

LAW ON STATE AUDIT

I. GENERAL PROVISIONS

Article 1

This Law shall define the terms and manner for performing state audit of public expenditures, financial reports and financial transactions and other questions related to audit of government bodies, bodies of local government units, legal entities fully or partly financed by the Budget of the Republic of Macedonia, budget of local government units and budgets of the funds (hereinafter: general budget users), legal entities where the state is a dominant shareholder, public enterprises, National Bank of the Republic of Macedonia, Payment Operations Bureau, the funds, agencies and other institutions established by law and users of European Union funds and other international funds.

Article 2

State audit, with regard to this Law, shall be considered verification of documents and reports on performed internal control and internal audit, accounting and financial procedures and other records from the aspect whether the financial reports truly and objectively present the financial state and the result of financial activities in accordance with accepted accounting principles and accounting standards and audit standards.

State audit shall also be the procedure of verifying the financial transactions that present government expenditures with regard to legal and restricted use of funds.

Article 3

State audit shall include giving evaluation for use of funds with regard to achieved economy, efficiency and effectiveness.

Economy shall be considered minimization of costs for achieving some function or activity.

Efficiency shall be considered the lowest possible level of costs compared to the realized effects.

Effectiveness shall be considered the highest possible level of realizing program tasks.

Article 4

State expenditures, with regard to this Law, shall be considered all current and capital expenditures financed by the Budget of the Republic of Macedonia, budgets of local government units and budget of the funds.

Article 5

Government bodies, with regard to this Law, shall be considered all public administration bodies, other government bodies, organizations and institutions.

Article 6

State audit, with regard to Article 2 paragraph 1 of this Law, shall be performed continuously during the year, but obligatorily once a year for: Budget of the Republic of Macedonia, budgets of local government units, budgets of the funds and public enterprises.

Article 7

State audit of financial reports of: government bodies, bodies of local government units, general budget users, legal entities where the state is dominant shareholder, National Bank of the Republic of Macedonia, Payment Operations Bureau and agencies, funds and other institutions established by law and users of European Union funds and other international funds, shall be performed in accordance with annual operational program of State Audit Bureau.

Article 7-a

Annual financial reports and reports on entities' performance, referred to in Article 6 of this Law, shall be reviewed and adopted by the competent bodies only with audit report of State Audit Bureau prepared for them.

Article 8

State Audit Bureau, when needed, shall perform state audit with regard to Article 2 paragraph 2 and Article 3 of this Law.

Article 9

State Audit Bureau, through the annual program, shall define the scope of performing state audit operations.

II. STATE AUDIT BUREAU

Article 10

State audit operations shall be performed by State Audit Bureau.

State Audit Bureau is a body of the State.

The head office of State Audit Bureau is in Skopje.

Article 11

State Audit Bureau shall perform the following operations:

- 1) plan and audit in accordance with Article 2 paragraph 1 of this Law;
- 2) audit in accordance with Article 2 paragraph 2 and Article 3 of this Law in compliance with the annual program;
- 3) submit annual report for performed audit and its operations;
- 4) submit current audit reports including results for significant illegalities, and
- 5) submit quarterly report for realization of indicators for monitoring and evaluation of the operational program success, which is an integral part of annual report.

Article 12

The report referred to in Article 11 item 3 of this Law, shall be submitted to the Assembly of the Republic of Macedonia seven months after the expiry of the period for submission of annual financial reports at the latest.

The reports referred to in Article 11 item 4 of this Law, can be submitted to the Assembly of the Republic of Macedonia prior to the submission of annual report on performed audits.

Article 13

State Audit Bureau shall be managed by Chief state auditor.

Chief state auditor shall have a deputy.

The term of office of Chief state auditor and his deputy is ten years.

Chief state auditor and his deputy are elected and dismissed by the Assembly of the Republic of Macedonia.

Chief state auditor and his deputy shall be dismissed:

- on their request;
- if they meet the conditions for old-age pension;
- if they are convicted for criminal offences imprisonment of at least six months, and
- due to severe disciplinary offence that makes them unsuitable for performing their function.

Article 14

Chief state auditor and his deputy shall not perform other public function, profession, neither be members of political party, members of board of directors, supervisory board or any other body within other entity.

Article 14-a

Chief state auditor shall publish annual report on State Audit Bureau operations on the State Audit Bureau website.

Article 15

Chief state auditor shall appoint authorized auditors that manage separate sectors in State Audit Bureau.

Internal organization of State Audit Bureau and the number of executors shall be defined by acts for organization and systematization of operations and tasks of the State Audit Bureau, adopted by Chief state auditor.

Audit on State Audit Bureau of the manner of spending funds provided pursuant to this Law, shall be performed by auditors authorized by the Minister of Finance.

Article 15-a

Authorized state auditors shall be issued an official identification card.

The form, content and manner of issuing and depriving of official identification card shall be stipulated by the Chief state auditor.

Article 15-b

The criteria and methodology for evaluation of the audit findings shall be stipulated by the Chief state auditor.

Article 16

For financing the audit operations of: Budget of the Republic of Macedonia, budgets of local government units, budgets of the funds, general budget users and users of European Union funds and other international funds, the funds shall be provided from the Budget of the Republic of Macedonia.

Costs for performing audit operations of legal entities where the state is a dominant shareholder, public enterprises, National Bank of the Republic of Macedonia, Payment Operations Bureau, funds, agencies and other institutions established by law, shall be covered by the legal entity where the audit operations are performed, in accordance with State Audit Bureau Tariff, which is approved by the Assembly of the Republic of Macedonia.

Article 16-a

For revised audit performed on request of the entities referred to in Article 16 paragraph 1, except for performed audits in accordance with this Law, a fee shall be charged according to the State Audit Bureau Tariff, notwithstanding the requirements of the Assembly of the Republic of Macedonia.

III. State Audit Performance

Article 17

State audit shall be performed in a manner and procedure in accordance with this Law, as well as on the basis of regulations from the area of public finance.

During audit, audit standards published in "Official Gazette of the Republic of Macedonia" shall be applied.

Article 18

State audit shall be performed by authorized state auditor employed in the State Audit Bureau.

Authorized state auditor shall not be a member of board of directors, supervisory board or any other body within other entity.

Authorized state auditor shall be an expert who holds a certificate for authorized state auditor and meets other conditions stipulated with this Law.

Article 19

If a complex question emerges in the state audit procedure, and for which solving would be estimated that it is necessary to engage experts outside the State Audit Bureau and outside legal entity, i.e. user where the audit is performed, the Bureau may engage such persons from appropriate institutions and experts outside the Bureau.

The referral to the independent expert's opinion presented in relation with audit operations, shall not exempt the authorized state auditor from the obligation for established opinion or findings in the report.

Article 20

In state audit procedure, the authorized state auditor shall have free access to business premises and property, shall be entitled to insights in books, forms and other documentation, and also shall be entitled to ask for explanations from entity representatives where the state audit is performed for all questions significant for performing state audit.

Legal representative of the entity where the audit is performed, is obliged to put all relevant documentation, reports and other data on disposal of the authorized state auditor, and to provide other information necessary for implementation of state audit.

For documents that do not have a state secret sign according to the regulations, the legal representative of the entity where the state audit is performed cannot refer to state secret for refusing or incapacitating the performance of state audit.

If the entity subject to audit limits the scope of examinations or incapacitates application of certain audit procedures, the State Audit Bureau is obliged to point that in the report in accordance with audit standards and immediately to report to the competent body that supervises the entity.

Article 21

Data and information, which authorized state auditor finds during the state audit, are business secret and shall not be revealed to other persons without an authorization.

Authorized state auditor must not use information that he found during the state audit to acquire property or other benefit for himself or other entity.

Provisions referred to in paragraphs 1 and 2 of this Article shall also refer to experts who are engaged outside State Audit Bureau, with regard to Article 19 paragraph 1 of this Law.

Article 22

Authorized state auditor must not perform audit if:

- 1) he is a shareholder or capital investor in the entity where the audit is performed;
- 2) he was previously employed or he was a legal representative of the entity subject to audit, at least five years before that;
- 3) he participated in bookkeeping or performed the annual settlement and financial reports of the entity where the audit is performed, and
- 4) he is spouse or relative, direct kinship up to the fourth degree of kinship, guardian, custodian, adopter, adoptee, sustainer or sustaineer, co-owner or legal representative of the entity subject to audit.

Article 23

After the performed audit, the authorized state auditor shall prepare a report in accordance with the audit standards referred to in Article 17 paragraph 2 of this Law.

Report referred to in paragraph 1 of this Article shall be submitted to the legal representative of the entity where the audit is performed, and to the competent bodies of the entity that, within a period of 15 days from the day of its reception, can submit notes with regard to it.

On the basis of remarks of the entity where the audit is performed, the authorized state auditor shall prepare and sign the final report.

The final report must be submitted to the legal representative of the entity where the audit is performed, ministries or funds competent for the activities from the areas in which the entity where the audit is performed carry out operations, i.e. competences.

The legal representative of the entity where the audit is performed can lodge a complaint against the final report of the authorized state auditor, within a period of 30 days from the day of reception of the report.

Chief state auditor shall make a decision with regard to the complaint within a period of 30 days from the day of reception of the complaint.

The decision in which the complaint, referred to in paragraph 5 of this Article, is approved, i.e. refused is an attachment to the final report.

The decision referred to in paragraph 7 of this Article shall be integrally interpreted in the annual report.

The entity competent for supervision of the activities of the entity where the audit is performed is obliged to report to the State Audit Bureau the undertaken measures related to the findings in the audit reports within a period of 90 days from the reception of the final report at the latest.

State Audit Bureau is obliged to submit every audit report, in which findings from the field of finance are stated, to the Ministry of Finance.

Article 24

Providing the authorized state auditor, performing the audit, realizes that there is a grounded suspicion that an offence or criminal act has been made, he shall immediately report to the competent bodies so that an appropriate procedure can be initiated.

Competent bodies referred to in paragraph 1 of this Article are obliged to report to the State Audit Bureau for the undertaken measures within a period of 90 days.

Article 25

The authorized state auditor must meet the following conditions:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have completed university education - graduate economist or graduate lawyer;
- 3) to have passed an exam for authorized auditor and to have acquired certificate for authorized state auditor;
- 4) not to be convicted of criminal acts that make him inappropriate for the audit profession, and
- 5) to declare that in his work he will apply the rules stipulated by the Codex of ethics for professional accountants of the International Federation of Accountants.

The candidate for taking an exam for profession authorized state auditor must have at least 5 years working experience in accounting or financing, i.e. 3 years working experience in audit or control.

Article 26

The exam for acquiring a title authorized state auditor shall be taken in front of a commission formed by the Chief state auditor pursuant to a program adopted by Chief state auditor.

The program referred to in paragraph 1 of this Article shall be approved by the Minister of Finance.

The Chief state auditor shall issue a certificate for authorized state auditor to the person who will pass the exam referred to in paragraph 1 of this Article.

The expenses for taking the exam for authorized state auditor shall be covered by the person who takes the exam.

The form and contents of the certificate as well as the manner of taking the exam for authorized state auditor and the expenses shall be stipulated by the Chief state auditor.

Article 27

Notwithstanding the provisions of Article 26 of this Law, the Minister of Finance can prescribe the title authorized state auditor on the basis of written request to the person who meets the following conditions:

- 1) as a graduate economist shall have at least 7 years working experience in managerial accounting or finance activities in government agencies, or
- 2) as a graduate economist or graduate lawyer shall have at least 5 years working experience in audit or control activities.

The person referred to in paragraph 1 of this Article must meet the conditions referred to in Article 25, paragraph 1, items 1, 4 and 5 of this Law.

IV. PENALTY PROVISIONS

Article 28

The legal entity - entity where the audit is performed shall be fined from 10,000 to 300,000 denars for offence, except government agencies and bodies of local government units, should:

- 1) it fail to put the necessary documentation, reports and other information on disposal of the authorized state auditor for performing the state audit (Article 20, paragraphs 1, 2 and 3) and
- 2) it limit the scope of research to the auditor or incapacitate him to apply certain audit procedures (Article 20, paragraph 4).

For activities referred to in paragraph of this Article, the responsible person of the legal entity of the entity where the audit is performed shall be fined from 1,000 to 50,000 denars.

Article 29

The physical person - authorized state auditor shall be fined from 1,000 to 50,000 denars for offence, should:

- 1) he fail to perform the state audit in a manner stipulated by this Law and pursuant to the procedure defined by audit standards, (Article 17);

- 2) working documentation prepared or provided in the state audit procedure be used for another purpose without an consent by the entity (Article 21, paragraph 1) and
- 3) he fail to submit the report for performed state audit to the entities referred to in Article 23, paragraph 4.

IV. TRANSITIONAL AND FINAL PROVISIONS

Article 30

Chief state auditor shall pass the acts referred to in Article 15-b, in a period of 180 days from the day of coming into force of this Law.

Article 31

This Law comes into force on the eighth day from the day of its publishing in Official Gazette of the Republic of Macedonia, except the provision from Article 7-a of this Law, which shall be enforced from 1 January 2002.