

STATE AUDIT OFFICE ACT

I. BASIC PROVISIONS

Article 1

This Act regulates the establishment, organisation, mandate and management of the State Audit Office, as well as performance of audits, reporting, rights and obligations of Certified State Auditors and other employees and the cooperation between the State Audit Office and other bodies

Article 2

(1) The State Audit Office is the supreme audit institution of the Republic of Croatia and it is autonomous and independent in its work.

(2) The State Audit Office shall be managed by the Auditor General.

(3) The State Audit Office shall have the status of a legal entity.

(4) The headquarters of the State Audit Office shall be in Zagreb.

Article 3

(1) The State Audit Office shall be funded from the State Budget of the Republic of Croatia.

(2) The State Audit Office shall autonomously plan for funds necessary for its work and the Croatian Parliament shall identify them in the State Budget.

(3) The State Audit Office may generate its own income by performing audits of national and international funds and by participating in international projects and programmes.

(4) Own income shall be used to upgrade the work of the State Audit Office.

II. ORGANISATION OF THE STATE AUDIT OFFICE

Article 4

(1) Organisational units of the State Audit Office are Central Office in Zagreb and Regional Offices in the centres of the Counties.

(2) The Central Office in Zagreb and Regional Offices shall act on the entire territory of the Republic of Croatia.

Article 5

Detail organisation and performance of work of the State Audit Office shall be regulated by the Statute and other internal normative acts passed by the Auditor General.

III. MANDATE OF THE STATE AUDIT OFFICE

Article 6

(1) State revenues and expenditures, financial statements and financial transactions of state sector bodies, local and regional self-government units, legal entities funded from the State Budget, legal entities founded by the Republic of Croatia or a local and regional self-government unit, and companies and other legal entities where the Republic of Croatia, or a local or regional self-government unit, is a majority shareholder or holds a majority stake, as well as the use of funds from the European Union and other international organisations or institutions that fund public needs shall be subject to audit.

(2) For the purposes of this Act, state sector bodies and local and regional self-government units shall mean all bodies of the legislative, executive and judicial branches of government, as well as all agencies, institutions and other entities at the level of the central government or local and regional self-government units funded from the State Budget or the budgets of local and regional self-government units.

(3) The audit of the Report on the State Budget Execution shall be carried out every year. Audit Report shall be submitted to the Croatian Parliament by the 1 June of the current year for the previous year.

Article 7

(1) For the purposes of this Act, audit shall mean the examination of documents, papers, reports, internal control systems and internal audit, accounting and financial procedures and other records to verify that financial statements present a true and fair financial position and results of financial activities in line with the accepted accounting standards and principles.

(2) The audit shall also mean a procedure of examination of financial transactions in terms of legal utilisation of funds.

(3) The audit shall also include the assessment of economy and efficiency of operations, as well as the assessment of how effectively is meeting the general objectives or the objectives of individual financial transactions, programmes and projects were met.

IV. MANAGEMENT OF THE STATE AUDIT OFFICE

Article 8

(1) The State Audit Office shall be managed by the Auditor General.

(2) The Auditor General shall be appointed by the Croatian Parliament on the basis of the proposal of the Election, Appointments and Administrative Affairs Committee and the opinion of the Finance and State Budget Committee.

(3) The Auditor General shall be appointed for an eight-year mandate and may be re-appointed.

(4) Every citizen with finished undergraduate and graduate university degree or integrated undergraduate and graduate university degree or specialised graduate university degree in the area of economics or law, with 12 years of work experience in the field, having good personal reputation and professional experience in the field of public finance, can be appointed Auditor General.

(5) Like the Members of the Croatian Parliament, the Auditor General shall have immunity from legal action.

(6) After the termination of his/her mandate, the Auditor General shall be entitled to a pension in accordance with regulations on pension rights of the Members of the Croatian Parliament.

Article 9

The Auditor General shall:

- Organise the work of the State Audit Office,
- Present and represent the State Audit Office,
- Pass the Statute and other internal normative acts of the State Audit Office,
- Pass a Strategic Plan of the State Audit Office,
- Pass an Annual Programme and Work Plan of the State Audit Office,
- Inform the Croatian Parliament about the work of the State Audit Office,
- Propose a Deputy Auditor General to the Croatian Parliament,
- Decide about employment and termination of employment of Certified State Auditors,
- Pass a Certified State Auditor Examination Programme,
- Appoint a Certified State Auditor Examination Committee,
- Make sure laws and other regulations are being implemented,

- Supervise the work of the State Audit Office and take action to ensure its effectiveness.

Article 10

(1) The Croatian Parliament shall terminate the mandate of the Auditor General before the expiry of the period of appointment:

- if the Auditor General submits such a request,
- if the Auditor General is to be appointed to another position with his/her consent,
- If the Auditor General is permanently incapacitated to perform his/her duties, and
- if the Auditor General is sentenced to a non-appealable verdict for a criminal offence.

(2) If there is a legal process against the Auditor General for which he/she is prosecuted, and for which he/she can get a 5 years' imprisonment, or a graver verdict, then the Auditor General cannot perform his/her duty until the end of that process. The decision on the Auditor General's end of term shall be brought by the Croatian Parliament.

Article 11

(1) The Auditor General shall have his/her deputy who is appointed for an eight-year mandate by the Croatian Parliament on the basis of the proposal by the Auditor General.

(2) Every citizen with finished undergraduate and graduate university degree or integrated undergraduate and graduate university degree or specialised graduate university degree in the area of economics or law, with 8 years of work experience in the field, having good personal reputation and professional experience in the

field of public finance, can be appointed Deputy Auditor General.

(3) When the Auditor General is unable to perform his/her duties, the Deputy Auditor General shall act on his/her behalf and carry out tasks set by the Auditor General.

V. PERFORMANCE OF AUDITS AND REPORTING

Article 12

(1) The State Audit Office shall plan and carry out audits in line with the scope laid down in the Annual Programme and Plan of Work, as well as according to the request of the Croatian Parliament if Auditor General assesses the request as justified.

(2) The scope of the Annual Programme and Plan of Work is identified on the basis of:

- provisions of this Act,
- risk assessment,
- financial materiality of audit subjects,
- results from previous audits,
- information gathered about the operations of audit subjects, and
- other criteria set out in the internal acts of the State Audit Office.

(3) Audits are carried out in a way and in accordance with procedures laid down by the framework of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and the Code of Professional Ethics of State Auditors.

Article 13

(1) The legal representative of the audited entity is obliged to provide the Certified State Auditor with all necessary documentation, papers, reports, records and other information necessary for the purposes of the audit.

(2) The legal representative of the audited entity is also obliged to provide the Certified State Auditor with all documentation classified as a business secret or any other type of secret for the purposes of the audit.

(3) Documentation, papers, reports, records and other information from Paragraphs 1 and 2 of this Article, obtained during the course of an audit, shall be used only for the preparation of the audit report.

Article 14

(1) Certified State Auditors shall write a draft audit report in line with the auditing standards from Article 12, Paragraph 3 of this Act.

(2) The draft audit report shall be submitted to the legal representative of the audited entity for a comment.

(3) The legal representative of the audited entity is obliged to send the comments about the facts described in the audit report to the State Audit Office in the period of 8 days.

(4) The audit report with incorporated comments shall be sent to the legal representative of the audited entity.

(5) The legal representative of the audited entity may file a complaint about the audit report in the period of 8 days. The decision on the complaint shall be made by the Auditor General in the period of 30 days.

(6) The legal representative of the audited entity shall, in the period of 60 days after the receipt of the audit report, send an official response to the State Audit Office on actions taken in accordance with audit findings.

Article 15

(1) The Auditor General shall inform the Croatian Parliament by the end of the current year on the work of the State Audit Office carried out in the reporting period starting from 1 October last year and ended on 30 September of the current year.

(2) After informing the Croatian Parliament on the State Audit Office's Annual Work Report, it shall be made publicly available on the web site of the State Audit Office.

VI. CERTIFIED STATE AUDITORS

Article 16

(1) Audit shall be carried out by Certified State Auditors.

(2) Certified State Auditors shall be independent professionals having a Certified State Auditor Certificate and fulfilling other conditions from this Act.

(3) An exception with regard to Paragraph 1 of this Article shall be cases in which the State Audit Office may hire a special expert to deal with some specific issues during the course of an audit.

Article 17

(1) Certified State Auditors shall be employed by the State Audit Office after an open competitive procedure for vacancies has been conducted. Decisions on employment and its termination shall be made by the Auditor General.

(2) Candidates applying for the competitive procedure for the vacancy of the Certified State Auditor must be individuals:

- Who are Citizens of the Republic of Croatia,
- Who have a degree at undergraduate and graduate University studies or integrated undergraduate and graduate University studies or specialist graduate studies in the fields of economics, law or other appropriate fields, and
- Who have no prior convictions for a criminal offence.

(3) Candidates appointed as State Auditors shall pass the Examination i.e. obtain the Certified State Auditors Certificate within the period laid down in Article 18 of this Act.

Article 18

(1) Candidates shall take the Certified State Auditor Examination in accordance with the Certified State Auditor Examination Programme passed by the Auditor General.

(2) Candidate who wish to take the Certified State Auditor Examination must have at least three years of professional experience in the respective field.

(3) An individual with more than three years of professional experience acquired outside of the State Audit Office may be employed by the State Audit Office under a condition that he/she pass the Certified State Auditor Examination within the period of 12 months starting from the date of employment.

(4) Employee, who have acquired professional experience from Paragraph 2 of this Article in the State Audit Office and who have passed the Examination and obtained the Certified State Auditor Certificate and meet other condition laid down in Article 17 of this Act, may be assigned to an adequate position within the State Audit Office.

(5) Examination from Paragraph 1 of this Article shall be taken before a Committee appointed by the Auditor General.

(6) Candidate who passes the Examination shall be issued Certified State Auditor Certificate by the Auditor General.

Article 19

(1) Certified State Auditor shall not be a member of the Supervisory Board or other bodies of the audited Companies and other legal entities who are subjects of audit by the State Audit Office.

(2) Certified State Auditor shall not conduct audits:

- if he/she participated in keeping books or preparing financial statements of the audited entity,
- if he/she is a spouse, blood relative up to the fourth degree of kinship by consanguinity or up to the second degree of kinship by affinity, guardian, adoptive parent, adoptee or caregiver of one of the legal representatives of the audited entity or members of the Supervisory Board.

Article 20

(1) The right to receive salary shall be exercised by Certified State Auditors in accordance with the Certified State Auditors Act.

(2) Other rights shall be exercised by Certified State Auditors in accordance with the acts affecting the Civil Servants.

(3) Employees working in the Administrative and Technical Services of the State Audit Office shall be civil servants and civil service employees.

VII. COOPERATION WITH OTHER BODIES

Article 21

In performing its tasks the State Audit Office shall cooperate with other state bodies, without compromising its autonomy and independence.

Article 22

The State Audit Office may become member of international organisations and institutions working in the field of external audit and other areas covered by its mandate and it may participate in the work of such organisations and other international bodies where it shall represent and protect the interests of the Republic of Croatia.

VIII. SANCTIONS AND FINES

Article 23

(1) If state sector bodies, units of local and regional self-government, or other legal entities fail to provide the Certified State Auditor with the necessary documentation, papers, reports, records and other information necessary for the purposes of the audit from the Article 13 Paragraph 1 and 2 of this Act, they shall be sanctioned for their misdemeanour by a fine in the amount between HRK 20,000.00 and HRK 50,000.00.

(2) The legal representative of the audited entity shall also be sanctioned for actions from Paragraph 1 of this Article by a fine in the amount between HRK 5,000.00 and HRK 10,000.00.

VIX. TRANSITORY AND FINAL PROVISIONS

Article 24

The State Audit Office was founded by the State Audit Act (Official Gazette 70/93). The employees of the State Audit Office shall continue to work in accordance with the provisions of this Act.

Article 25

The current Auditor General's term starts from the day of his/her appointment.

Article 26

The Auditor General shall pass the Statute and other internal normative acts from Article 5 of this Act within 3 months after this Act comes into effect.

Article 27

On the day when this Act comes into effect, the State Audit Act (Official Gazette 70/93, 48/95, 105/99, 36/01, 44/01 and 177/04) shall be placed out of force.

Article 28

This Act shall come into effect 8 days after its publication in the Official Gazette.