received at the same or similar position by employees of commercial banks, other financial institutions or undertakings. The allowance may amount to 20.0% of the basic salary expressed in points. In August 2022, the Governor adopted a Decision on salary allowance based on the comparative value of salaries pursuant to which employees realised the allowance in 2023. The amount of allowance for 47 employees was determined within the band of 4.5% to 20.0% of the basic salary.

According to the provisions of Article 2 of the Ordinance on amendments to the Ordinance on salaries and other income in the CNB which entered into force on 1 March 2023, the allowance based on the comparative value of salaries was replaced by 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 and/or attract new employees to the CNB.

**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** was realised by 25 employees in the amount of EUR 92,455.17. It includes the allowance arising from the need to keep employees in the total amount of EUR 80,853.54 for 21 employee and allowance based on the performance of additional tasks of special interest to the CNB in the amount of EUR 11,601.63 for four employees. According to the provisions of Article 14, paragraphs (1), (3), (4) and (5) of the Ordinance on salaries, 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 and/or attract new employees to the CNB represents an increase in the basic salary expressed in the number of points. The allowance may be determined for individual employees of certain organisational units from the position of chief associate upwards. The allowance may amount up to 20.0% of the basic salary expressed in points based on the performance of additional tasks of special interest to the CNB which go outside of the framework of regular activities for the expert position which the employee holds up to 30.0% of the basic salary of the employee expressed in the number of points based on the need to keep an employee or attract new employees to the CNB. The proposal for granting the allowance which includes an explanation, the name of the organisational unit, the position of the employee, name and surname of the employee and the percentage of the proposed increase in salary, is submitted by the head of the organisational unit with the approval of the competent manager through the Human Resources Department. The explanation of the proposal must contain clearly stated facts and circumstances justifying the allocation of allowance based on the performance of additional tasks of special interest to the CNB which are outside of the framework of regular activities for the expert position which the employee holds, that is, the data corroborating the need to keep the employee or attract new employees to the CNB. The proposal is decided by the Governor in a special decision.

**The allowance for team leaders** was realised in the amount of EUR 22,428.97. Pursuant to Article 15 of the Ordinance on salaries according to the decision of the executive

directors of the Prudential Regulation and Methodology Area, the Prudential Supervision Area and the Expert Supervision and Oversight Area, the employees working as team leaders with the Prudential Regulation and Methodology Area, the Prudential Supervision Area and the Expert Supervision and Oversight Area are entitled to a salary allowance while carrying out these activities. The allowance is determined as a value expressed in the number of points.

The amount and the manner of payment of the allowance is determined by the Governor in a special decision. Executive directors of the areas in question are obligated to notify the Human Resources Department and the Finance and Accounting Department on the appointment and removal of office of team leaders.

In June 2019, the Governor adopted a Decision on the salary allowance for team leaders in the Prudential Supervision Area, pursuant to which employees working as team leaders with the Prudential Supervision Area were awarded the right to salary allowance for the duration of the performance of these tasks in the total value of 50 points in accordance with the Decision on the salary allowance for team leaders in the Prudential Supervision Area.

**Other remuneration of employees** paid out within the framework of the basic salary were payments for extraordinary work performance and extraordinary occasional benefits.

The Ordinance on performance management of CNB employees of February 2008 and its amendments of March 2010 and April 2012 defined the process of managing the performance of CNB employees, including the monitoring and assessment of performance, an interview relating to employee competence and planning of individual business goals and individual educational needs of employees. The Ordinance also defines the impact of performance on employee income. Pursuant to the provisions of Article 16 of the Ordinance on performance management of CNB employees the assessment of employee performance affects employee income in accordance with the conditions laid down in the Ordinance on salaries.

**Payments for extraordinary work performance** were realised in the amount of EUR 656,661.44 and refer to one-off monetary rewards. One-off monetary rewards were awarded to 433 employees in the total amount of EUR 700,556.36, of which EUR 656,66.14 were paid out within the framework of basic salary and EUR 43,894.92 within the framework of other gross compensations to staff. Monetary rewards paid to employees ranged from EUR 90.00 to 3,228.86 net, per employee.

A new Ordinance on salaries was adopted in June 2023, pursuant to which one-off monetary rewards, which were previously recorded within the gross salary of employees are registered as Payments for extraordinary work performance and extraordinary occasional benefits which recorded within the framework of income based on employment relationship, which is in line with the Act on Amendments to the Labour Act (Official Gazette 151/22) which entered into force on 1 January 2023.

Pursuant to the provisions of Article 22 of the Ordinance on salaries, when an employee performs activities whose scope and qualities exceed ordinary work results, the employee may be paid out a bonus or one-off monetary reward. A bonus may also be paid out as an annual reward for extraordinary work performance in the past year. One-off monetary reward may be paid out for successful performance of tasks the results of which exceed the set standard in relation to one or more parameters (quality and/or deadline and/or quantity, where defined) as follows: 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.

The amount of bonus or one-off monetary reward to be paid out to employees is determined by the Governor, Deputy Governor, competent Vicegovernor, Chief Economist or Chief Operating Officer within the framework of the budget forecast for this purpose. One-off monetary rewards were paid out based on proposals for one-off monetary rewards.

**Extraordinary occasional benefits** totalled EUR 39,700.00. Extraordinary occasional benefits were realised by 20 employees in the amount ranging from EUR 458.39 to 2,016.96 per employee. 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 the extraordinary occasional benefits in the amount specified in the decision.

Pursuant to the provisions of Article 16 of the Ordinance on salaries, **CNB employees older than 60 (sixty) years of age or who are five years short of being eligible for full old age pension**, may be assigned to other activities, retaining their salary, if this is more favourable for the employee. Contracts of employment were concluded with five employees who were assigned to other jobs, different from their previous jobs, retaining the number of points to which their salary is indexed for the activities they previously performed. Of the five employees in question, four retired in 2023.

**Expenses for salaries and other remuneration of officials** (Governor, Deputy Governor and Vicegovernor) were EUR 1,437,859.77, of which gross salaries were EUR 1,234,076.08 and contributions on gross salaries 203,783.69. Pursuant to the provisions of Article 52, paragraph (4) of the Act on the CNB, the rights and obligations of the Governor, Deputy Governor and Vicegovernors of the CNB arising from their employment are governed by a contract of employment, the Act on the CNB and the Statute of the CNB. Pursuant to the provisions of Article 67 of the Act on the CNB, during their term of office, the Governor, Deputy Governor and Vicegovernors of the Croatian National Bank shall be entitled to a salary and to material and other rights arising from their employment pursuant to internal bylaws of the CNB. The Act on the Prevention of Conflict of Interest in the Exercise of Public Office shall apply to the rights and obligations of the Governor, Deputy Governor and Vicegovernors of the Croatian National Bank which are not set forth by the Act on the CNB or the Statute of the CNB. Pursuant to the provisions of Article 24, paragraphs (4) to (6) of the Statute of the CNB, salaries of the Governor, Deputy Governor and Vicegovernors shall be stipulated by the internal bylaw governing the salaries of employees of the CNB. Upon the termination of their term in office the members of the CNB Council may continue to work with the CNB as advisers or senior advisers with the Office of the Governor or in other positions of appropriate complexity in accordance with internal bylaws governing professional and other occupations in the CNB. The CNB is obligated to provide the members of the CNB Council in a timely manner, prior to the expiry of their term of office, with an offer for a new employment contract. Should a member of the CNB Council not continue to work with the CNB, he/she shall be entitled to compensation equivalent to his/her last salary received in the month prior to termination of the term of office until his/her new employment, but for no longer than one year following the termination of the term of office. No payments for officials whose term in office was terminated were made in 2023.

In 2023, officials realised the basic salary, the allowance for length of service rendered, salary compensation during temporary inability to work and other income laid down by the provisions of the Ordinance on salaries and decisions of the Governor (use of a car owned or leased by the CNB and private cars used for official and private purposes, use of parking space, life insurance premiums, subvention of meal, premiums for voluntary pension insurance – III pillar, occasional gifts, gifts for children, etc.).

– Other gross compensations to staff

Pursuant to the Expenses plan for 2023, within the framework of the Operating plan for 2023, expenses planned for other gross compensations to staff totalled EUR 3,243,600.00. According to data from the business books other gross compensations to staff totalled EUR 3,081,058.26.

Table 3 shows data on planned and realised other gross income.

Table 3

Other gross compensations to staff

in EUR

No.	Description	Planned in 2023	Realised in 2023	Index (3/2)
	1	2	3	4
1	Jubilee awards	178,500.00	174,752.16	97.9
2	Miscellaneous allowances	67,700.00	85,985.98	127.0
3	Severance	129,200.00	106,504.59	82.4
4	Gifts for children	80,900.00	80,510.52	99.5
5	Gifts to employees and occasional benefits	124,700.00	141,976.67	113.9
6	Use of company cars, parking places and garages	292,000.00	251,021.49	86.0
7	Subsidies for housing loans	254,600.00	236,938.34	93.1
8	Subvention of meal	51,800.00	588,480.21	113.2
9	Transportation to/from work	659,400.00	502,308.28	76.2
10	Compensation for sick leave above Health Fund's maximum	131,400.00	191,627.62	145.8
11	Life insurance premiums	148,700.00	116,704.17	78.5
12	Health and life insurance premiums	59,800.00	47,656.43	79.7
13	Expenses related to sport and recreation	38,600.00	51,610.61	133.7
14	Pension Fund - III pillar	365,000.00	366,734.10	100.5
15	Other allowances	119,500.00	36,716.34	30.7
16	Trustees and special administration in credit institutions	26,600.00	0.00	-
17	Payments for extraordinary work performance and extraordinary occasional benefits	0.00	43,894.92	-
18	Expenses for various allowances to posted workers	0.00	16,785.94	-

19	Taxable per diem allowance according to a special decision	33,900.00	18,260.89	53.9
22	Other city transportation cost on business trip	6.600.00	1,022.11	1.,5
21	Taxable per diem allowance	6.700.00	21,566.89	321.9
Total		3,243,600.00	3,081,058.26	95.0

In terms of value, a significant share in other gross income by amount was accounted for by the costs of subvention for meal in the amount of EUR 588,480.21 or 19.1%, the costs of transportation of employees to/from work in the amount of EUR 502,308.28 or 16.3%, expenses for voluntary pension insurance – III pillar, in the amount of EUR 366,734.10 or 11.9%, use of cars, parking places and garages, in the amount of EUR 251,021.49 or 8.1% and expenses for subsidies for housing loans, in the amount of EUR 236,938.34 or 7.7%.

#### – Jubilee awards

The costs of jubilee awards totalled EUR 174,752.16. Pursuant to the provisions of Article 26 of the Ordinance on salaries, employees who have been employed with the CNB for a specified number of years are entitled to a jubilee award. The right to the award is acquired after ten years of uninterrupted work with the CNB in the amount equal to 50.0% of the average monthly salary paid out in the CNB in the three months preceding the month in which the right to a jubilee award was acquired; 60.0% after 15 years of uninterrupted service, 70.0% after 20 years, 80.0% after 25 years, 90.0% after 35 years and a 100.0% after 35, 40 and 45 years. Jubilee awards were paid to 78 employees in accordance with the provisions of the Ordinance on salaries.

#### – Miscellaneous allowances

Miscellaneous allowances totalled EUR 85,985.98. Pursuant to the provisions of Article 28 of the death of an immediate family member (spouse or life partner, child, parent or supported family member), employees who are faced with disability or long-term illness rendering them unable for work for longer than 90 days, employees who experienced natural or other disasters causing large material damage or socio-economic hardship for the employee, are entitled to extraordinary assistance in the amount of at least one average monthly salary paid per employee in legal persons in the Republic of Croatia in the last month for which official data have been published. Extraordinary assistance in case of long-term illness rendering the employee unable for work for longer than 90 days may be realised once in a calendar year.

The decision on the payment of extraordinary assistance in case of disability, natural or other disaster causing large material damage or socio-economic hardship for the employee and in case of long-term illness rendering the employee unable for work for longer than 90 days is adopted by the Governor pursuant to the application submitted by the employee. In case of death of an immediate family member the extraordinary assistance is paid out by the Finance and Accounting Department pursuant to the application submitted by the employee. The immediate family of a deceased employee is entitled to emergency assistance in the amount of at least three average monthly salaries paid per employee in legal persons in the Republic of Croatia in the last month for which official data have been

published. The decision on the payment of extraordinary assistance to the family of a deceased employee is adopted by the Governor pursuant to the application of the employee's immediate family.

Assistance due to sick leave of the employee exceeding 90 days was paid out to 27 employees in the amount of EUR 41,340.00 and pursuant to the application of employees and the decision of the authorised person, while assistance in case of death of an immediate family member of an employee was paid out to 29 employees in the amount of EUR 44,645.98 pursuant to the application of employees in accordance with the provisions of the Ordinance on salaries.

– Severance

Severance payments totalled HRK 1,029,198.00. Pursuant to the provisions of Articles 24 and 25 of the Ordinance on salaries, employees are entitled to severance payments in cases and under the terms and conditions specified by law and contract of employment. When retiring, employees are entitled to be paid severance in the amount of three average monthly salaries paid in the CNB in the preceding three months. Severance was paid to 12 employees pursuant to the provisions of the Ordinance on salaries.

– Gifts for children

The costs of gifts for children totalled EUR 80,510.52. The right of receiving a gift for children was realised by 280 CNB employees. They include gifts for children in cash in the total amount of EUR 58,904.94 and gifts for children in kind in the amount of EUR 21,605.58. Pursuant to the provisions of Article 27 of the Ordinance on salaries, employees are paid out a monetary amount at Christmas and/or given a gift for each child below 15, as well as for each child turning 15 by 31 December of the current year. The decision on the amount and payment is adopted by the Governor. In cases where both parents work with the CNB, the right to gifts for children is awarded to the parent who submits to the Human Resources Department a written consent signed by both parents. In November 2023, the Governor reached the Decision on payment for gifts for children of CNB employees which stated that on the occasion of the upcoming holidays the employees of the CNB, parents of children below 15 years of age or children who turned 15 in 2023 will be paid as gift for children the amount of EUR 132.72, net, for each child. The Decision also stipulated that in addition to the monetary amount each child of a CNB employee under the age of 15 or which turned 15 in 2023 will receive a Christmas gift worth EUR 20.28, including VAT. In addition to the Christmas gift the decision envisaged that children will be given a gift card of a children's theatre. Taxable amounts of gifts for children were calculated and taxes were paid as prescribed by law.

– Gifts to employees and occasional benefits

The costs of gifts to employees and occasional benefits totalled EUR 141,976.67. Pursuant to the provisions of Article 34, paragraph (1), lines (6) and (7) of the Ordinance on salaries, the CNB may pay employees income in the form of a Christmas bonus and income as an occasional benefit paid to CNB employees. In the period from December 2022 to December 2023, the Governor reached seven Decisions on occasional benefits paid to CNB employees.

The costs of gifts to employees and occasional benefits predominantly refer to payments of Christmas bonuses in the amount of EUR 99,140.03 and occasional benefits

paid at holidays in the amount of EUR 37,560.35. In November 2023, the Governor adopted the Decision on occasional benefit paid to CNB employees, laying down that on the occasion of upcoming holidays all CNB employees would be gifted a gift in the total amount of up to EUR 50,00 including VAT. The Decision envisaged that in addition to the gift to all CNB employees, some CNB employees would be gifted the second occasional gift. Namely, the Governor, Deputy Governor, Vice Governors, Chief Economist, Business Director and two Executive Directors were specified to receive the occasional gift in the total amount of up to EUR 63,00 including VAT.

– Use of company cars, parking places and garages

Expenses for the use of company cars, parking places and garages and fuel totalled EUR 251,021.49 and were related to benefits in kind (net benefits in kind, contributions from income, tax and surtax) for the use of parking places and garages in the amount of EUR 179,638.06, for the use of cars owned or leased by the CNB in the amount of EUR 39,695.21, compensation of costs for the use of a private or leased vehicle in the amount of EUR 22,509.19 and costs of fuel in the amount of EUR 9,179.03 (for the use of a private or leased vehicle). Taxes, contributions and surtaxes were calculated on the said benefits in kind.

Benefits in kind for the use of parking places and garages for 68 employees totalled EUR 179,638.06. In June 2022, the Governor adopted a Decision on the right of use for business and private purposes all parking places and garages leased by the CNB, governing the right to use for official and private purposes of all parking places and garages leased by the CNB. The said Decision specified the positions in the CNB which make employees holding them entitled to the use of parking places and garages. Regarding users entitled to the use of parking places and garages, a Schedule and list of users of parking places and garages is prepared and updated by the Business Director. In October 2022, the Governor adopted a Decision on amendments to the Decision on the right of use for business and private purposes of parking places and garages leased by the CNB, pursuant to which the Business Director may, in exceptional cases, at the proposal of the competent manager, grant the reimbursement of parking cost to users not specified in the Schedule and list of users of parking places and garages in cases warranted and justified by business needs. In the period from 29 December 2022 to 1 December 2023, the business Director prepared four Schedules and lists of users of parking places and garages (in December 2022 and in January, March and December 2023). The Schedule and list of users of parking places and garages determines the list of users entitled to the use of parking places and garages with the accompanying allocation of parking places and garages to each individual user and the allocation of parking places and garages the use of which is envisaged for CNB guests and CNB vehicles used solely for business purposes. The users entitled to the use of parking places and garages are CNB officials and CNB employees holding managerial positions.

Benefits in kind arising from the use of vehicles owned by the CNB (four vehicles) and vehicles leased by the CNB (two vehicles, of which one under long-term lease and one under short-term lease for six officials totalled EUR 39,695.21. In October 2018, the Governor adopted the Ordinance on uninterrupted use of vehicles for personal transport, which laid down the manner and conditions of uninterrupted use of vehicles for personal transport of CNB employees. The uninterrupted use for personal transport includes 24-hour use of a vehicle for business and private purpose. Pursuant to the provisions of the said Ordinance this includes the uninterrupted use for personal transport of a vehicle owned by the CNB, of a vehicle leased by the CNB and the private vehicle of the user owned by the user, and for members of the CNB Council also the private vehicle owned by their spouse

or leased by the user. The right to uninterrupted use of a vehicle for personal use is exercised by members of the CNB Council pursuant to a special decision of the Governor. The Governor adopted six decisions governing the manner and conditions of the use of vehicles for business and private purposes, of which four decisions on the use of vehicles owned by the CNB, and two decisions on the use of vehicles leased by the CNB. Pursuant to the provisions of the Ordinance on uninterrupted use of vehicles owned by the CNB or leased by the CNB for personal transport is considered as a benefit in kind and the amount of net benefit is determined monthly in accordance with the provisions of the applicable regulations.

The Benefit in kind arising from the use of a private vehicle or vehicle leased by the user for business and private purposes for three officials totalled EUR 22,509.19. Pursuant to the provisions of the Ordinance on uninterrupted use of vehicles for personal transport the user is entitled to the reimbursement of the costs of vehicle registration, motor vehicle liability and fully comprehensive insurance and of the costs of maintenance and repair of vehicles, and in cases of personal vehicles leased by the user, also the reimbursement of the cost of the lease (leasing instalments) up to the amount determined in a special decision of the Governor.

The CNB undertakes to reimburse the user for the said costs based on submitted invoices, as well as evidence on paid leasing instalments for cases leased by the user, which the user must submit within 30 days of their accrual. The Governor adopted four decisions governing the manner and the conditions of the use of vehicles for business and private purposes, of which three regarding the reimbursement of costs for the use of a vehicle leased by the user and one for the reimbursement of the costs of the use of the vehicle owned by the user.

The amount of benefit in kind arising from the fuel spent using private vehicles owned or leased by the user for business and private purposes totalled EUR 9,179.03. In July 2018, the Deputy Governor adopted a Decision on the recognition of fuel costs defining the maximum amount of fuel costs reimbursed by the CNB for uninterrupted use of vehicles for personal transport. Pursuant to the said decision, in 2023 the CNB reimbursed fuel costs for the use of vehicles for three officials.

#### – Subsidies for housing loans

Expenses for subsidies for housing loans totalled EUR 236,938.34. The Ordinance on solving the housing needs of CNB employees of May 2009 and amendments to the Ordinance on solving the housing needs of CNB employees of January 2012 and December 2016 governs the manner, the criteria, the conditions and the procedure for solving the housing needs of CNB employees. CNB employees solved their housing needs by taking out loans with credit institutions, with the CNB subsidising their interest rate, in line with the aforementioned Ordinance, up to the amount of interest rate determined by a special decision of the Governor. In May 2009, the Governor adopted the Decision on the amount of interest rate subsidised by the CNB to its employees, setting the rate at up to 4.5%. Employees who exercised the right to a subsidy for housing loan pursuant to the said Ordinance is obligated to remain employed with the CNB for a minimum of four years after the completion of the agreement on the solving of the employees housing needs with the CNB. The said provision does not include CNB employees who retired or the Governor, Deputy Governor and Vicegovernors.

In March 2012, the Governor adopted a Decision laying down that in the period from 1 April 2012 to 31 December 2012 no new agreements on meeting of housing needs would be signed. Since December 2012 onwards the Governor adopted a decision each year laying down that no new agreements on meeting of housing needs would be signed. The right to the interest rate subsidy arises from paid matured housing loan instalments for which the employee submitted a certificate of payment (monthly bank account statement indicating paid matured instalments and certificate of payment) by the 10th day of the month for the preceding month. Interest subsidies are subject to taxes, surtaxes and contributions in accordance with applicable regulations. In 2023, a total of 106 employees realised their right to subsidies for housing loans. The highest individual net amount of the interest rate subsidy in 2023 totalled EUR 5,533.95, while the average amount per employee was EUR 1,354.75, net, on an annual basis.

– Subvention of meal

The expenses for subvention of meal totalled 588,480.21. The CNB enables its employees to consume food and beverages at CNB restaurants at the price of food and beverages increased by the corresponding amount of value added tax, with the CNB subsidising a portion of the price and employees paying a share of the price in accordance with the decision of the Governor. A total of 733 employees exercised the right to subvention of meal.

Pursuant to the provisions of Article 23 of the Ordinance on salaries, the CNB may subsidise a portion of the price of food, that is, of meals to employees using the services of the CNB restaurant for meal preparation. The Decision on the subsidy of meal prepared at the CNB restaurant is adopted by the Governor.

In December 2018 and in February 2023, the Governor adopted the Decision on the manner of price formation of food and beverages at the CNB restaurant, and in May 2021 and in May 2022 and then again in June and August 2023, the Decision on amendments to the Decision on the manner of price formation of food and beverages at the CNB restaurant. The price of food and beverages provided by the CNB restaurant to CNB employees and for representation purposes is formed so as to calculate the cost of groceries and dependant costs. The formed price is then increased by the relevant amount of VAT, thus resulting in the selling price of food and beverages.

In December 2022, the Governor adopted the Decision on subsidies for meals to CNB employees and in February 2023 the Decision on amendments to the Decision on subsidies for meals to CNB employees, under which the CNB subsidises 76.0% of the selling price of meals to employees, including VAT. The difference between the price of meals and the amount of subsidy is settled by employees. The CNB covers the expenses for subvention of meal up to a maximum of EUR 1,592.76 per employee per year. Pursuant to the provisions of Article 7, paragraph (2) of the Ordinance on income tax (Official Gazette 10/2017, 128/2017, 106/2018, 1/2019, 80/2019, 1/2020, 74/2020, 1/2021, 102/2022, 112/2022, 156/2022, 1/2023, 320/23 – corrigendum, 56/2023 and 143/2023) the amounts paid by the employer or payor of salary to employees for the costs of food accrued during working hours evidenced by reliable documents up to the amount of EUR 1,592.76 per year is not considered as taxable income from employment provided that the invoices on performed catering services are registered to the employer and settled in cashless transactions. The non-taxable income is recognised for the month in which the catering service was provided.

– Transportation to/from work

The costs of transportation to/from work totalled EUR 502,308.28. The compensation of costs of transportation to/from work was received by 749 employees. Pursuant to the provisions of Article 31 of the Ordinance on salaries, CNB employees are entitled to compensation of transportation costs on local city and intercity lines used by employees to travel to/from work in the amount equal to the price of a monthly transport pass, for a maximum of eleven months per calendar year.

In order to be entitled to compensation of costs of public transport, employees are obligated to provide a written statement stating the data on their place of residence, confirming that they travel from the stated address of residence to work and stipulate the type of public transport used, the name of transport company, the route and costs of transport in relation to the exercise of the right to compensation of transportation costs. The right to compensation for transportation in the amount of the price of a monthly transport pass shall not be exercised in cases when an employee works from home and/or is absent from work for which the employee receives salary for the entire calendar month. The compensation for transportation to/from work were paid in the amount of actual costs of transport in the amount equal to the price of a monthly transport pass.

– Sick leave above Health Fund's maximum

The costs of sick leave above the amount of compensation paid by the Croatian Health Insurance institute totalled EUR 191,627.62 for 125 CNB employees. Pursuant to the provisions of Article 19, paragraphs (1), (5) and (6) of the Ordinance on salaries, salary compensations for periods of temporary inability for work reimbursed the Croatian Health Insurance Institute (sick leave exceeding 42 days) is determined pursuant to the basis laid down by health insurance regulations. When the amount of the salary compensation exceeds the maximum amount paid under the regulations of the Croatian Health Insurance Institute, the difference in salary compensations, as well as all associated obligations under the law are reimbursed by the CNB. The above does not relate to cases of temporary inability for work due to the exercise of the right to maternity leave. The compensations for sick leave above Health Fund's maximum were paid in accordance with the provisions of the Ordinance on salaries.

– Life insurance premiums

Expenses for life insurance premiums totalled EUR 116,704.17. In June 2019, the Governor adopted the Decision on the realisation of rights to compensation of expenses arising from life insurance premiums and in January 2023 the Decision on amendments to the Decision on the realisation of rights to compensation of expenses arising from life insurance premiums, under which CNB officials and employees are recognised and compensated for life insurance premiums paid to one of the insurance companies authorised to provide such services in the territory of the Republic of Croatia. The right to compensation of costs of life insurance premiums with savings component or without savings component, including the costs of additional accident insurance is realised by the Governor, Deputy Governor, Vicegovernors and some employees in managing positions. Officials who completed at least one full term of office and employees who were in managing positions for a minimum of four years, but continue working for the CNB, are entitled to a compensation of expenses for life insurance premiums for five years after the expiry of their term in office or termination of their managing position.

In December 2022, the Governor adopted the Decision on the maximum amount of compensation to CNB employees on the basis of paid life insurance premiums and additional accident insurance for the period from 1 January 2023 to 31 December 2023, and in January 2023 the Decision on amendments to the Decision on the maximum amount of compensation to CNB employees on the basis of paid life insurance premiums and additional accident insurance for the period from 1 January 2023 to 31 December 2023.

The maximum amount of compensation was set within the range of EUR 2,675.64 to EUR 4,757.28, net, per annum. The right to compensation of costs of life insurance premiums was realised by eight officials and 13 employees who hold managing positions. The policy holders and insured person in case they survive the policy term are CNB officials and employees. Officials and employees are entitled compensation of expenses for life insurance premiums after submitting a confirmation of payment of policy premiums. The amounts of paid life insurance premiums and additional accident insurance were within the ranges laid down by the Decision of December 2022 and its amendments of January 2023. All obligations under the law were paid on the calculated and paid amount of expenses for life insurance premiums.

– Health and life insurance premiums, expenses related to sport and recreation and pension insurance – III pillar

Expenses for Pension Fund – III pillar totalled EUR 366,734.10, expenses related to sport and recreation totalled EUR 51,610.61, and expenses for health and life insurance premiums totalled EUR 47,656.43. Pursuant to the provisions of Article 34, paragraph (1), lines (1) to (4) and paragraph (2) of the Ordinance on salaries, CNB employees may receive benefits in the form of compensation of costs of additional or private health insurance paid to an insurance company in the Republic of Croatia or the Croatian Health Insurance Institute, of costs for the use of sport and recreation programmes organised by registered providers of such services, of costs of voluntary pension insurance premiums (voluntary pension insurance based on individual capitalised savings – III pillar) and the costs of life insurance premiums paid to an insurance company in the Republic of Croatia. The benefits are paid out in accordance with the decisions of the Governor regulating each individual benefit.

The Decision on the right of CNB employees to compensation of said costs was adopted by the Governor in December 2016. The said Decision specifies the conditions, the criteria and the manner under which CNB employees are compensated for costs of voluntary pension insurance premiums (III pillar), for the costs of life insurance premiums paid to an insurance company in the Republic of Croatia, for the costs of additional or private health insurance and the costs of the use of sport and recreation programmes organised by registered providers of such services. The maximum amount of compensation is laid down by a separate decision every calendar year.

The right to compensation may be realised by all CNB employees, regardless whether having open-ended or fixed term employment contracts. In December 2019, the Governor reached the Decision determining the maximum monthly amount of compensation for costs of voluntary pension insurance premiums, additional or private health insurance premiums paid to an insurance company in the Republic of Croatia or the CHII, life insurance premiums and costs of sport and recreation programmes in the period from 1 January to 31 December 2023. Pursuant to the said Decision, employees may opt for one of the six options (combination of compensations of the mentioned costs). The maximum monthly amount of compensation is EUR 50.43, net, per employee. Employees realised compensations up to the maximum amount laid down in the Decision of December 2022.

Expenses for Pension Fund – III pillar totalled EUR 366,734.10 for 664 employees. The right to reimbursement of voluntary pension insurance premiums up to the amount set by the Decision of December 2022 was realised after submission of a copy of the voluntary pension insurance contract.

Expenses related to sport and recreation totalled EUR 51,610.61 for 70 employees. They relate to costs of sport activities in the amount of EUR 49,811.87 for 64 employees and costs of recreation totalling EUR 1,798.74 for seven employees.

The costs of sport activities in the amount of EUR 49,811.87 were realised based on the Decision on the amount and the manner of usage of financial funds granted for employee participation in road and trail races in 2023 and appointment of the CNB's race team and by the Decision on the amount of financial funds for participation of CNB employees in the 50.th sports games of bank and FINA employees and the procurement of equipment for permanent participants in the sports games and the Decision on the appointment of CNB representatives to the organisation committee of 50th sports games of bank and FINA. The right to compensation up to the determined amount was realised by employees who submitted evidence of paid sport and recreation programmes.

Expenses for additional health insurance premiums totalled EUR 43,093.28 for 138 employees. The right to compensation of costs of additional or private health insurance up to the specified amount was realised by employees who submitted evidence of paid health insurance premiums and a copy of health insurance policy in the name of the employee.

Expenses for life insurance premiums for 11 employees totalled EUR 4,563.15. The right to compensation of costs of life insurance up to the specified amount was realised by employees who submitted payment certificates of paid health insurance premiums and a copy of the life insurance policy in the name of the employee.

– Other fees

Other fees were realised in the amount of EUR 36,716.34. This included the costs of the regional programme – daily income in the amount of EUR 16,967.61, compensation of the costs of equipment of EUR 7,463.67, and costs of membership in various professional associations in the amount of EUR 6,163.84, benefits in kind for working clothes in the amount of EUR 3,024.87, the compensation of costs of working from home in the amount of EUR 2,767.36, other benefits in the amount of EUR 186.18 and costs of PCR tests of employees in the amount of EUR 142.81.

– Payments for exceptional work performance and extraordinary payments

The costs of payments for exceptional work performance and extraordinary payments totalled EUR 43,894.92 and include one-off rewards paid out to employees. One-off rewards were paid out to 433 employees in the amount of EUR 700,556.36, of which within the framework of basis salary EUR 656,661.44 and within the framework of other gross compensations to staff EUR 43,894.92. Monetary rewards paid to employees ranged from EUR 90.00 to 3,228.86 net, per employee. One-off monetary rewards were paid out pursuant to the proposal for one-off monetary reward.

– Expenses for various allowances to posted workers

Expenses for various allowances to posted workers totalled EUR 16,785.94. They were related to the costs of accommodation, daily allowance, food and other allowances for two employees posted to work abroad. The CNB concluded annexes to employment contracts with posted CNB employees. The costs for compensation of posted workers were paid in accordance with the annexes to employment contracts.

- Taxable per diem allowances according to a special decision, Other City transportation cost on business trip and taxable per diem allowance

Taxable per diem allowances and Other city transportation cost on business trip totalled EUR 40,849.89, of which taxable per diem allowances totalled EUR 39,827.78 and Other city transportation cost on business trip EUR 1,022.11. Per diem allowances and other costs on business trip are paid out pursuant to the provisions of the Ordinance on the compensation of travel and other expenses of February 2019. The provisions of the said Ordinance 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.

The decisions of the Governor stipulate that individual employees are entitled to increased per diem allowances. Namely, in July 2021, the Governor adopted the Decision on the increase of daily allowances to CNB employees for the purpose of on-site inspection of entities subject to inspection to HRK 330.00, which was in force until November 2023 when he adopted the Decision on the increase of daily allowances to CNB employees for the purpose of on-site inspection of entities subject to inspection to EUR 45.00. In addition, in July 2022 the Governor adopted the Decision on the establishment of a group for oversight of implementation of the Act on the Adoption of the Euro as the Official Currency in the Republic of Croatia governing the right of participating employees to increased per diem allowance. The decisions laid down the amount of per diem allowance at HRK 330,00 net. All obligations under the law were calculated and paid in relation to the amount of per diem allowance exceeding the non-taxable amount.

#### **– Administrative expenses**

Administrative expenses were planned in the amount of EUR 29,452,100.00. According to data from the business books realised administrative expenses were EUR 30,070,902.30, which was EUR 618,802.30 or 2.1% above the plan.

Table 4 shows data on planned and realised administrative expenses and services.

Table 4

## Administrative expenses

in EUR

No	Description	Planned in 2023	Realised in 2023	Index (3/2)
	1	2	3	4
1	Other multi-currency expenditure	100.00	255,54	255.5
2	Expenditures - other income	381,400.00	266,346.78	69.8
3	Other personnel expenses	323,900.00	251,555.81	77.7
4	Stationery and office supplies expenditures	898,200.00	634,666.98	70.7
5	Communications and post expenditures	1,219,800.00	1,023,838.95	83.9
6	Seminars, conferences and school fee expenditures	337,100.00	203,497.20	60.4
7	Professional fees	2,480,900.00	2,251,299.11	90.7
8	Outside sources expenses	8,742,900.00	7,332,126.42	83.9
9	Transportation expenses	613,000.00	745,642.27	121.6
10	Publications and subscriptions expenses	335,200.00	290,147.66	86.6
11	Other administrative expenses	2,513,200.00	6,968,381.23	277.3
12	Other expenses	11,606,400.00	10,102,494.55	87.0
13	Loss from suspension of recognition of fixed assets	0.00	649.80	-
	Total	29,452,100.00	30,070,902.30	102.1

In terms of value, the most significant was the amount of repair and maintenance costs of EUR 10,102,494.55 or 33.6%, the costs of sources of expenses of EUR 7,332,126.42 or 24.4% and other administrative expenses in the amount of EUR 6,968,381.23 or 23.2%

– Expenditures - other income

Expenditures - other income totalled EUR 266,346.78. They include expenses from contracts with natural persons, totalling EUR 179,256.07, benefits to pensioners, totalling EUR 47,759.59, contributions on other income, totalling EUR 15,960.28, scholarships to pupils and students according to the tender, totalling EUR 11,205.26, extended pension insurance and other income, totalling EUR 5,800.41, scholarships to pupils and students, totalling EUR 4,455.81 and subsidies for housing loans, totalling EUR 1,909.36.

**Expenses from contracts with natural persons** totalled 179,256.07. In terms of value the most significant were those for the remuneration of the members of the Audit Committee, totalling EUR 43,997.84, for consulting services on the study on benchmarking of human resources of organisational units in the amount of EUR 19,197.18, for consulting services in the preparation for the information and education centre of the CNB in the amount of EUR 16,034.03, remuneration of members of the Commission for expert assistance in the imposition of administrative sanctions in the amount of EUR 13,065.77 and compensation for services and consulting and updating of CNB defence plan documents in the amount of EUR 10,725.15.

Expenses for the remuneration of the audit committee members totalled EUR 43,997.84. In February 2023, the Governor adopted a Decision on the amount of remuneration of members of the CNB Audit Committee, laying down monthly remuneration to the chairperson of the Audit Committee in the amount equivalent to 90.0%, and to members of the Audit Committee in the amount equivalent to 60.0% of the average monthly net salary paid per employee in legal persons in the Republic of Croatia in the last month for which official data have been published. In March 2023, the CNB Council adopted a Decision on the appointment of members of the Audit Committee, appointing three members of which one is the chairperson. In April 2023, the CNB council adopted the Decision on amendments to the Decision on the appointment of members of the Audit Committee, appointing the fourth member of the Audit Committee. All contributions prescribed by law were calculated on net amounts of remunerations to members of the Audit Committee.

Expenses for consulting services on the study on benchmarking of human resources of organisational units of the CNB totalled EUR 19,197.18. The service contract was signed in April 2023 for the value of EUR 13,200.00, net, to be paid out in six instalments of EUR 2,200.00. The consulting services include the consulting of CNB employees in the preparation of a group study on the benchmarking of human resources of organisational units of the CNB and expressed demand for human resources in organisational units of the CNB with the data on human resources in comparable central banks (Slovenia, Slovakia, Lithuania, Latvia, Estonia), consulting in the preparation and collection of data from the organisational units of the CNB and participation in the presentation of results of the group study. All contributions prescribed by law were calculated on net amounts of compensation.

Expenses for consulting services in the preparation for the information and education centre of the CNB in the amount of 16,034.03. The service contract was signed in July for the value of EUR 14,700.00, net, to be paid in three instalments after the completion of services. The consulting services in the preparation for the information and education centre of the CNB include a preparation of possible topics in the widest scope with reasoned proposal of selected topics to be presented through multi-media content of the information and education centre, the preparation and explanation of the list of occasional /theme exhibitions, the preparation of the written basis with a list and short description of topics for the purpose of preparation of a public tender for project design and detailed designed of the centre, expert detailed description of topics and sub-topics, etc. All contributions prescribed by law were calculated on net amounts of compensation.

Expenses for remuneration of members of the Commission for expert assistance in the imposition of administrative sanctions totalled EUR 13,065.77. In September 2020 the Governor adopted the Decision on the establishment of the Commission for expert assistance in the imposition of administrative sanctions and in November 2023 the Decision on amendments to the said Decision. The Decision governs the tasks of the Commission and other aspects of its operation. The Commission provides expert assistance in the officer during the examination of the basis for initiation of the procedure for imposition of administrative sanctions, as well as during the very procedure for imposition of administrative sanctions. The Commission consists of a chairperson, deputy chairperson and member of a Commission selected from the List of candidates for members of the Commission and appointed by the Governor for a period of one year. All contributions prescribed by law were calculated on net amounts of compensation.

Expenses for services and consulting and updating of CNB defence plan documents in the part relating to reserved occupation, coordination of the preparation of computer app and participation in the preparation of the Ordinance in the segment of IT security totalled

EUR 10,725.15. The service contract was signed in April 2023 and the contractual remuneration was set at EUR 7,200.00, net, as well as remuneration in kind arising from the use of a laptop.

The services include the updating of documents and records of defence planning in the part relating to reserved occupations and participation in the general bylaw determining positions which due to the high degree of sensitivity as a special precondition for employment require compliance with a comprehensive security check of candidates, the preparation of the project task for a computer application of reserved occupations, consulting and coordination of its design, population of the computer application with data, control of records and reports and submission of notifications to the competent regional defence departments. All contributions prescribed by law were calculated on net amounts of compensation.

**Expenses for benefits to pensioners** totalled EUR 47,759.59. In November 2023, the Governor adopted the Decision stipulating that the amount of EUR 132.72, net, will be paid to CNB's pensioners on the occasion of the upcoming holidays. The right to the benefit was realised by 245 of the CNB's pensioners. All contributions prescribed by law were calculated on net amounts of compensation.

**Contributions on other income** totalled EUR 15,960.28 and relate to contributions for service contracts, occasional benefits to pensioners of the CNB, remuneration to members of the Audit Committee, remuneration to members of the Committee for providing expert assistance in the imposition of administrative sanctions and other contributions.

**Scholarships to pupil and students** according to tender totalled EUR 11,205.26 for five recipients. Pursuant to the provisions of Article 33 of the Ordinance on salaries of January 2020, aiming to support future young experts in particular fields as required by the CNB and in accordance with business interests and possibilities, the CNB as an employer that invests in education, may grant scholarships to students. The terms and conditions for awarding scholarships and the amount of scholarship are laid down by the decision of the Governor, and tenders were invited for that purpose.

In 2020 and 2021, the CNB published calls for tenders for applications for scholarships pursuant to which agreements were concluded with eight scholarship recipients. In 2023 the tender for applications was not published. The CNB paid scholarships based on agreements from previous year for five scholarship recipients in the period until September 2023. The scholarship recipients in question were subsequently employed with the CNB. The Taxes and surtaxes on secondary income receipts above the non-taxable amount were paid on the amounts of scholarships paid.

**Expenses for extended pension fund expenses and other** totalled EUR 5,800.41 and predominantly relate to assistance paid to the family of a deceased CNB employee.

**Expenses for scholarships to pupils and students** totalled EUR 4,455.81 for one scholarship recipient. Pursuant to the provisions of Article 29 of the Ordinance on salaries, in case of death of an employee, the CNB will at the request of the child or the child's guardian take over care of the child's (or adoptive child's) education for the duration of its regular education, at the latest until the age of 26. Regular education is considered primary and secondary education, college education until the completion of specialist graduate studies, undergraduate or graduate academic studies attended regularly. The Decision is adopted by the Governors. The monthly assistance is awarded in the amount equivalent to 50.0% of net monthly salary paid per employee in legal persons in the Republic of Croatia in the last month for which official data have been published.

In October 2016, the Governor adopted a decision pursuant to which an agreement on mutual rights and obligations was concluded with a scholarship recipient. In October 2019, the Governor adopted a Decision on amendments to the Decision awarding scholarships as financial assistance conditioning the continuation of scholarship payments after submission of certificate of the scholarship recipient to another faculty. An annex to the agreement was signed pursuant to the Decision on amendments to the Decision on the awarding of scholarships in October 2019. The scholarship payments continued until July 2023. Taxes and surtaxes on receipts from other income were paid on scholarship amounts above the non-taxable amount.

**Expenses for subsidies for housing loans** totalled EUR 1,909.36. They include subsidies for housing loans of former CNB employees (pensioners).

– Other personnel expenses

Other personnel expenses totalled EUR 251,555.81, of which the most significant amounts in terms of value relate to expenses for per diem allowances for business travel in the country and abroad of EUR 225,609.78 and expenses for working clothes and miscellaneous protective garments EUR 21,290.25.

Expenses for per diem allowances totalled EUR 225,609.78. They include per diem allowances for business travel abroad in the amount of EUR 181,893.01 and per diem allowances for business travel in the country in the amount of EUR 43,716.77. 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. Per diem allowances for business travel abroad are set in the amount equal to the non-taxable amount laid down by regulation adopted by the Minister of Finance, while per diem allowances for business travel in the country are set in the amount equal to the amount of non-taxable amount laid down by the regulations for government budget users. If meals are provided during a business trip at the expense of the CNB the amount of the per diem allowance is decreased. Employees are obligated to submit the final balance of their expenses within seven days of their return from the business trip. There were 1,196 travel orders for business trips in the country and 947 travel orders for business trips abroad.

Expenses for working clothes and miscellaneous protective garments in the amount of EUR 21,290.25 were predominantly related to the procurement of protective garments, footwear and equipment (gloves, helmets).

– Stationery and office supplies expenditures

Stationery and office supplies expenditures totalled EUR 634,666.98 of which the most significant in terms of value were the costs of procurement of protective cases for the storage and keeping of coins, in the amount of EUR 262,500.00, ink cartridges, in the amount of EUR 167,763.88 and stationery and office supplies in the amount of EUR 97,286.70.

Pursuant to the provisions of Article 23 of the Act on the CNB, the CNB is, among other things, responsible for the custody and destruction of banknotes and coins withdrawn from circulation. In the procedure of procurement of boxes with the pallet for storage and safekeeping of coins, the CNB awarded the Contract for the procurement and supply of

boxes with a pallet for the safekeeping of coins to an economic entity it founded and controls, so , pursuant to Article 33 of the Public Procurement Act, in the procurement procedure a special exemption was exercised for economic operators from carrying out procedures prescribed by the Public Procurement Act. Pursuant to the tender of the economic entity, an Agreement on the procurement and supply of boxes with a pallet for safekeeping of coins was concluded in April 2023 in the amount of EUR 262,500.00 including VAT.

The goods were delivered in accordance with the issued delivery note, certified by the CNB and Agreement on the procurement and supply of boxes with a pallet for safekeeping of coins pursuant to which the cost of procurement of the said boxes totalled EUR 262,500.00, including VAT.

The procurement of ink cartridges was carried out within the framework of the joint EPCO procurement pursuant to the EPCO procurement plan so in November 2022 the EPCO Framework agreement was signed for the procurement of IT equipment and services for a period of two more years, starting from December 2022 with two more rollover possibilities of a maximum of one year each. The authorised person of the CNB, signed a Statement on the CNB's participation in EPCO's Framework agreement in April 2023. The cartridges were ordered by the CNB pursuant to order slips, and the supplier issued delivery documents certified by the CNB. In accordance with the Framework agreement for the procurement of IT equipment and services the costs of cartridges procurement totalled EUR 167,763.88.

The organisational units of the CNB report their needs for stationary and office material via the MojHNB app. The received order is then entered in the warehouse management programme and a delivery note is then issued pursuant to which the material is sent from the warehouse. In 2023, EUR 97,286.70 worth of office supplies was issued from the warehouse pursuant to delivery notes.

#### – Communications and post expenditures

Communications and post expenditures totalled EUR 1,023,838.95. This includes telecommunications expenses in the amount of EUR 575,918.95, SWIFT expenses in the amount of EUR 422,917.38 and expenses for postal services in the amount of EUR 25,002.62. Telecommunications expenses in the amount of 575,918.95 and relate predominantly to the expenses for mobile phones in the amount of EUR 197,049.11, the costs of internet EUR 186,296.36, the expenses for the use of telecommunication lines in the amount of EUR 94,919.31, for switchboard connection in the amount of EUR 65,948.32 and other internet expenses in the amount of EUR 29,301.00 and direct lines and other telecommunication costs in the amount of EUR 2,404.85.

Telecommunications expenses predominantly relate to telecommunication services and the service of redundant internet connection. In relation to telecommunication services, in July 2021, the Agreement was concluded on the provision of telecommunication services in the amount of HRK 6,163,224.80 (EUR 818,000.50) including VAT which applied up to July 2023. In June 2023, the CNB concluded Annex I to the Agreement on provision of telecommunication services, extending the life of the agreement until August 2023 in order to ensure the continuity of service until the completion of the new procurement procedure and the conclusion of a new agreement. After the completion of the open procurement procedure in August 2023, a two-year Agreement on the provision of telecommunications services was completed in the amount of EUR 1,061,485.53 including VAT and duration until August 2025. The subject of the agreement was the IP (internet protocol) switchboard connection to the telecommunication network and internet access, fixed and mobile network

services and procurement of mobile devices. In relation to mobile phone services, among other things, the payment of monthly charge was agreed for individual voice connections within three tariff models and monthly charges for cards for mobile data transfer for two tariff models.

The services were provided in accordance with the Agreements on the provision of telecommunication services and consequently the service provider was paid EUR 375,930.89 including VAT for the provision of services in 2023.

In May 2011, the Governor adopted the Ordinance on the use of business mobile phones and CNB telephone lines governing the use of mobile phones and CNB fixed telephone lines. The said Ordinance specified the officials and employees entitled to the use of business mobile phones and fixed telephone lines and the manner of their use and cost recognition..

The CNB recognises and settles the monthly expenses for business mobile phones up to the amount of the tariff package specified in the Agreement on the provision of telecommunication services. The service provider reports the costs exceeding the maximum monthly amount separately. The right of the use of the card for mobile data transfer, as well as the costs of mobile internet settled by the CNB are governed by the Decision on the right of CNB employees to the use of the card for mobile data transfer (mobile internet) of January 2012.

Employees are obligated to settle the costs of mobile phones exceeding the amount laid down in the contractual relationship.

In relation to the redundant internet connection, the Agreement on the provision of redundant internet connection was concluded in June 2021 in the amount of HRK 1,746,003.00 (EUR 231,734.42) including VAT, which applied until November 2023. The CNB concluded three annexes to the Agreement on the provision of redundant internet connection with service provider in June, August and September 2023 extending the duration of the agreement until October 2023 and increasing its value to EUR 278,081.30 including VAT. After the completion of an open procurement procedure in November 2023, a two-year agreement was concluded on the provision of the redundant internet connection worth EUR 204,660.00 including VAT, for the period from November 2023 to November 2025. The subject of the Agreement was the establishment and maintenance of the redundant internet connection, which includes a symmetric internet access in fixed electronic communication network with protection from cyberattacks for the purpose of achieving high system reliability, operational continuity and continuity of internet access. The payment of services was agreed in monthly instalments upon receipt of an electronic invoice and signed statement on received services. The services were supplied in accordance with signed agreements. The expenses for the service of the redundant internet connection totalled EUR 113,610.80, including VAT.

SWIFT expenses totalled EUR 422,917.38. They are related to agreements signed with service providers. Pursuant to the provisions of Article 32 of the Public Procurement Act, services in the segment of electronic communications are exempt from the provisions of the Public Procurement Act.

Expenses for postal and delivery services totalled EUR 25,002.62, and are largely related to postal services. Postal services were subject to open procurement proceedings which in December 2022 ended with the signing of the Agreement on the provision of postal services worth HRK 253,142.13 (EUR 33,597.73) including VAT for a one-year period until the end of 2023. The subject of the agreement is acceptance, redirection, transfer and

delivery of postal shipments in domestic and international postal transfer. It was contracted that the provider of services will issue a monthly invoice with the relevant breakdown of services in the attachment, containing data on the quantity and amount of used postal services by the organisational unit of the CNB and the total amount of the invoice. The service provider submitted specifications containing data on the quantity and amount of used postal services by the organisational unit of the CNB. Pursuant to the Agreement on the provision of postal services the expenses for postal services totalled EUR 20,818.28.

– Seminars, conferences and school fee expenditures

Seminars, conferences and school fee expenditures totalled EUR 203,497.20. They refer to expenses for professional development in the country, in the amount of EUR 88,455.38, expenses for school fees (university undergraduate, postgraduate and doctoral programmes) in the amount of EUR 47,458.80, expenses for professional development abroad in the amount of EUR 40,169.34, expenses for foreign language courses in the amount of EUR 13,785.64 and other expenses in the amount of EUR 13,628.04.

In May 2009, the Governor adopted the Ordinance on training and development of CNB employees and in February 2010 the Ordinance on amendments to the Ordinance on CNB employees, laying down the structure and the definition of education, the manner and the conditions under which the CNB enables the education of its employees, training of its trainees and the appointment and the operation of its Training and Education Committee. In June 2019, the Governor adopted the Decision on the appointment of a chairperson and members of the Training and Education Committee which deliberates the educational needs and requirements and selects employees who will attend different programmes. Pursuant to the provisions of Article 5 of the Ordinance on training and development of CNB employees, educational needs are laid down by internal bylaws governing the CNB's annual planning and the Instruction for the preparation of the Human Resources Plan at the level of organisational units and at CNB level, and within the framework of the annual Plan of individual educational needs of employees determined in accordance with the Ordinance on performance management of CNB employees.

The Plan of the educational needs of employees is prepared within the framework of the Human Resources Plan. The 2023 Plan of the educational needs envisaged that 1 718 employees will be sent to and participate in different programmes, of which most programmes are related to professional development of employees. Pursuant to the provisions of Article 11 of the Ordinance on training and development of CNB employees, the CNB enables its employees to participate in different educational programmes (university postgraduate programme/postgraduate specialist programme, university graduate programme/specialist graduate programme, university undergraduate programme as well as programmes below the undergraduate specialist programme, etc.) in line with the needs of the business processes of the organisational unit where the employee works and the activities the employee carries out and/or when this is in accordance with the needs of the CNB's business processes. Furthermore, pursuant to the provisions of Article 34, paragraph (1) of the Ordinance on training and education of CNB employees, the chairperson of the Training and Education Committee and the Governor, or the person appointed to do so by the Governor sign the Decision on appointment of an employee to an educational programme, granting the employee's application.

The expenses of seminars and conferences in the country totalled EUR 88,455.38 for 1 002 participants, while the expenses of seminars and conferences abroad for 189 participants totalled EUR 40,169.34. Pursuant to the proposal of the Training and Education

Committee the Decision on granting a professional development programme to an employee was approved by the chairperson of the Training and Education Committee with the consent of the Business Director. This relates to professional training and development courses.

The expenses for school fees (undergraduate, postgraduate and doctoral programmes) totalled EUR 4,458.80 for 13 employees. An invitation for applications for participation in educational programmes was published in the in-house newspaper of the CNB at the end of 2023.

Priority areas of interest to the CNB were set as follows: graphic design and forensic, economy, mathematics and IT, as well as other selection criteria. The Training and Education Committee completed the selection process which was the basis for the conclusion of education agreements with employees, regulating mutual rights and obligations.

In 2023, agreements were concluded approving participation in educational programmes for employees for two postgraduate doctoral programmes, three postgraduate programmes, seven doctoral programmes and one undergraduate programme. The CNB settles 85.0% of tuition costs and after the completion of the employee's education settles the remaining 15.0%. Employees are obligated to remain employed with the CNB depending on the duration of their education.

Expenses for foreign language courses for 31 employees totalled EUR 13,785.64. The major share is related to English language courses, and the remaining smaller share to Italian language courses.

– Expenses for professional services

Expenses for professional services totalled EUR 2,251,299.11 and relate to expenses for access to financial data and software in the amount of EUR 1,014,959.06 consultancy and lawyers' expenses in the amount of EUR 70,677.89 audit expenses in the amount of 7,509.26, and expenses for other professional services in the amount of 1,158,152.90.

Expenses for access to financial data and software in the amount of EUR 1,014,959.06 were largely related to four agreements for the use of electronic platforms. The procurement of said services was preceded by negotiated procedure without prior publication because the service providers hold exclusive rights, including intellectual property rights.

Two agreements for the use of the electronic platform that unites financial information from global financial markets, communication with partner banks and electronic securities trading were concluded at the end of 2022 and one in 2023 pursuant to which the expenses for the use of the electronic platform in 2023 totalled EUR 746,693.35, including VAT.

Two agreements for the use electronic platform for communication with partner banks, concluding fixed-term deposits and conducting FX transactions (FX trading) was concluded in 2022 and one in 2023 pursuant to which the expenses for the use of the electronic platform totalled EUR 268,265.71.

Consultancy and lawyers' expenses in the amount of EUR 70,677.89 refer to the services of lawyers obtained for the purpose of representation in legal proceedings and other legal services.

Audit expenses totalled EUR 7,509.26. In 2021, an open procurement proceeding was carried out attracting one tenderer. The selection criteria were the price of the offer and the qualification and experience of the auditor. The CNB Council decided on the proposal of the Audit firm. Pursuant to the provisions of Article 61, paragraph (2) of the Act on the CNB, at the proposal of the CNB Council, the Finance and Central Budget Committee of the Croatian Parliament reached the decision in October 2021 on the auditor to audit the financial statements of the Croatian National. Pursuant to the Decision, the Audit firm would audit the financial statements of the Croatian National Bank as at 31 December 2022, 31 December 2023 and 31 December 2024. The Agreement on the audit of financial statements of the CNB for 2022, 2023 and 2024 in the total amount of HRK 594,000.00 (EUR 78,837.35) without VAT. Audit expenses were calculate in accordance with the Agreement.

– Outside sources expenses

Outside sources expenses totalled EUR 7,332,126.42. Within the framework of outside sources expenses the most significant amounts are related to security services, EUR 2,154,756.76, renting and other occupancy expenses, EUR 1,140,113.24, water, electricity and heating expenses, in the amount of EUR 714,700.47, cash and valuables protection and transport expenses, in the amount of EUR 691,239.87 events and meetings expenses, in the amount of EUR 380,764.19 municipal services expenses, in the amount of EUR 276,891.85 student services expenses, in the amount of EUR 195,288.55 and other services, in the amount of EUR 1,400,660.43.

Expenses for security services totalled EUR 2,154,756.76 including VAT. The most significant amount was that of expenses for the protection of persons and property, totalling EUR 2,082,143.01, including VAT. Article 6, paragraph (5) of the Act on the Protection of Monetary Institutions (Official Gazette 56/2015, 46/2021 and 114/2022) lays down that the protection of facilities of monetary institution is to be carried out by state owned legal persons specified by the Government of the Republic of Croatia. The Decision determining the legal person for the protection of the facilities of the CNB and the Croatian Mint (Official Gazette 62/2015) adopted by the Government of the Republic of Croatia in June 2015 resulted in the Agreement on the protection of persons and property at CNB's facilities, worth EUR 1,961,765.05, including VAT, which was signed in December 2022. Pursuant to the Agreement, the service provider is obligated to provide services at CNB premises. The term of the Agreement was 1 January to 31 December 2023. Annex I to the Agreement was concluded in February 2023, extending the term of the agreement and increasing its worth by EUR 7,249.20, including VAT. Annex II to the Agreement was concluded in March 2023, increasing the value of the agreement by EUR 129,384.81, including VAT, due to the amendments to the Labour Act and recalculation of the value of hours worked on Sundays. Annex III to the Agreement was concluded in June 2023, contracting the additional service of protection at another CNB location and increasing the value of the Agreement by EUR 12,427.20, including VAT.

Renting and other occupancy expenses in the amount of EUR 1,140,113.24 are predominantly related to the expenses for the lease of business facilities, garage and parking places utility expenses for business facilities. According to CNB records, the renting and other occupancy expenses in 2023 totalled 3,099,133.87. The difference between the total realised expenses and those recorded in this account arises from the manner in which leas costs are registered in accordance with the International Financial Reporting Standard 16 – Leases.

Lease agreements were signed for 15 business premises to house 212 employees from different CNB areas, departments and offices in the total square area of 4,830.26 m<sup>2</sup> (22.78 m<sup>2</sup> per employee), for the Information and Education centre Moneterra – Money Museum 1,260.34 m<sup>2</sup> and storage space for office furniture and IT equipment, in the total square area of 9,263.64 m<sup>2</sup>. The lease agreements laid down the rent within the range of EUR 4.50 to EUR 22.54 per m<sup>2</sup> (excluding VAT), the time limit for rent payment, the term of the agreement, payment of utility bills and other expenses related to the use of business premises, as well as other rights and obligations of contracting parties.

The joint maintenance expenses and costs of energy and water which have a joint measuring devices are calculated so that the total cost is divided in accordance to the square meters under lease in the total square meters of the leased facility. It was established that the data on shares of leased square area were not available for all premises so it was not possible to check the accuracy of the calculation of joint expenses.

The Agreement on the lease of business premises between the CNB and one lessor (lease expenses and utility expenses totalled 139,496.17) stipulated the share of the lease space in the total space of the facility, while lease agreements with nine other parties (lease expenses and utility expenses totalled 448,011.61) did not stipulate the share of leased space in total space. During the audit procedure, the CNB obtained data on total space of facilities in which it leases its facility so the calculation of joint expenses was checked on a selected sample of invoices. It was determined that the calculations of joint expenses were made correctly.

For the purpose of transparent calculation of joint expenses in leased spaces the State Audit Office thinks that lease agreements need to stipulate the share of leased space in the total space of the facility and conduct checks of the calculations.

Further, an important agreement and annexes were concluded for the rent of 54 garage parking places. The annual expenses for the lease of garage parking places pursuant to the said agreement totalled EUR 45,600.00. In addition, the Agreement on the lease of ten parking places was concluded with the City of Zagreb in November 2022 at the price of HRK 40,000.00 per month (EUR 5,308.91). The lease payment for one year in advance generated a price reduction of 15.0%. The Agreement was concluded for a period from 1 December 2022 to 30 November 2023. The use of parking and garage places is regulated by the Schedule and list of users of parking places and garages of December 2022, and January and March of 2023.

Water, electricity and heating expenses totalled EUR 714,700.47 of which electricity expenses totalled EUR 464,302.55. After completing the open procurement procedure for the procurement of electricity with the intent to conclude a Framework Agreement with an economic entity, the Framework Agreement on the supply of electricity was concluded in November for a period of four years, worth HRK 9,267,548.20 (EUR 1,230,015.02) without VAT. Pursuant to the Framework Agreement, an agreement on the supply of the end buyer was concluded in November 2021, worth HRK 9,267,548.20 (EUR 1,230,015.02) without VAT. The agreement was concluded for a four-year period. The electricity bills covered by the audit were paid in accordance with the agreement.

Cash and valuables protection transport expenses totalled EUR 691,239.87 based on the Agreement on protection during distribution of cash and valuables from April 2016 and Annex to the Agreement of May 2020 concluded in accordance with the provisions of Article 36 of the Act on the protection on monetary institutions.

Events and meetings expenses totalled EUR 380,764.19, and most significant expenses in terms of value are related to the organisation of the 29th Dubrovnik Economic Conference, totalling EUR 52,440.35 and the organisation of the 5th Balkan Network for Euro Protection Conference in Rovinj, totalling EUR 48,026.04. Two open public procurement procedures were conducted for the purpose of obtaining hotel accommodation and services.

Municipal services expenses in the amount of EUR 276,891.85 relate to the costs of garbage disposal, water charges and municipal services expenses for business premises.

Student services expenses totalled EUR 195,288.55. They are related to contracts for student jobs that were concluded for technical support services, administrative support, manual and other services.

Other services, in the amount of EUR 1,400,660.43, relate predominantly to the expenses for services of providing staff (catering and administrative staff, courier staff, drivers and transport staff, staff for moving and ancillary services) in the amount of EUR 1,131,169.11.

Expenses for the services of catering and administrative staff, delivery personnel, drivers and transport staff in the amount of EUR 1,091,528.09 were realised based on agreements concluded in 2022 and 2023.

An open procurement procedure was carried out in 2022, divided into two groups of subjects, the services of catering staff and courier staff, and the services of administrative staff, resulting in the conclusion of two agreements in worth HRK 4,579,600.00 (EUR 607,817.37) without VAT and HRK 2,930,580.00 (EUR 388,954.81), without VAT, respectively. The agreements were contracted for the period from 1 October 2022 to 1 October 2023. Three annexes were concluded in relation to the agreement on the provision of services of catering and courier staff, which, among other things, increased the contractual value of the services and extended the term until 30 November 2023. Two annexes were concluded in relation to the agreement on the provision of services of administrative staff, among other things, extending the term of the agreement until 31 December 2023. The said agreements regulate the services provided by a total of 51 workers.

An open public procurement procedure was carried out in 2023, for services divided into three groups, services of catering staff, services of courier staff and drivers and services of administrative staff pursuant to which three agreements were signed in the amounts of EUR 579,998.00, without VAT, EUR 369,991.00, without VAT and EUR 650,000.00, without VAT. The agreements were concluded for the period from 27 November 2023 to 27 November 2024. On the date of entry into force of these agreements the agreements from previous years and their annexes ceased to be valid. The said agreements contracted the services provided by a total of 63 workers.

– Transportation expenses

Transportation expenses, in the amount of EUR 745,642.27 relate primarily to transportation expenses, in the amount of EUR 682,820.67 and fuel expenditures in the amount of EUR 62,821.60.

Transportation expenses predominantly relate to transportation expenses during business trips in the country and abroad. The Ordinance on compensation of travel and other expenses governs, among other things, the amount and the manner of calculation of transportation expenses for employees sent on business trips.

A responsible person who decides whether a business trip is necessary determines the means of transport to be used by the employee while travelling on business. While travelling on business employees may use means of public transport, travel by train or ship first class or by plain economy class. The Governor, Deputy Governor, Vicegovernors, Chief Economist, Chief Operating Officer and senior advisers to the Governor may travel business class on all flights and executive directors and office directors on intercontinental flights. In addition, employees may use means of public transport, including taxis in justified cases, travelling from place of work or residence to the airport upon departure or arrival and upon arrival to and departure from the place to which they were sent on a business trip. Within seven days of their return from the business trip, employees submit a calculation of their travel expenses and evidence thereof.

Fuel expenditures totalled 62,821.60 in 2023 and were realised based on two agreements. Following the completion of an open public procurement procedure in 2019 an agreement was concluded in April 2019 and then an annex to the agreement in May 2019. Following the completion of an open public procurement procedure initiated at the end of 2022, an agreement was concluded in April 2023 which remained in force until May 2023. The contracted variable prices are determined in accordance with the Act on the oil and oil derivatives market (Official Gazette 19/14, 73/2017 and 96/2019).

In October 2018, the Ordinance on uninterrupted use of vehicles for personal transport was adopted determining the manner and conditions for uninterrupted use of vehicles for personal transport of CNB employees. Uninterrupted use of vehicles means 24-hour use for business and private purposes. The provisions of Article 6 of the said Ordinance stipulate that vehicle users are not obligated to keep records on mileage or time of use, except while travelling on business. Vehicle users are obligated to record the kilometres travelled in the travel order, and the calculation of the fuel quantity during a business trip is made by multiplying the kilometres travelled and fuel consumption. The Decision on recognised fuel costs of July 2018 lays down the maximum recognised costs settled by the CNB in cases of uninterrupted use of vehicles for private transport which correspond to the quantity of 1 000 l of fuel per quarter. The CNB owns 14 vehicles, and has six more under short- and long-term lease. Records were kept of fuel consumption for each user, as well as records of kilometres travelled per vehicle. The costs settled by the CNB for uninterrupted use of vehicles for business and private purposes did not exceed the amounts laid down by the Decision on recognised fuel costs.

#### – Publications and subscriptions expenses

Publications and subscriptions expenses of EUR 290,147.66 were predominantly related to expenses for subscriptions to foreign and domestic printed and on-line professional and informative publications, daily newspapers and the services of monitoring, collection, selection, processing, submission and archiving of media articles about and coverage of the CNB. Several simple purchase proceedings were carried out for the procurement of publications and subscriptions (for instance, electronic subscriptions, daily newspapers, professional publications, etc.).

For the services of monitoring, collection, selection, processing, submission and archiving of media articles about and coverage of the CNB in 2022 an open public procurement procedure was carried out, ending in the signing of the agreement on the procurement of said services in October, worth HRK 412,185.45 (EUR 54,706.41), including VAT. The agreement was concluded for the period from 1 November 2022 to 1 November 2023. Annex I to the Agreement was concluded in May 2023, increasing the value of the Agreement by EUR 5,468.59, including VAT. Other provisions of the Agreement remained the same. The expenses arising from the Agreement and its Annex I totalled EUR 44,238.72, including VAT. Pursuant to the Agreement and its Annex I, the service provider submitted daily reports and monthly media analyses together with the invoices.

Following the completion of the open public procurement procedure an Agreement on the services of monitoring, collection, selection, processing, submission and archiving of media articles about and coverage of the CNB was concluded, worth EUR 57,138.75, including VAT. The term of the Agreement was 1 September 2023 to 31 August 2024. The expenses arising from the said Agreement in 2023 totalled EUR 21,000.64, including VAT.

– Other administrative expenses

Other administrative expenses totalled EUR 6,968,381.23. In terms of value a more significant amount was related to the services of the Market Infrastructure Board (MIB) and the Market Infrastructure and Payments Committee (MIPC) in the amount of EUR 4,697,586.73, costs of accommodation on business trips in the amount of EUR 727,058.82, the co-financing of the work of the European Banking Authority (EBA) in the amount of EUR 682,667.61, the costs of informing and educating the public on the introduction of the euro in the Republic of Croatia, in the amount of EUR 336,598.83, representation expenses, in the amount of EUR 276,911.93, and groceries expenses in the amount of EUR 266,611.15.

The MIPC and MIB services, in the amount of EUR 4,697,586.73 refer primarily to TARGET (*Trans-European Automated Real-time Gross settlement Express Transfer system*). The European Central Bank and national central banks of the euro area manage numerous infrastructures of financial markets ensuring free flow of cash, securities and collateral within the Eurosystem. Together they are called the TARGET services. These expenses are allocated among all Eurosystem central banks which participate in the costs of development and maintenance of all market-oriented Eurosystem services.

The costs of accommodation on business trips totalled 727,058.82. The Ordinance on compensation of travel and other expenses governs, among other things, the amount and the manner of calculation of accommodation expenses for employees sent travelling on business. If a business trip lasts for several days, employees are entitled to paid accommodation. The cost is calculated in the amount equivalent to the price of accommodation at a four-star hotel. The Governor, the Deputy Governor, Vicegovernors, the Chief Economist, Chief Operating Officer, senior advisers to the Governor, executive directors, office directors and department directors are entitled to compensation of accommodation costs in the amount equivalent to the amount actually paid for accommodation, irrespective of the category of the hotel. After returning from business trips, the employees submit the calculation of the costs incurred while travelling on business and evidence thereof, including accommodation bills and a travel report.

Costs of informing and educating the public on the introduction of the euro in the Republic of Croatia totalled EUR 336,598.83 for services of creating and implementing a

national information campaign aimed at the implementation of the National Euro Changeover Plan.

Representation expenses totalled EUR 276,911.93, and refer to representation expenses incurred in bars and restaurants (outside the CNB), in the amount of EUR 122,584.84, expenses for occasional gifts and other representation, in the amount of EUR 105,622.79, representation expenses incurred in CNB restaurants, in the amount of EUR 28,702.60 and representation costs of transportation and accommodation, in the amount of EUR 20,001.70.

The terms and the manner of use of representation funds in 2023, were governed by the Ordinance on the terms and the manner of use of representation funds of January 2012 and the new Ordinance on the terms and the manner of use of representation funds which entered into force on 25 March 2023. Pursuant to the said Ordinance of March 2023, representation expenses are costs of representation and gifts to business partners arising from a business relationship with business partners, catering services at CNB premises and hospitality facilities outside the CNB, for occasional gifts and costs of transportation and/or accommodation of business partners and other associated costs.

The Governor, Deputy Governor, Vicegovernors, Chief Economist, Business Director, executive directors, office heads and senior advisors in the Office of the Governor, directors of organisational units, senior advisors in the Office of the Governor and the director of the Protocol Department are entitled to use representation funds for all or some forms of representation. Representation in hospitality facilities outside the CNB in the amount of EUR 122,584.84 relates primarily to the consummation of food and beverages.

Expenses for occasional gifts and other representations in the amount of EUR 105,622.79 are predominantly related to materials from inventory (occasional gifts) and catering costs (for meetings, events and presentations). The procurement of occasional gifts is made pursuant to a request form for occasional gifts for representation purposes. The provision of Article 16, paragraph (4) of the Ordinance on the terms and the manner of use of representation funds specifies that records of occasional gifts be kept by the General Services Department and lays down the elements of such records.

Representation expenses incurred in CNB restaurants, in the amount of EUR 28,702.60 are related to representation expenses incurred in break rooms and CNB restaurants. Representation expenses covered by the audit contain data specified by the provisions of the Ordinance on the terms and the manner of use of representation funds. Some of the representation expenses, accommodation expenses on business trips and other expenses were paid by business credit cards. Namely, the Ordinance on the manner of use of business credit cards in the CNB was adopted in February 2017 and its amendments in September 2018 and September 2022, as well as in November 2022, regulating the manner of appointing the users of business cards, their rights and obligations and key implementing provisions. The Governor, Deputy Governor, Vicegovernors, Chief Economist, Chief Operating Officer, executive directors, office directors and senior advisers in the Office of the Governor are entitled to use business cards. The Governor may grant the right of use of business cards to other employees by a special decision. Officials and employees may use their business cards for the payment of justified costs in accordance with the CNB's bylaws and the annual financial plan, in particular: transport expenses, accommodation and business trip expenses, representation expenses and expenses specified by individual or other decisions of the Governor. The users of business cards are issued decisions on the right to use a business card, laying down the rights and obligations

of users of business cards. Groceries expenses in the amount of EUR 266,611.15 refer to the procurement of groceries for two CNB restaurants and four break rooms.

– Repairs and maintenance

Expenses for repairs and maintenance totalled EUR 10,102,494.55 predominantly refer to maintenance of software support in the amount of EUR 7,514,947.80, maintenance of plants, systems and other equipment in the amount of EUR 1,350,938.90 and costs of repairs and maintenance of premises in the amount of EUR 697,594.52.

Expenses for software maintenance totalled EUR 7,514,947.80 and relate to the expenses of software network maintenance, in the amount of EUR 6,420,543.41 and maintenance of individual software packages, in the amount of EUR 1,094,404.39.

Expenses for software network maintenance totalled EUR 6,420,543.41 and were predominantly related to the adjustment of the CNB's information system to the European Central Bank's system, maintenance and improvement of the IBM hardware and software, consolidation of the virtual environment and updating of software licences and software equipment licences.

The maintenance of the CNB's network was regulated by the Agreement on the maintenance of the CNB's network in force until May 2023, which was concluded in June 2022, in the amount of HRK 6,231,262.50 (EUR 827,030.66), including VAT. In accordance with Article 131, paragraph (1), item (2), sub-item (b) of the Public Procurement Act, a negotiated procedure without prior publication was carried out for the adjustment of the CNB's information system to the European Central Bank's system because of the lack of market competition due to technical reasons. The service provider submitted the required documentation, confirming that it was the only one in the Republic of Croatia with the required specialisation, that is, able to offer a specified set of required services, fulfil requirements for the maintenance of network and security components within the framework of the existing information system, respond to possible technical problems and glitches within an acceptable interval and respond to the requirements of business functions for changes of existing network system the failure of which would jeopardise CNB's operations.

Based on the negotiated procurement procedure, in April 2023a one-year Agreement on CNB's network maintenance was signed, worth 1,016,796.25, including VAT, valid until May 2024. The subject of the agreement are CNB's network maintenance that include technical support, diagnostics, equipment and software maintenance, maintenance of communication software support, transfer of network elements, development and training services and automated synchronisation with security database. The service was provided in accordance with the Agreement and the cost of the maintenance service totalled EUR 982,000.71, including VAT.

In accordance with Article 131, paragraph (1), item (2), sub-item (b) of the Public Procurement Act, a negotiated procedure without prior publication was carried out for the adjustment of the CNB's information system to the European Central Bank's system because of the lack of market competition due to technical reasons. The service provider submitted the required documentation, confirming that it was the only one employing experts certified in the technology of the producer of the CNB's security and network infrastructure. Based on the negotiated procurement procedure, a one-year Agreement on the procurement of services of the adjustment of the CNB's information system to the European Central Bank's system was concluded, worth HRK 6,785,000.00 (EUR 900,524.26), including VAT. The subject of the agreement was the extension of subscriptions, support by

the manufacturer, maintenance and expansion of the system's security features, implementation of subscription and support and regular, preventive and interventional maintenance of the system. The service was provided in accordance with the Agreement pursuant to which the cost of services for the adjustment of the CNB's information system totalled EUR 900,524.12, including VAT.

Until July 2023, maintenance and improvement of the IBM hardware and software support was subject to the Agreement on the services of maintenance and improvement of the IBM hardware and software support, concluded in June 2022, in the amount of HRK 5,605,539.56 (EUR 743,982.95), including VAT, for a period of 13 months. An open public procurement procedure was carried out pursuant to which a new Agreement on maintenance and improvement of the IBM hardware and software support was concluded in July 2023, worth EUR 812,130.71, including VAT, for a period of one year until 15 July 2024. The subject of the Agreement were the services of maintenance of IBM system and programme support, ensuring programme support, maintenance of licences, the service of proactive maintenance, technical support and training and consultancy and other services. Pursuant to the Agreement the cost of the service of maintenance and improvement totalled EUR 749,401.29, including VAT.

The consolidation of virtual environment includes the consolidation of existing virtual environment that was realised based on the use of software licences, and is conducted due to the increase in the number of services to end users, increase in the number and type of user platforms, the expansion of the infrastructure of the primary and secondary data centre and end of the technological guarantee and technical support for existing virtualisation software licences. Until August 2023, the consolidation of the virtual environment was conducted pursuant to a three-year Agreement on the consolidation of virtual environment, concluded in August 2020 for the amount of HRK 11,799,501.25 (EUR 1,566,062.94), including VAT. An open public procurement procedure was conducted in accordance with the provisions of the Public Procurement act, ending in the conclusion of the Agreement on the consolidation of virtual environment. The subject of the Agreement includes the consolidation of the CNB's virtual environment, which encompasses the conversion of existing software licenses from the perpetual licencing model to the licencing model in the form of subscription, the rollover of the technological guarantee and technical support for existing software licences by the manufacturer, and an additional quantity of perpetual/subscription software licences. In addition to the consolidation of virtual environment the subject of the agreement are also services of implementation and configuration of additional new software licences on existing IT infrastructure, the services of corrective and preventive maintenance and services of allocated technical expert of the manufacturer. The services are related to areas linked to virtualisation platforms on servers, disc storage systems, client infrastructure, system for creation of security copies, operating systems and system for digital identification management. Pursuant to the Agreement on the consolidation of virtual environment the cost of consolidation of virtual environment totalled EUR 606,979.06. The service provider was paid EUR 1,368,968.26, including VAT, in 2023 for the performed services of consolidation of virtual environment.

Until February 2023, the Agreement on the provision of services of maintenance and updating of software licences concluded in January 2022, worth HRK 5,247,337.66 (EUR 696,441.39) applied to the maintenance and updating of software licences. An open public procurement procedure was carried out in February 2023 in accordance with the provisions of the Public Procurement Act, ending in an Agreement on the maintenance and updating of software licences concluded in February 2023 in the amount of EUR 547,111.35, including VAT with the term of the agreement until end 2023. The subject of the agreement

is the maintenance of new licences, procurement of new licenses and design of multitenant functionality and optimisation of software licences. Payment of maintenance and update services are contracted pursuant to the certified work order/certificate of services rendered and invoice. The services were carried out in accordance with agreements pursuant to which the cost of service of maintenance and updating of software licences totalled EUR 578,202.30, including VAT.

An open public procurement procedure was carried out in accordance with the provisions of the Public Procurement Act for the procurement and maintenance of licences for software equipment, ending in a three-year Agreement on the procurement of licences for software equipment being concluded in March 2021, worth EUR 1,232,224.69, including VAT, with the term of the agreement until March 2024. The subject of the Agreement are the services of maintenance of existing licences for software equipment and the supply of new licences, and consultancy services related to the implementation, integration and improvement pursuant to which the cost of licence maintenance totalled EUR 400,291.34, including VAT.

Expenses for maintenance of individual software packages totalled EUR 1,094,404.39, and were primarily related to the service of maintenance and development of the system for international reserves management in the amount of EUR 458,879.40 including VAT, and the services of upgrading business applications for data storage, statistics and supervision in the amount of EUR 266,081.39.

An open public procurement procedure was carried out in accordance with the provisions of the Public Procurement Act in relation to the maintenance and development of the international reserves management system. A three-year Agreement on the provision of services of maintenance and development of the international reserves management system was concluded in December 2022 in the amount of HRK 10,372,278.75 (EUR 1,376,637.97), including VAT.

The subject of the agreement were services of regular system management and consultancy services which include: new software versions and smaller software updates, customer support services, services of corrections of possible system errors and malfunctions, the right to introduction of new versions and system updates, configuration of new instruments or amendments to existing configurations aiming to improve international reserves management and the services of implementation of new software versions and software upgrades. In December 2023, Annex I to the Agreement on the provision of services of maintenance and development of international reserves management system was concluded pursuant to the provisions of Article 320 of the Public Procurement Act, increasing the value of the Agreement by EUR 103,500.00, or 9.4%, due to the occurrence of unforeseen needs for corrective activities in the system. Annex I to the Agreement is applied as of 1 January 2024. The services were carried out in accordance with the Agreement pursuant to which the provider of the services in 2023 was paid EUR 893,755.80, including VAT.

Until June 2023 the upgrading of business applications for data storage, statistics and supervision was subject to the Agreement on the performance of services of upgrading business applications for the storage of data, statistics and supervision, worth HRK 2,739,750.00 (EUR 363,627.31), including VAT.

In accordance with Article 131, paragraph (1), item (2), sub-item (c) of the Public Procurement Act, a negotiated procedure without prior publication. The provider of the

services is the owner of the programme system and applications developed and applied in the CNB and is therefore the only subject being able to provide upgrading services. The Software systems that need upgrading are integrated in the CNB's data warehouse and the system for the exchange of supervisory reports with the European Central Bank. In August 2023, a two-year Agreement on the performance of services of upgrading business applications for data storage, statistics and supervision was concluded, worth EUR 498,400,00 and with the term until 7 August 2025. The subject of procurement are the services of upgrading business application for data storage, statistics and supervision, and pursuant to the agreement upgrading activities must include design, project, programming of business applications and development and improvement of the existing application. Pursuant to the Agreement on the performance of services of upgrading business applications for data storage, statistics and supervision, in 2023 the service provider was paid je u EUR 339,132.40, including VAT.

Expenses for the maintenance of plants, systems and other equipment in the amount of EUR 1,350,938.90 primarily related to other costs of maintenance of plants and other equipment, in the amount of EUR 624,633.12, maintenance of plants on location in Jurišićeva 17, in the amount of EUR 297,795.25, the maintenance of plants on location at Trg hrvatskih velikana 3, in the amount of EUR 195,010.74 and the maintenance plants on location at Račkoga 5, in the amount of EUR 139,731.41 euro.

Expenses for maintenance of plants and other equipment were predominantly realised pursuant to the agreement for the maintenance of the technical protection systems and the agreement for the maintenance and updating of the central surveillance management and energy system at the primary and secondary CNB locations.

The Agreement on the provision of services of the maintenance of the technical protection systems, worth HRK 4,290,845.59 (EUR 569,493.08), including VAT and concluded in February 2022 applied to services of the maintenance of the system of technical protection. . In accordance with Article 131, paragraph (1), item (2), sub-item (b) of the Public Procurement Act, a negotiated procedure without prior publication was carried out as a result of the lack of market competition due to technical reasons. The service provider submitted documents confirming that it was the only provider authorised to in the Republic of Croatia to provide services that are the subject of the Agreement.

Based on the completed negotiated procedure, the a one-year Agreement on the provision of services of the technical protection systems was concluded in February 2023, worth EUR 697,689.21, including VAT. The subject of the Agreement were the services of maintenance of the System of control of access and special protection of CNB resources established and put into operation at CNB locations in Zagreb, Ivanić Grad, Rijeka and Split. Also contracted under the Agreement was preventive, corrective and adaptive maintenance, user assistance, technological improvement and maintenance of safe rooms. Pursuant to the provisions of the Agreement, the service provider submitted the Plan of maintenance of the integrated system of technical protection of the CNB, and its receipt was confirmed by the signature of the responsible person of the CNB. In addition to invoices, the provider of the service submitted documentation on the maintenance of the technical protection system in the form of a monthly report on the situation of the system management. The services were performed in accordance with the Plan of maintenance and Agreements pursuant to which the cost of system maintenance totalled EUR 682,952.62, including VAT.

The Agreement on the maintenance and updating of the central surveillance management and energy system at the primary and secondary CNB locations concluded in October 2022, worth HRK 3,691,663.75 (EUR 489,967.98) was applied to the services of

the maintenance and updating of the central surveillance management and energy system at the primary and secondary CNB locations until October 2023. The open public procurement procedure, ended with the signing of the one-year Agreement on the maintenance and updating of the central surveillance management and energy system at the primary and secondary CNB locations in November 2023, worth EUR 496,517.13, with including VAT, with the term until November 2024. The subject of procurement were the services of maintenance and updating of the central surveillance management and energy system at the primary and secondary CNB locations and uninterruptable power supply at the location Trg hrvatskih velikana 3, which includes the maintenance of the fire alert system, gas extinguishing system, electricity and communications separators, central surveillance management system, uninterruptable power supply system and climatization systems at CNB locations in Zagreb and Ivanić Grad.

Maintenance and updating of the system refers to regular servicing intervals, readiness for emergency interventions, emergency interventions, right to new software versions, necessary spare parts and small inventory, works and equipment for the upgrading of the uninterruptable power supply system at the separate location in Zagreb. Payments were contracted based on certified logs of completed services and electronic invoices.

The services were provided in accordance with Agreements based on which the cost of the service of system maintenance totalled EUR 267,188.10, including VAT. Pursuant to the said Agreements, the service provider was paid EUR 403,186.41, without VAT, in 2023 for the completed services of system maintenance and updating.

The expenses for maintenance of premises totalled EUR 697,594.52 and refer primarily to the maintenance of the premises in Jurišićevoj 17, in the amount of EUR 244,370.56, maintenance of premises at Trg hrvatskih velikana 3, in the amount of 197,587.47 and maintenance of other premises, in the amount of EUR 142,356.12.

The expenses for maintenance of premises were largely realised pursuant to the agreements for the services of cleaning of CNB premises, in the amount of EUR 437,122.94 and agreements for works on moisture remediation, in the amount of EUR 121,838.50, including VAT.

The expenses for the services of cleaning of CNB premises in 2023 were realised based on two agreements, the agreement concluded in 2021 and its four annexes and the agreement concluded in 2023.

An open public procurement procedure was launched in April 2021 in accordance with the provisions of the Public Procurement Act for the provision of services of cleaning CNB premises. Four valid tenders were received. The criterion for selection was the economically most advantageous tender. The examination and assessment of tenders resulted in the decision on the selection of the offer with the lower price (criteria of price and experience of the manager/cleaning coordinator). An agreement, worth HRK 6,061,445.00, including VAT, or EUR 804,492.00 was concluded in July of 2021. The subject of the agreement was the cleaning of CNB premises. The unit price of cleaning per hour and square meter area, including a description of tasks were specified in the bill of quantities. The term of the agreement was from 20 July 2021 to 20 July 2023. The first annex to the agreement was concluded at the end of 2022, and the second, third and fourth in the course of 2023, which among other things increased the value of the agreement to EUR 884,860.75, including VAT, up EUR 80,368.75 or 9.9%, and extended the application of the agreement until 30 September 2023.

An open public procurement procedure was launched in May 2023 in accordance with the provisions of the Public Procurement Act. Three valid offers were received. The criterion for selection was the economically most advantageous tender. The examination and assessment of tenders resulted in the decision on the selection of the offer with the lower price (criteria of price and experience of the manager/cleaning coordinator). The Agreement was concluded in October 2023, worth EUR 1,083,144.13, including VAT, and the term of the agreement until October 2025.

Records of working hours were enclosed with invoices (per month, employee, day, location). The services provided were calculated in accordance with the agreement and bill of quantities.

An open public procurement procedure was conducted for the performance of works on moisture remediation in the CNB business premises in accordance with the provisions of the Public Procurement Act. In accordance with the provisions of the Public Procurement Act an invitation to tender in an open public procurement procedure was published in Electronic Public Procurement Classifieds of the Republic of Croatia leading to the receipt of two valid tenders. Following an examination and assessment of the tenders submitted, a decision was made in favour of the most advantageous tender (selection criterion of price and guarantee). An Agreement on the performance of works on moisture remediation worth EUR 1,600,370.60, without VAT, was concluded with the service provider in July 2023. The subject of the agreement was the performance of works on moisture remediation which includes moisture remediation and renovation works in the basement, moisture remediation on the ground floor of street premises and renovation of the existing archive rooms, works on the yard and entry hallway. It was agreed that the payments would be executed pursuant to executed quantities once a month based on temporary situation assessment certified by the CNB and pursuant to the completed works entered in the construction log and presented in the construction book, as well as signed by the authorised representative of the CNB and expert supervisor. The contractor undertook to complete the works within 21 month from the start of works. Pursuant to the provisions of Article 223, paragraph (1), item (2) of the Public Procurement Act, Annex I to the Agreement was concluded in November 2023, introducing two sub-contractors to perform construction works relating to plumbing and sewage and electrical works. The value of the works of sub-contractors is EUR 332,284.00, without VAT, or 20.8% of the total value of the Agreement. Based on temporary situation in relation to performed works, as certified by the contractor, construction supervisor and the CNB, invoices submitted in 2023 amounted to EUR 97,470.79, including VAT.

### **Management and use of fixed assets**

Pursuant to Article 10, of the CNB Statute, in December 2022 the Governor adopted the Ordinance on the management and use of CNB's fixed assets. The Ordinance governs the acquisition, management, disposal and record keeping in relation to fixed assets in CNB ownership, in particular movable and immovable property used in regular operation.

The value of fixed assets as at 31 December 2023 was EUR 110,045,429.44, increasing by EUR 19,086,513.20 or 21.0% from the beginning of the year.

Table 5 shows the value of fixed assets as at 1 January 2023 and 31 December 2023.

Table 5

## Fixed assets

in EUR

No	Description	Balance 1 Jan. 2023	Balance 31 Dec 2023	Index 3/2
	1	2	3	4
1	Land	15,153,986.67	14,616,600.00	96.5
2	Premises	46,058,928.77	57,393,499.99	124.6
3	Office space in operating lease	5,677,527.13	7,279,024.35	128.2
4	Plant and systems of equipment	542,666.76	1,385,221.44	255.3
5	Equipment	794,313.16	1,869,750.06	235.4
6	Furniture and office equipment	133,774.38	132,454.83	99.0
7	Vehicles	22,542.68	34,619.25	153.6
8	Computer hardware	13,285,406.08	17,198,160.86	129.5
9	Software and licenses	2,829,823.12	2,990,236.50	105.7
10	Investments in progress	6,459,947.49	7,145,862.16	110.6
	Total	90,958,916.24	110,045,429.44	121.0

Land, premises and computer hardware for 85.6% of the total value of fixed assets, in the amount of EUR 77,010,099.99. The CNB owns four business buildings and business premises in Zagreb, Ivanić Grad and Umag. Business buildings and premises are used for daily operations, except for premises purchased in recent years which are being reconstructed and turned into office premises. The business premises in Umag are rented to the Tax Administration of the Ministry of Finance.

The CNB maintains its real estate in accordance with the law governing construction, the law governing the protection of cultural goods and other relevant regulations. In accordance with the provisions of the Ordinance on the management and use of the CNB's fixed assets, the Technical Services Department prepared a maintenance plan as the basis for regular maintenance. Pursuant to the provisions of Article 31, paragraph (6) of the Ordinance on the management and use of the CNB's fixed assets, the distribution of CNB business premises should be subject to the calculation of the optimum space of business premises per employee, as well as optimum furniture for individual employees.

The CNB has multiple office spaces in operating lease. Two agreements on the lease of business premises were concluded in 2023. Business premises are leased with furniture included. Agreements on the lease of parking places were concluded for the purpose of parking of CNB employees.

Pursuant to Article 33 of the Ordinance on the management and use of the CNB's fixed assets, the competent organisational units will prepare and propose to the Governor the adoption of internal bylaws laying down the procedure, the terms and conditions, allocation documents, records and assignment and reversal of assignment of fixed assets.

In accordance with the explanation the preparation of the said bylaw is underway, while the Ordinance on personal assignment and reversal of assignment of fixed assets and small inventory to CNB employees of 2021 is in force.

An asset inventory is conducted at the end of each business year and the situation in business books is harmonised with the verified actual situation. The Ordinance on the

inventory taking of assets and liabilities of 2024 governs the manner of inventory taking and deadlines for harmonising the obtained list of actual assets and obligations of the CNB with the business books. The Ordinance also governs the manner of amortisation/depreciation of fixed and non-fixed assets and small inventory in accordance with the CNB's accounting policies. Pursuant to the Decision of the Governor, a regular annual list of assets and liabilities was made with the balance as at 31 December 2023. A unified report was prepared by the central inventory commission on the performed regular inventory list of assets and liabilities of the CNB for 2023. The Governor adopted the Decision on the results of the regular annual inventory list of CNB's assets and liabilities as at 31 December 2023 in January 2024.

The CNB's 2023 Financial Plan includes the Plan of financial assets for the procurement of assets, broken down by type of asset in the planned amount of EUR 27,419,371.50. Significant investments were planned in Computer hardware and software, in the amount of EUR 11,293,882.00 or 41.2% and in land, in the amount of EUR 10,580,000.00 or 38,5% of total planned investments in fixed assets.

The report on the execution of the Plan of financial assets for procurement is based on completed procurement procedures for planned procurement objects. Investments in the procurement of fixed assets were realised in the amount of EUR 13,808,327.28 and were EUR 13,611,044.22 or 49.7% below the plan. Significant investments were also made in the procurement of Computer hardware and software, in the amount of EUR 8,845,542.73 or 64.0% of total planned investments in fixed assets.

Planned and realised investments in the procurement of fixed assets are shown in Table 6 by type of asset.

Table 6

## Planned and realised investments in procurement of fixed assets

in EUR

No	Description	Planned in 2023	Realised in 2023	Index (3/2)
	1	2	3	4
1	Land	10,580,000.00	-	-
2	Office buildings	1,075,006.00	3,764.30	0.4
3	Furniture	31,525.00	10,519.25	33.4
4	Office equipment	772,902.00	1,184,933.67	153.3
5	Other equipment	2,816,408.00	2,680,574.85	95.2
6	Computer hardware and software	11,293,882.50	8,845,542.73	78.3
7	Personal vehicles	839,157.00	824,441.03	98.2
8	Domestic and foreign books	8,500.00	4,014.76	47.2
9	Equipment for technical security system	1,991.00	16,056.49	806.5
10	Numismatics	-	238,480.20	-
	Total	27,419,371.50	13,808,327.28	504

The purchase of land worth EUR 10,580,000.00 was not realised. The value of the land was planned pursuant to the Study on the assessment of the value of real estate property of August 2020, prepared by a certified permanent court appraiser for construction and valuation of real estate, and the size of the land plot. Pursuant to the explanation of the responsible person the building plot of 98 243 m<sup>2</sup> is envisaged for the construction of CNB

business premises for the purpose of construction of a vault, i.e. a cash centre. The start of the planned activities is envisaged in 2024.

Planned investments in office buildings totalled EUR 1,075,006.00 and realised investments totalled EUR 3,764.30 and are related to the construction works and equipment necessary for the office of the cash register.

Furniture was procured in the total amount of EUR 10,519.25. This is related to the procurement of office furniture and mounting of air-conditioning units. Simple purchase procedures were carried out in accordance with the provisions of the CNB Ordinance on procurement.

Office equipment was procured in the amount of EUR 1,184,933.67. This relates primarily to the purchase of personal computers in accordance with the Public Procurement Act pursuant to the procedure carried out for the CNB by EPCO. The procurement of personal computers was preceded by market analysis. Prior consultations were held with interested economic entities which was followed by a report, stipulating that no objections or proposals were received from economic entities. Open public procurement procedure was carried out for the procurement of personal computers and the most economically advantageous tender was applied as the selection criterion, of which price had the greatest relative ponder. Two valid tenders were received. Following an examination and assessment of the tenders submitted, a decision was made in favour of the tender with the lower price. The Agreement on the procurement of personal computers was concluded with the supplier in August 2023 within 60 days of the conclusion of the agreement. The supplier fulfilled its contractual obligations, delivering 700 computers in the contracted value of EUR 497,000.00, without VAT, which was paid pursuant to a signed delivery note.

Other equipment was procured in the amount of EUR 2,680,574.85. It was related to the procurement of a video screen, installing and updating of technical security system, procurement of the system for banknote processing and destruction, procurement of the sensors for the verification of the authenticity of banknotes and other equipment. In terms of value, significant was the procurement of the system for processing and destruction of banknotes from a foreign supplier, worth EUR 475,000.00. A negotiated procedure without prior publication was carried out due to the urgency of the procedure.

An open public procurement procedure was carried out for the subject of procurement of services of supply and implementation and integration of new audio-visual systems into the existing audio and communication infrastructure of the contracting authority, worth EUR 436,130.00, with VAT, which was completed with the acceptance of one of the received tenders.

A negotiated procedure without prior notification was carried out in relation to the subject of procurement of the improvement and updating of technical security system because the supplier is the only authorised representative in the Republic of Croatia for the sale of technical equipment implemented in the security system. In March, 2023, the Agreement on the improvement and updating of the technical security system was concluded in March, worth EUR 368,138.52, without VAT.

Computer hardware and software were procured in the amount of EUR 8,845,542.73. This relates to the procurement of Computer hardware and software, among other things, for the Croatian Large Value Payment System (CLVPS) services, expansion of server and data infrastructure for replication and management of IT services and improvement of infrastructure for user services, network switches for the primary and secondary location.

The procurement of Computer hardware and software was preceded by market analysis. In addition, prior consultations were held with interested economic entities which were followed by a report, stipulating that no objections or proposals were received from economic entities.

Open public procurement procedure was carried out pursuant to the provisions of the Public Procurement Act for the procurement of all four subject-matters of procurement and the most economically advantageous tender applied as the selection criterion, of which price had the greatest relative ponder.

Until end of December 2020, the procurement of the service of expansion of server and data infrastructure for replication and management of IT services was carried out pursuant to the Agreement concluded in December 2022. In accordance with the provisions of the Public Procurement Act an invitation to tender in an open public procurement procedure was published in Electronic Public Procurement Classifieds leading to the receipt of two valid tenders, of which one was invalid. . Following an examination and assessment of the tenders submitted, a decision was made on the selection of the tender and in December 2023 a one-year Agreement for the expansion of server and data infrastructure for replication and management of IT services was concluded with the supplier. The payment in the amount of EUR 989,446.00, without VAT, was made based on the handover checklist and delivery notes.

In accordance with the provisions of the Public Procurement Act an invitation to tender in an open public procurement procedure was published in Electronic Public Procurement Classifieds for the procurement of the server for CLVPS to expand the existing server infrastructure and for services of integration of the supplied hardware, leading to one tender. Following an examination and assessment of the tender submitted, the tender was selected and a one-year agreement was concluded with the supplier in March 2023. The payment in the amount of EUR 994,778.00, without VAT (EUR 1,243,472.25, with VAT) was made based on the handover checklist and delivery note.

The procurement of network switches for primary and secondary location and virtualisation of network environment was carried out pursuant to the Agreement concluded in December 2022. In accordance with the provisions of the Public Procurement Act an invitation to tender in an open public procurement procedure was published in Electronic Public Procurement Classifieds leading to the receipt of two tenders. Following an examination and assessment of the tender submitted, a decision on the selection was made. A one-year Agreement on the procurement of network switches for the primary and secondary location and virtualisation of network environment was concluded in September 2023. The payment in the amount of EUR 1,192,030.00, without VAT was made pursuant to the handover checklist and delivery note.

In accordance with the provisions of the Public Procurement Act an invitation to tender in an open public procurement procedure was published in Electronic Public Procurement Classifieds for the procurement of network and security infrastructure at the primary and the secondary location, leading to the receipt of two tenders. Following a review and assessment of the tenders submitted, a decision was made in favour of the tender with the lower price. An Agreement in the amount of EUR 887,312.02 without VAT was concluded in 2023. The payment in accordance with the contract was made pursuant to the handover checklist.

The procurement of vehicles was realised in the amount of EUR 824,441.03. This refers to the procurement of an armoured vehicle for the Currency Area, worth EUR

797,693.75, and a delivery vehicle, worth EUR 26,747.28, pursuant to a completed open public procurement procedure.

Simple procurement procedures were carried out for the procurement of domestic and foreign books and equipment for the technical security system in accordance with the CNB's Ordinance on simple procurement.

### III 2023 AUDIT

The Audit procedure was carried out in the period from 2 May 2024 to 3 March 2025.

#### **Audit objectives and areas**

The audit objectives were set in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and the provisions of the Act on the State Audit Office.

The objectives of the audit were as follows:

- to check whether operating expenses in the part of administrative operation 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 operations;
- 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 orders and recommendations of the last audit were implemented.

Audit areas were determined in connection with the subject and objectives of the audit in accordance with the provisions of the Act on the State Audit Office that governs the competences of the State Audit Office.

#### **Criteria for expression of opinion**

Criteria for expression of opinion on compliance are as follows:

- 1 the Act on the Croatian National Bank;
- 2 the Labour Act;
- 3 the Act on the Prevention of Conflict of Interest;
- 4 the Income Tax Act (Official Gazette 115/2016, 106/2018, 121/2019, 32/2020, 138/2020, 151/2022 and 114/2023);
- 5 the Ordinance on Income Tax;
- 6 the Public Procurement Act;
- 7 the Act on the Protection of Monetary Institutions;
- 8 the CNB Statute (December 2022) and Amendments to the CNB Statute (December 2023);
- 9 the Ordinance on the CNB organisational structure (December 2022);
- 10 the Code of Conduct of CNB Employees (September 2020), the Amendments to the Code of Conduct of CNB Employees (November 2021.) and the CNB Code of Conduct (June 2023)

- 11 Rules of operation (May 2015), the Amendments to the Rules of operation (January 2020), the Amendments to the Rules of operation (January 2020, June 2020, August 2021 and November 2022) and Rules of operation (June 2023);
- 12 the Ordinance on professional and other positions and positions of officials in the CNB (January 2020) and the Ordinance on amendments to the Ordinance on professional and other positions and positions of officials in the CNB (August 2021);
- 13 the Ordinance on salaries and other income of CNB employees (January 2020), Ordinance on amendments to the Ordinance on salaries and other income of CNB employees (July 2020), the Ordinance on amendments to the Ordinance on salaries and other income of CNB employees (November 2022), and the Ordinance on salaries and remuneration in the CNB (June 2023);
- 14 the Ordinance on the management of job performance of CNB employees (February 2008), Ordinance on amendments to the Ordinance on the management of job performance of CNB employees (March 2010 and April 2012);
- 15 the Ordinance on the compensation of travel and other expenses (January 2019);
- 16 the Ordinance on CNB publications (August 2020);
- 17 the Ordinance on training and development of CNB employees (May 2009) and the Ordinance on amendments to the Ordinance on training and development of CNB employees (February 2010);
- 18 the Ordinance on uninterrupted use of vehicles for personal transport (October 2018);
- 19 the Ordinance on the terms and the manner of use of representation funds (February 2012) and the Ordinance on the terms and the manner of use of representation funds (March 2023);
- 20 the Ordinance on the use of business mobile phones and CNB telephone lines (June 2011);
- 21 the Ordinance on solving the housing needs of CNB employees (May 2009), the Ordinance on amendments to the Ordinance on solving the housing needs of CNB employees (January 2012 and December 2016);
- 22 the Ordinance on the use of business credit cards in the CNB (March 2017) and Ordinance on amendments to the Ordinance on the use of business credit cards in the CNB (September 2018 and September ) and Ordinance on amendments to the Ordinance on the use of business credit cards in the CNB (November 2022);
- 23 the Ordinance on the management and use of CNB's fixed assets (December 2022);
- 24 the 2023 Operating plan (December 2022);
- 25 the Strategic planning methodology (July 2021);
- 26 the CNB strategic planning methodology (December 2022);
- 27 the CNB's Accounting policies (December 2022);
- 28 the Accounting procedures (July 2022 and July 2023);
- 29 Ordinance on simple procurement (December 2022) and Ordinance on amendments to the Ordinance on simple procurement (March 2022);
- 30 the decisions adopted by the Governor, agreements and other bylaws.

## **Audit methods and procedures**

Different audit methods and procedures were applied in order to collect sufficient, valid and relevant audit evidence. Regulations, bylaws, decisions and other relevant documents pertaining to the compliance of CNB's operations were reviewed and analysed. The risks from different deficiencies, divergences and irregularities that can arise in connection to the subject-matter of the audit were assessed. The audit approach was determined based on collected and analysed information related to the compliance of CNB operations, taking into account the possible subject-matter of the audit as defined by the provisions of the Act on the State Audit Office. The compliance with the relevant laws, other regulations and internal bylaws was checked. Compliance of material business events, in terms of value, was checked, while less significant items, in terms of value, were checked using the sampling method. Interviewees were conducted with employees and explanations were obtained from responsible persons in relation to business events that were the subject-matter of audit procedures. Expert judgement was applied in the formulation of audit conclusions, taking into account audit findings, the importance and the type of omissions identified by the audit.

## **The 2023 Audit findings**

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

The 2023 audit established omissions relating to organisation, planning, staff costs, administrative costs and public procurement.

### **1 Organisation**

1.1. 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 position and managing 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, the competent Vicegovernor, Chief Economist or Business Director, and for other positions, the competent Vicegovernor or the Business Director.

Pursuant to the said Ordinance, the competent persons (the Governor, Deputy Governor, Vicegovernors and the 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 (3) 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.

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 more decisions being adopted, be regulated systematically at CNB level and determine the necessary number of employees for performance of tasks and activities in all organisational units of the CNB.

Further, 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.

***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.***

- 1.2. *The CNB accepts the recommendation pertaining description of activities and tasks and explained that pursuant to 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, in addition to existing decisions with descriptions of specific professional position, which have already been adopted, the adoption of decisions for remaining organisational units is under way. Pursuant to 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, the publication of decisions on descriptions of specific professional positions is not laid down in internal bylaws and generic description stipulated in the Ordinance on professional and other positions have been published and are available. When adopted, the Decision with accompanying descriptions is submitted to heads of organisational units which are obligated to distribute them among the employees. A review which will also contain the number of persons holding various officer, associate and advisory professions in accordance with the planned needs of organisational units will be adopted as a special part of the decision on specific descriptions of professional and other positions, that is at CNB level, as an integral part of planning documents when planning the needs for human resources.*

- 2.1 Pursuant to the provisions of Article 2 of the Ordinance on amendments 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 CNB level is determined in the CNB's Operating plan for the relevant business. The adopted 2023 Operating plan was adopted, containing among other think 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 date 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 38 employees).

At the end of 2023, the actual number of employees was 744, up ten 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 employees, 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 opinions 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 planed hiring, that is, planed 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 of expected employees, it is necessary to, in addition by professional positions, to 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 so that during proceedings the experience of the candidates in particular jobs was taken into consideration and was checked whether they meet the requirements of 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 and employee may be directly hired nor is the procedure of direct employment specified.

***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 in more detail describe hiring procedures.***

2.2 *The CNB accepts the recommendation regarding the planning of the necessary number of employees and explains that the Governor on 10 December 2024 adopted the Instruction for the initiation of procedure of external hiring.*

*The said Instruction governs the overall manner of hiring since the initiation of the procedure, publishing of the vacancy until the notification on the selection of candidates. The specification of the Operating plan envisages the number of employees per organisational unit. By adopting amendments to the internal bylaws the CNB will regulate the manner of publishing vacancies and more precisely and in more detail prescribe hiring procedures.*

### 3 Staff costs

3.1. 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.

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 promotion to a higher position. The basic salary within the range of the same position may be increased conditioned on the meeting of two of 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 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 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.

***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 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.

Further 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.

***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.***

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 20 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 proposals did not specify measurable criteria for extraordinary occasional benefits, that is, for the valuation of performed activities and tasks of special interest.

***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.***

- 3.2. *The CNB accepts the recommendations. In relation to the allocation of points to newly employed employees the description of activities and tasks is attached to the request for employment. 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. It is common practice in the CNB that newly employed employees who meet the requested conditions to the full extend are allocated points up to the middle of the relevant range for the relevant position at entry. However, due to situation in the labour market and great number of procedures being annulled due to inability to obtain adequate candidates, sometimes even the maximum number of points for a relevant position is not sufficient for the candidate to decide to become a CNB employee. This situation will be provided for, that is, explained within the framework of the form of consent for employment. As regards the increase in points for the same position and in case of promotions to a higher position, the CNB explains that the preparation of proposed amendments to the Ordinance on the management of job performance is under way, which is set to provide a more precise and a more detailed framework of awarding employees in accordance with achieved work results.*

*With regard to determining measurable criteria for the setting of the amount of allowance for performing additional tasks and activities of special interest to the CNB and/or in relation to the need to keep employees with and/or attract new employees to the CNB, the CNB explains that amendments to Article 14 of the Ordinance on salaries and income in the CNB will provide for the implementation of the recommendation in such a way that the explanation of the proposal for allowance will need to also include additional and precisely state facts and circumstances justifying the allocation of the allowance based on the performance of additional tasks and activities of special interest to the CNB outside the outside the framework of an employee's regular tasks*

*and activities. In cases of the need to keep employees with and/or attract new employees to the CNB, the explanation of the proposal should contain information on specific knowledge, skills and experience of the employee, of the manner in which such specific knowledge, skills and experience is employed or will be employed in the performance of the employees tasks and activities and which certificates (or similar documents on acquired knowledge) the employee has, which are required for the performance of tasks and activities in the CNB, as well as the potential effects of the CNB joining the CNB or leaving the CNB, in terms of operating continuity. The amount of the allowance will be determined taking into account and adequately explaining the specifics of each individual proposal for specific persons in terms of the above-mentioned criteria.*

*With regard to determining measurable criteria for setting the amount of one-off reward and extraordinary occasional benefits, the CNB explains that the amendments to the Ordinance on the management of job performance of CNB employees and Manual for the management of job performance of CNB employees will provide for a new manner of assessing the set objectives against criteria: met, partially met, not met and for different assessment of employees in accordance with models of competences/ individual criteria within the framework of performance assessment: exceptionally successful, successful, satisfactory and unsatisfactory. For each group of criteria a coefficient will be set and a certain number of points allocated, ultimately leading to the range of points for individual level of criteria, that is, range of points for 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. In addition to the said amendments to the documents regulating employee performance amendments with bi introduced to the Ordinance on salaries and income in the CNB, which will additionally specify measurable criteria for granting one-off rewards and extraordinary occasional benefits.*

#### 4 Administrative expenses

- 4.1 Administrative expenses totalled EUR 30,070.901.50, of which, in terms of value, the most significant were the expenses of repairs and maintenance, in the amount of EUR 10,102,494.55, outside sources expenses, in the amount of EUR 7,332,126.42 and other administrative expenses, in the amount of EUR 6,968,381.23 and expenses for professional services, in the amount of EUR 2,251,299.11.

##### – Compensation of travel expenses

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 traveling 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 plain tickets and EUR 361,596.36 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) 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. 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.

***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.***

– 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 od 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 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, that it is necessary to provide a mobile 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 recognises and settles the monthly expenses for business mobile phones up to the amount determined by an authorised person in a special decision. Employees are obligated to settle the costs of mobile phones exceeding the amount laid down in the decision.

The Decision on the amount of the maximum monthly expenses for mobile phones and types of services by mobile phone operators of 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.

***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.***

- 4.2. *The CNB accepts the recommendations. With regard to the calculation of travel expenses, the CNB explains that the Ordinance on the compensation of travel and other expenses governs 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. In accordance*

*with Article 13 of the Ordinance on the compensation of travel and other expenses the accommodation expenses are calculated in the amount of the received invoice for an overnight hotel stay which is in line with the Ordinance on income tax, which in its Article 7, paragraph (2), item (28) specifies that taxable income from employment does not include compensation of accommodation expenses during business trips in the amount of real expenses, and in line with Article 7, paragraph (15) of the Ordinance on income tax accommodation expenses are calculated in the amount of received invoices for overnight stays. Pursuant to the said legal provisions and interpretations of tax advisors, the expenses of overnight stays during a business trip include all expenses or transactions related to the organisation of accommodation which pursuant to Article 91 of the Value Added Tax Act are considered a unique service that a travel agency provided to a buyer.*

*In the Ordinance on the compensation of travel and other expenses and its amendments, the CNB will therefore prescribe the time of issuance and approval of travel orders in more detail in such a way that the travel order will be issued and approve immediately upon becoming aware of the need for an upcoming business trip. It will also provide for the possibility of use of the services of a travel agency, that is, for recognition of travel expenses and accommodation expenses calculated pursuant to the invoice issued by a travel agency.*

*With regard to the calculation of the implementation of the public procurement or simple procurement procedure for the services provided by a tourist agency, the CNB explains that at the end of 2024 it published an open procurement procedure in line with the provisions of the Public Procurement Act for the services of travel agency. The bill of quantities envisages that the tenderers stipulate the price of the service for issuing travel tickets, hotel accommodation and similar services. The costs of plane tickets, hotel accommodation, etc. will paid directly to the subject rendering the service for which an invoice will be obtained, and the travel agency will receive payment for its services.*

*In addition, the CNB is preparing an application for digital travel orders and will prescribe new procedures for creation and approval of travel orders and for their calculation. The new system will not allow for the costs of a business trip to be settled without the unique numeric code of the travel order as a prerequisite for all future activities related to the approved business trip. In addition, the CNB will provide for the use of a platform for booking travel tickets and hotel accommodation ensuring even more rational and transparent procurement of required travel tickets, hotel accommodation and similar services and centralised monitoring and management of the entire process.*

*With regard to the adoption of new or amendment of the existing bylaws regulating the right to the use of business mobile phones and the limits for expenses of business mobile phones, the CNB explains that it will adopt amendments to the general internal bylaw within an adequate time frame, which will also provide the framework for concluding an agreement with the mobile services provider. The agreement will be concluded following an appropriate public procurement procedure. In addition, the CNB established a working group in 2024 entrusted with the task of proposing the manner for the establishment of a centralised register of all valid internal bylaws, systems of adoption and management of internal bylaws, monitoring of their compliance and updating requirements.*

*By the end of 2024, the working group prepared the proposal of the necessary document, in particular the Decision on the establishment, keeping and management*

*of the register of internal bylaw and authorisations of the CNB pursuant to which a repository of general bylaws will be established within an appropriate time frame, the purpose of which will be, above all, better, and almost instant, accessibility of all applicable general bylaws of the CNB in one place, as well as automated and timely notification of competent organisational units on the need to amend individual general bylaws or prepare new ones, where required.*

## 5. Public procurement

### 5.1 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 to the Agreement with the supplier, among other things, extending the term of the Agreement until 31 July 2023, and in July 2023 concluding Annex III to the Agreement increasing 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 authority may amend the agreement without a new

procurement procedure during their 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 stipulate 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. Further, 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 the completion of the procedure a public procurement agreement would be conclude for a 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.

In September 2023, Annex III to the Agreement was concluded, increasing the value of the Agreement by EUR 18,538.75 or 10.0% to the amount of EUR 222,465.04 (HRK 1,536,482.63), without VAT, and extending 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.

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 210% 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 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 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 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.

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 catering and courier 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 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 par 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 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.

***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.***

5.2. *The CNB accepts the recommendations. With regard to concluding of annexes to agreements the CNB explains that the recommendation will be implanted through the following measures, that is, in the following way:*

*(a) the organisational unit that is the procuring entity shall better and in a more comprehensive way plan procurement and analyse the market, which they will be obligated to do pursuant to more precise and additional instructions in the process of planning;*

*(b) through additional instructions, organisational units that are the procuring entities will be obligated to submit to the Procuring Department timely requests for the initiation of public procurement proceedings (that is, at the latest, four months prior to the need for the supply of goods, services or works, or the expiry of the renewable public procurement agreement), and such requests will contain all the necessary information to enable their processing in accordance with Article 23 of the Instruction on public procurement in the CNB;*

*(c) through additional training relating to important topics pertaining to public procurement of all employees of the organisational unit of the procuring entity who as members of the expert committee participate in public procurement procedures or management of public procurement agreements or in any other phase of the entire public procurement cycle;*

*(d) by making use of the possibility to conclude multi-annual public procurement contracts, in cases when this is possible and justified and*

*(e) through consequent implementation of good practices regarding limitations to extension of terms of initial public procurement contracts, as well as compliance with the provisions of Articles 314 to 321 of the Public Procurement Act (on amendments to public procurement agreements during the term of the agreement in their entirety . In this way the probability and the need for amendments to public procurement contracts during their term would be considerably reduced, as well as possible associated risks. In addition, all amendments to public procurement agreements, if any, would thus comply with the respective provisions of articles 314 to 321 of the Public Procurement Act.*

*As regards the limits to the extension of the term of the initial public procurement agreements, in contrast to the increase in the value of the initial public procurement agreement, the Public Procurement Act does not provide explicit criteria/guidelines. However, after detailed analysis and examination of relevant literature, it is considered that they can be derived from accurate interpretation of articles 314 to 321 of the Public Procurement Act and by analogy with explicitly prescribed criteria/guidelines regarding the limits to the increase to the value of the agreement. Therefore, it is agreed that these represent good practices. In this sense, all organisational units, that are procuring entities, will be informed on the practices applied as regards the permissible extension of the terms of the initial public procurement agreement, with clear and detailed explanations.*

*This will also be taken into account when providing the opinion drafted by the Procurement Department as regards the permissibility of the proposal of amendments to public procurement agreements.*

*The CNB explains that the recommendation as regards the description of the subject of procurement in connection with administrative staff has already been implemented (an open public procurement procedure is under way for the making available of workers through an agency of temporary employment, which is currently in the review and assessment phase), while in connection with catering, courier and other services this can be implemented in an appropriate way after the expiry of the agreement on public procurement of catering, courier and other services with the selected provider, in relation to which the award decision has already become enforceable in the public procurement procedure.*

## Implementations of 2020 recommendations

The State Audit Office conducted a 2020 compliance audit of the CNB, with this regard a Report was prepared and the unqualified opinion given.

In December of 2023, the CNB drafted a document entitled Implementation of Recommendations by the State Audit Office pursuant to the Report on the 2020 Compliance Audit of the CNB, establishing that all recommendations were implemented, with regard to the following:

- the monthly delivery of the summarised balance sheet to be agreed with the Ministry of Finance of the Republic of Croatia in writing;
- in accordance with the Strategic planning methodology prepare the CNB Strategy for the three-year period;
- adopting amendments to the Operating plan pursuant to the same procedure for the initial preparation and adoption in accordance with the Planning methodology;
- planning of the required number of employees in accordance with the provisions of the Ordinance on professional and other positions and positions of officials in the CNB;
- governing of the implementation of simple purchases by the Ordinance on procurement and ensuring more uniform procedure and adherence to public procurement principles;
- grouping of the same type of goods in the Procurement plan into functional units and thus defining subject-matters of procurement and completing procedures in accordance with the provisions of the Public Procurement Act;
- explaining in the Operating plan the reasons for amendments in the value of the point for calculating basic gross salaries – documenting the need for adjustment of salaries with the salaries for same or similar positions realised by employees of commercial banks, other financial institutions or undertakings and setting of measurable criteria for determining the salary allowance based on the comparative value of the salary;
- in the proposal for awarding one-off monetary rewards and extraordinary occasional benefits explain in more detail the reasons for such payments, identify what is consider a good business result and what activities are of special interest to the CNB in relation to which a decision on extraordinary occasional benefits may be adopted, as well as set measurable criteria for determining the amount of one-off monetary rewards and extraordinary occasional benefits;
- governing all types of income and conditions for their payment by the provisions of the Ordinance on salaries and other income in the CNB;
- governing by the Ordinance on salaries and other income in the CNB the manner of calculation of compensation of costs of transportation to/from work on days of the month when employees do not come to CNB facilities;
- paying of the services of external staff in accordance with actually provided services pursuant to the provisions of the agreement and calculating the price of food and beverages in the CNB restaurants in accordance with the Decision of the Governor;
- normatively regulating the acquisition, management and use of CNB assets.