

STATE AUDIT LAW

(As amended)

("Official Gazette of the Republic of Macedonia" No. 65/97, 70/01, 31/03, 19/04, 70/06)

I. GENERAL PROVISIONS

Article 1

This Law sets forth the conditions and the methods of conducting a state audit of the Budget of the Republic of Macedonia, the budgets of the local government units, the budgets of the Funds (as used further in this text: the budgets), budget funds beneficiaries and their unit beneficiaries, state-owned enterprises, the National Bank of the Republic of Macedonia, legal entities in which the state is the major shareholder, political parties funded by the budget, agencies and other institutions established by law, other organizations financed by public funds, and the beneficiaries of European Union funds and other international organizations.

Article 2

A state audit, in terms of this Law, means examination of documents, papers and reports on performed internal controls and internal audits, accounting and financial procedures, electronic data and information systems and other records assessing whether the financial reports present truthfully and objectively the financial positions and the results of the financial activities, in accordance with the adopted accounting policies and accounting standards.

The state audit also includes the procedure of examining the financial transactions being government expenditures, in terms of legal and authorized spending.

Article 3

The state audit also includes an assessment as to whether the funds are spent economically, efficiently and effectively.

Economy means minimizing of expenses for implementation of a function or an activity.

Efficiency means the lowest possible level of expenses with respect to the effects achieved.

Effectiveness means the highest possible level of accomplishment of the program tasks.

Article 4

Government expenditures, as specified in this Law, include all operational and capital expenditures funded by the budgets.

Article 5 (Deleted)

Article 6

State audit shall be performed in accordance with the schedule set out in the Annual Program of the State Audit Office and shall be mandatory at least once a year for: the budgets, the beneficiaries of the Budget of the Republic of Macedonia and the budgets of the local government units, the state-owned enterprises founded by the Republic of Macedonia and the political parties funded by the Budget.

State audit of the other entities identified in Article 1 of this Law shall be conducted in accordance with the Annual Program of the State Audit Office.

Article 7 (Deleted)

Article 7-a

The audited entity's annual financial statements and work reports identified in Article 6 Paragraph 1 of this Law shall be reviewed and approved by the competent authorities along with the audit report issued by the State Audit Office.

Article 8 (Deleted)

Article 9

The State Audit Office in its Annual Program shall define the scope of the audit work.

When planning the audits included in the Annual Program the State Audit Office shall take into account the potential risk of the entities identified in Article 6 of this Law.

II. STATE AUDIT OFFICE

Article 10

The State Audit Office shall perform the state audit tasks.

The State Audit Office shall be a body of the Republic of Macedonia in the capacity of a legal entity.

The headquarters of the State Audit Office shall be in Skopje.

Article 11

The State Audit Office shall perform the following tasks:

- 1) Planning and conducting audits in compliance with Article 2 Paragraph 1 of this Law;
- 2) Conducting audits in compliance with Article 2 Paragraph 2 and Article 3 of this Law according to its Annual Program;

- 3) Submitting an Annual Report on the Conducted Audits and Operation;
- 4) Submitting up-to-date audit reports containing findings of material irregularities;
- 5) Submitting a quarterly report containing monitoring and performance indicators used to determine the extent to which the work program has been fulfilled, and this report shall be an integral part of the Annual Report;

Article 11-a

The Annual Report on the Conducted Audits shall include the following:

- Information on the implementation of all material recommendations outstanding from the current and previous audit reports issued to the audited entity, assessing the progress of their implementation until they are satisfactorily completed;
- Report on the systematic weaknesses identified in documents and reports deriving from audits, performed as specified in Article 2 and 3 of this Law, of internal controls and internal audits; the Report shall include the State Audit Office's recommendations for improvements of the weaknesses mentioned in this Paragraph.
- Report on all material cases of corruption reported to the State Anti-Corruption Commission or other competent authorities.

Article 11-b

The State Audit Office may, as needed, conduct extended audit at entities that are not covered by Article 1 of this Law and have business relations with the entities identified in Article 1 of this Law, and which use funds that are government expenditures.

Article 12

The Report identified in Article 11 Item 3 of this Law shall be submitted to the Parliament of the Republic of Macedonia no later than seven months after the deadline for submission of annual financial statements.

The reports identified in Article 11 Item 4 of this Law may be submitted to the Parliament of the Republic of Macedonia prior to the submission of the Annual Report on the Conducted Audits.

Article 12-a

The General State Auditor shall publish on the web site of the State Audit Office all reports identified in Article 11 Item 3 of this Law within 14 days of the day they have been submitted to the Parliament of the Republic of Macedonia.

The General State Auditor shall organize communication with the media in order to inform the public on the operations of the State Audit Office and the results of the performed audits identified in Article 11 of this Law and shall publish the results of the performed audits in the Bulletin of the State Audit Office.

The General State Auditor shall publish the final audit reports on the web site of the State Audit Office within 14 days of the day they have been submitted to the auditee.

Article 13

The General State Auditor shall manage the State Audit Office.

The General State Auditor shall have a Deputy.

The General State Auditor and his/her Deputy shall be appointed for a term of ten years.

The General State Auditor and his/her Deputy shall be appointed and dismissed by the Parliament of the Republic of Macedonia.

The General State Auditor and his/her Deputy shall be dismissed:

- upon their own request;
- upon reaching the retirement age;
- upon permanent loss of capability to perform duty;
- upon conviction for a criminal act that makes them ineligible to perform duty.

Article 14

The General State Auditor and his/her Deputy may not hold any other public office, post, nor can they be a member of a political party, a member of a Board of Directors or supervising committee, or any other body of another legal entity.

Article 14-a

(Deleted)

Article 15

The State Audit Office shall be audited by an auditing company in accordance with Articles 2 and 3 of this Law. The selection of the auditing company shall be carried out by the State Audit Office under conditions and in a manner determined by the Public Procurements Law.

The report on the conducted audit shall be submitted to the State Audit Office and the Parliament of the Republic of Macedonia.

The report identified in Paragraph 2 of this Article shall be reviewed by the Parliament of the Republic of Macedonia along with the Annual Report on the conducted audits and the operation of the State Audit Office.

Article 15-a

Official license shall be issued to the authorized state auditors and to the state auditors. When conducting the state audit the authorized state auditor and the state auditor shall present the official license justifying his/her official position.

The format, content, manner of issuance and withdrawal of the official licenses shall be prescribed by the General State Auditor.

Article 15-b

The General State Auditor shall prescribe the criteria and methodology for assessment of the audit findings.

Article 16

The audit performed on the Budget of the Republic of Macedonia, the beneficiaries of the Budget of the Republic of Macedonia and their unit beneficiaries, the budgets of the local government units and their beneficiaries, political parties funded by the Budget and the beneficiaries of European Union funds and other international funds shall be funded by the Budget of the Republic of Macedonia.

The costs for auditing the entities identified in Article 1 of this Law, but not identified in Paragraph 1 of this Article, shall be covered by the audited entity in accordance with the Tariffs of the State Audit Office.

The Tariffs identified in Paragraph 2 of this Article shall be approved by the Parliament of the Republic of Macedonia.

Article 16-a (Deleted)

III. CONDUCTING THE STATE AUDIT

Article 17

The State Audit shall be performed in a manner and procedures determined by the auditing standards of the International Organization of the Supreme Audit Institutions (INTOSAI) and the rules determined in the Code of Ethics of INTOSAI, published by the Minister of Finance in the “Official Gazette of the Republic of Macedonia.”

Article 18

The State Audit shall be performed by an authorized state auditor employed in the State Audit Office.

The authorized state auditor is an independent professional that has a certificate for an authorized state auditor and meets the other conditions prescribed by this Law.

The authorized state auditor shall perform the audit in a team comprised of state auditors.

The state auditor is a professional employed in the State Audit Office that meets the requirements identified in Article 25 Paragraph 1 Items 1, 2 and 4 of this Law, and shall perform audit works under the supervision of an authorized state auditor.

The authorized state auditor or the state auditor must not be a member of a Management Board, Supervisory Board or any other organ within another entity.

Article 18-a

The internal organization of the State Audit Office and the number of employees shall be regulated by the organization and systematization acts of the operations and tasks of the State Audit Office, enacted by the General State Auditor.

Article 19

If a complex issue will arise in the course of the state audit that would require engaging outside experts, not employed by the State Audit Office or the legal entity (the audited entity), the State Audit Office may engage professionals from organizations specialized in that area.

Referring to the opinion expressed by the independent expert regarding the audit tasks shall not release the authorized state auditor from the responsibility regarding the opinion and the findings expressed in the audit report.

Article 20

When conducting the state audit the authorized state auditor or the state auditor shall have free access to the official premises and property, right to review the records, forms and other documentation, electronic data and information systems as well as the right to demand explanations from the audited entity's representatives on all issues relevant to the audit performance.

The audited entity's legal representative shall be obliged to make available to the authorized state auditor or the state auditor all the required documents, legal papers, records and statements, and to provide copies for the audit file as well as provide him/her with other information necessary for the audit.

The legal representative of the audited entity shall be obliged to make available to the authorized state auditor or the state auditor all documents marked as state secret.

The authorized state auditor or the state auditor shall be obliged to keep secret the documents marked as state secret as specified in the regulations.

Should the audited entity limit the scope of examination or prevent implementation /application of certain auditing procedures the State Audit Office shall appropriately emphasize this fact in the report in accordance with the auditing standards, and immediately notify the competent authority supervising the audited entity.

Article 21

The data obtained and the observations made by the authorized state auditor or the state auditor in the course of the audit shall be considered confidential and may not be disclosed to third parties without authorization.

The authorized state auditor or the state auditor may not use the information he/she obtained in the course of the audit for financial or any other benefit for himself/herself or for another entity.

The provisions identified in Paragraphs 1 and 2 of this Article shall also apply to outside professionals engaged by the State Audit Office in compliance with Article 19 Paragraph 1 of this Law.

Article 22

The authorized state auditor or the state auditor shall not be allowed to conduct audit if:

- 1) He/she is a shareholder or has invested capital in the audited entity;

- 2) Had been previously employed by or had been the legal representative of the audited entity, five years prior to his/her resignation;
- 3) Took part in keeping the accounting records or had prepared the annual financial statements and the financial reports of the audited entity; and
- 4) Is a spouse or is in an extramarital relation, straight line blood relatives up to third generation (grandmother, grandfather, mother, father, children), spouses of the children, siblings and their spouses and children, custodians, dependants, adopters, adoptees, guardians, persons under guardianship, co-owners or legal representatives of the auditee.

Article 23

Upon completion of the audit, the authorized state auditor shall prepare a draft report in compliance with Article 17 of this Law.

The report identified in Paragraph 1 of this Article shall be submitted to the legal representative of the audited entity and to the key management official in charge during the period being audited, and the entity's authorized bodies that may submit written comments within 15 days of the receipt of the report.

The authorized state auditor shall review the comments submitted by the audited entity and then prepare and sign the final report.

The final report shall be submitted to the legal representative of the audited entity, to the ministries or funds supervising the audited entity's operations and the key management official in charge during the period being audited.

The legal representative of the audited entity may file a complaint against the final report within 30 days of the receipt of the report.

Upon the complaint the General State Auditor shall bring a decision within 30 days of the receipt of the complaint.

The document containing the decision for accepting or rejecting the complaint identified in Paragraph 5 of this Article shall be included in an appendix to the final report.

The document identified in Paragraph 7 of this Article shall be integrally interpreted in the Annual Report.

The competent authority supervising the audited entity's operations shall be obliged to notify the State Audit Office for the actions taken in relation to the findings presented in the audit reports, within 90 days of the receipt of the final report.

The State Audit Office shall submit to the Ministry of Finance all audit reports containing financial findings.

Article 24

Should the authorized state auditor in the course of conducting the audit identify reasonable grounds for a misdemeanor or a criminal charge, he/she shall immediately inform the authorities for the purpose of initiating an appropriate procedure.

The authorities identified in Paragraph 1 of this Article shall inform the State Audit Office within 90 days on the measures undertaken.

Article 24-a

The General State Auditor shall submit to the Parliament of the Republic of Macedonia the audit reports on the Budget of the Republic of Macedonia, the ministries, budgets and funds and the state-owned enterprises established by law.

Apart from the reports identified in Paragraph 1 of this Article the General State Auditor shall also submit to the Parliament of the Republic of Macedonia the audit reports containing disclaimer of opinion and the audit reports in which it has been assessed that the financial statements do not provide a true and fair presentation of the position and the results of the operations.

Article 24-b

The entities that maintain administrative records, registers and databases and those that perform the payment operations shall submit the authorized state auditor, free of charge, individual data on the legal entities being subjected to the state audit procedure.

Article 25

The authorized state auditor shall meet the following requirements:

- 1) Have citizenship of the Republic of Macedonia;
- 2) Have university degree in economics or law;
- 3) Have certificate for authorized state auditor;
- 4) Give an agreement statement to adhere to the INTOSAI Code of Ethics.

Article 25-a

The candidate, taking the exam for an authorized state auditor must have at least five years work experience in accounting or financial operations or three years work experience in the area of auditing or financial control.

Article 26

The exam for authorized state auditor shall be taken before a committee established by the General State Auditor and following the program prepared by the General State Auditor.

Members of the Committee shall exclusively consist of individuals holding authorized state auditor or state auditor certificate.

The program identified in Paragraph 1 of this Article shall be approved by the Minister of Finance.

The General State Auditor shall issue authorized state auditor certificate to the individual who has passed pass the exam identified in Paragraph 1 of this Article.

The costs for taking the authorized state auditor exam shall be covered by the individual taking the exam.

The layout of the certificate, the examination procedures, and the examination fee shall be prescribed by the General State Auditor.

III – a WORKING ASSETS

Article 27
(Deleted)

Article 27-a

For performing the tasks of the state audit the State Audit Office shall have appropriate resources, funds and personnel at disposal.

The working assets of the State Audit Office shall be provided by the Budget of the Republic of Macedonia and from fees in accordance with the Tariffs of the State Audit Office.

The Parliament of the Republic of Macedonia shall separately vote for the the State Audit Office chapter within the Budget of the Republic of Macedonia.”

Article 27-b

The authorized state auditors, state auditors and employees that perform works and working tasks for the state audit shall receive monthly remuneration based on the evaluation of their performance in the amount of up to 20% of the basic salary for their special efforts in improvement of the work and the achieved results of importance for protection against illegal and non-earmarked use of government funds by the auditees.

The auditees identified in Paragraph 1 of this Law may be fined in accordance with Article 84 of the Employment Relations Law.

IV. PENALTY PROVISIONS

Article 28

A legal entity - audited entity shall be fined 10.000-300.000 denars if it:

- 1) Fails to make available the documents, records and reports and other information necessary for performance of the state audit (Article 20 Paragraphs 1, 2 and 3) to the authorized state auditor or the state auditor; and
- 2) Limits the scope of the examination of the auditor or prevents him/her from applying certain auditing procedures (Article 20 Paragraph 5).

The key management official of the audited entity shall be also fined 10.000-50.000 denars for the actions identified in Paragraph 1 of this Article.

Article 29

An individual - authorized state auditor or a state auditor shall be fined 10.000 – 50.000 denars if:

- 1) Fails to perform the state audit in accordance with Article 17 of this Law.
- 2) Fails to keep the documentation that is classified information in accordance with the law, pursuant to Article 20 Paragraph 4 of this Law.”
- 3) The working papers prepared or collected in the course of the audit is used for other purposes, without entity's consent (Article 21 Paragraph 1); and

- 4) Failed to submit the report on the conducted state audit to the entities identified in Article 23 Paragraph 4.

V. CLOSING PROVISIONS

Article 30

The appointment of the General State Auditor and his Deputy shall occur within 90 days of the day this Law comes into effect.

The General State Auditor shall draft the policies of the State Audit Office within 90 days of his/her appointment.

The tentative auditing standards shall be approved and promulgated by the Minister of Finance within 180 days of the day this Law comes into effect.

Article 31

The authorized state auditor examination program and other provisions identified in this Law shall be drafted within 180 days of the day this Law comes into effect.

Article 32

The Payment Operation Office (ZPP) shall continue to conduct the tasks of economic - financial audit by the day this Law is implemented.

Article 33

The employees who have worked on economic - financial audit in the Payment Operation Office before the day this Law comes into effect, may request to be transferred to corresponding positions in the State Audit Office, provided they meet the requirements identified in this Law, and in accordance with the State Audit Office organization and systematization acts.

Article 34

The State Audit Office shall take over the part of the property, office equipment, archives and records, and Payment Operation Office funds that have been used for performing the function of economic-financial auditing; the part given to the State Audit Office shall be determined by the Special Committee established by the Government of the Republic of Macedonia for the purpose of division of assets of the Payment Operation Office (ZPP).

The committee identified in Paragraph 1 of this Article shall carry out the division of the property, materials, technical and other assets and prepare a report on the division of the assets (division schedule) within 90 days of the day this Law comes into effect.

The committee identified in Paragraph 1 of this Article shall submit a report to the Government of the Republic of Macedonia.

Article 35

This Law shall come into effect the eighth day from the day of its publication in the "Official Gazette of the Republic of Macedonia", except for the provisions from Article 1 to Article 13 and Article 17 to Article 26 that will be implemented the 180th day of the day this Law come into effect.

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Article 15*

The General State Auditor shall enact the regulations identified in Article 15-b of this Law within 180 days of the day this Law comes into effect

Article 16**

This Law comes into effect on the eighth day of its publication in the "Official Gazette of the Republic of Macedonia", except for the provision identified in Article 7-a of this Law that shall be implemented as of January 1, 2002.

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