

**PARLIAMENT OF THE REPUBLIC OF MACEDONIA**

Based on Article 75, paragraph 1 and 2 of the Constitution of the Republic of Macedonia, the President of the Republic of Macedonia and the President of the Parliament of the Republic of Macedonia issue the following

**PROMULGATION  
DECLARING THE STATE AUDIT LAW**

The State Audit Law adopted by the Parliament of the Republic of Macedonia on its session held on 6 May 2010 is hereby proclaimed.

No. 07-2001/1  
6 May 2010  
Skopje

President  
of the Republic of Macedonia  
**Gjorgje Ivanov**  
*personal signature*

President of the Parliament  
of the Republic of Macedonia  
**Trajko Veljanoski**  
*personal signature*

## STATE AUDIT LAW

### I. GENERAL CONDITIONS

#### Article 1

This law sets forth the conditions and the manner of conducting state audit, as well as the organization and competences of the State Audit Office.

#### Article 2

Certain terms used in this Law have the following meaning:

1. **Revenues** are taxes and other mandatory payments stipulated by law, inflows arising from property (interest, dividend, rent, etc.), fees for provided goods or services, gifts, donations, subsidies and transfers;

2. **Public revenues and other proceeds** are funds collected on various grounds for the purpose of financing public expenditures.

3. **Public expenditures and other outlays** are all payments made, and outlays and liabilities incurred for the function or the main activity of the auditee.

4. **Basic budget** is an annual plan of revenues and other proceeds and approved budget funds for financing basic functions of budget beneficiaries.

5. **Budget beneficiaries** are first line beneficiaries from legislative, executive and judicial authority, funds, beneficiaries of municipalities' budgets, and beneficiaries founded by law who have been entrusted with the exercise of public power.

6. **Spending units** are second line beneficiaries financed by the adequate budget beneficiary.

7. **Economy** denotes the realization of any function or activity at the lowest possible cost.

8. **Efficiency** denotes the lowest possible level of expenses in relation to the actual effects.

9. **Effectiveness** denotes the highest possible level of realization of programme effects.

10. **Legal use of funds** denotes the use of funds available to the auditee in accordance with the laws, bylaws and internal acts.

11. **Earmarked use of funds** denotes the use of funds in line with the purpose defined in the budget, i.e. the financial plan of the auditee.

12. **Compliance/regularity audit** is a procedure for determining and

assessing the compliance of auditee operation with the laws, bylaws and internal acts.

13. **Performance audit** is an assessment of the economy, efficiency and effectiveness of the operations and the use of funds in a defined area of activities or programmes.

14. **Financial audit** is an inspection of the accuracy and completeness of accounting records and financial statements.

15. **Risk** denotes the possibility or probability that an event will occur and affect adversely the achievement of objectives.

16. **Materiality** is an assessment of existence of an event/information and the probability that its omission or misstatement could affect the perception of the user of financial statements or the performance audit report.

17. **Recommendations** are proposals for undertaking measures and activities to improve the management and operation of the auditee.

## II. STATE AUDIT OFFICE

### Article 3

(1) The State Audit Office shall perform the state audit tasks.

(2) The State Audit Office shall be a state authority of the Republic of Macedonia.

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

(4) The State Audit Office shall be independent in its operations.

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

### Article 4

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

(2) The General State Auditor shall have a Deputy.

(3) The General State Auditor and the Deputy shall be elected and dismissed by the Parliament of the Republic of Macedonia.

(4) The mandate of the General State Auditor and his/her deputy shall be nine years without the right for re-election.

(5) The General State Auditor and his/her deputy shall take an oath before the Parliament of the Republic of Macedonia.

### Article 5

The General State Auditor shall meet the following requirements:

- 1) have citizenship of the Republic of Macedonia;
- 2) have university degree in the field of economics or law;
- 3) have at least seven years of experience in the field of economics or law;
- 4) not hold any other public office or occupation, nor be a member of a political party authority, Management Board, Supervisory Board or any other body of another legal entity, and
- 5) has not been imposed a misdemeanor sanction i.e. has not been pronounced a prohibition for performing occupation, activity or duty.

#### Article 6

The mandate of the General State Auditor and his /her deputy shall cease:

- 1) with the expiration of the mandate;
- 2) upon own request;
- 3) upon meeting retirement conditions;
- 4) in case of death and
- 5) in case of dismissal.

#### Article 7

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

- 1) cease to meet the requirements of Article 5 of this Law, and
- 2) are unable to perform the duty for more than six months due to illness or other justified reasons.

#### Article 8

(1) The General State Auditor shall present and represent the State Audit Office, shall provide legal and efficient performance of duties and tasks, shall manage and organize the operation of the State Audit Office.

(2) The General State Auditor shall represent the State Audit Office before the international organizations of Supreme Audit Institutions.

#### Article 9

The General State Auditor shall have the following competences:

- 1) to propose the budget of the State Audit Office;

- 2) to adopt the Annual Work Programme of the State Audit Office;
- 3) to set out criteria for the scope, the auditees and the subject of state audit;
- 4) to prescribe the manner of conducting state audit;
- 5) to prescribe the form and contents of the identification document form and the manner of issuance and revocation of the same;
- 6) to adopt the Programme for passing Authorized State Auditor exam;
- 7) to determine the amount of costs for taking the Authorized State Auditor exam in line with realistic costs for conducting the Authorized State Auditor exam, and the amount of costs for issuing Authorized State Auditor Certificate;
- 8) to prescribe the manner for passing the Authorized State Auditor exam;
- 9) to prescribe the form and contents of the Authorized State Auditor Certificate;
- 10) to adopt bylaws for the implementation of this law and to publish those bylaws in the Official Gazette of the Republic of Macedonia;
- 11) to adopt an act on organization and operation of the State Audit Office, and a systematization act in the State Audit Office;
- 12) to decide on the rights and obligations of employees in the State Audit Office in accordance with law;
- 13) to adopt an act on the manner of conducting disciplinary proceeding in the State Audit Office;
- 14) to establish committees and other working bodies in the State Audit Office;
- 15) to communicate with the media in order to inform the public about the work of the State Audit Office and the results of conducted audits, and
- 16) to perform other duties stipulated by this law.

#### Article 10

(1) In case of an absence the General State Auditor shall be replaced by his/her deputy.

(2) His/her deputy referred to in paragraph (1) of this Article, shall replace the General State Auditor in case of his/her absence due to business trip, annual leave or sick leave for the work tasks entrusted by the General State Auditor, excluding the work tasks that are under exclusive jurisdiction of the General State Auditor in accordance with law.

#### Article 11

The General State Auditor and his/her deputy shall not be held criminally

liable or shall not be detained for stated views, opinions and recommendations regarding the audits.

#### Article 12

(1) Funds for the operation of the State Audit Office shall be provided by the Budget of the Republic of Macedonia.

(2) Funds for the operation of the State Audit Office shall be set by the Parliament of the Republic of Macedonia upon the proposal of the State Audit Office.

(3) The Budget of the State Audit Office shall be prepared within the frames of the annual limits in line with the adopted fiscal strategy and shall be an integral part of the Budget of the Republic of Macedonia.

(4) The Parliament of the Republic of Macedonia shall vote separately on the Section in the Budget of the Republic of Macedonia intended for the State Audit Office.

#### Article 13

(1) The salary of the General State Auditor and his /her deputy shall be determined according to the provisions for salaries of appointed and elected persons.

(2) The salary of authorized state auditors and state auditors shall be determined by the General State Auditor within the frames of the Budget of the State Audit Office.

### III. PROCEDURE FOR ACQUIRING AUTHORIZED STATE AUDITOR TITLE

#### Article 14

For acquiring Authorized State Auditor title, the candidate shall meet the following requirements:

- 1) have citizenship of the Republic of Macedonia;
- 2) have university degree in the field of economics, law, information technology or other appropriate education for conducting an audit;
- 3) have passed the exam for authorized state auditor or have a certificate for authorized state auditor, and
- 4) give a statement that shall adhere to the INTOSAI Code of Ethics.

#### Article 15

(1) The candidate taking the authorized state auditor exam shall 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.

(2) The costs for taking the authorized state auditor exam shall be covered by the candidate.

#### Article 16

(1) The authorized state auditor exam shall be taken before a Commission.

(2) The Commission shall be assigned by the General State Auditor as needed.

(3) The Commission shall consist of five members: three authorized state auditors and two experts in the field of auditing.

#### Article 17

(1) The exam shall be taken according to the Programme for taking the Authorized State Auditor exam.

(2) The General State Auditor shall issue a certificate for authorized state auditor to the candidate who will pass the exam from paragraph (1) of this Article.

### IV. CONDUCTING STATE AUDIT

#### Article 18

(1) The State Audit shall be conducted in compliance with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) and the rules of INTOSAI Code of Ethics published by the Minister of Finance in the "Official Gazette of the Republic of Macedonia".

(2) The State Audit Office shall conduct regularity audit and performance audit.

#### Article 19

The state audit in the context of this law shall include:

1) examination of documents, papers and reports, accounting and financial procedures, electronic data and information systems and other records to ascertain whether the financial statements truly and objectively present the financial position and the results of the financial operations in accordance with the accepted

accounting principles and accounting standards;

2) examination and assessment of reports of conducted internal control and public internal financial control, examination and assessment of the financial management and control system;

3) examination of financial transactions that are public revenues and public expenditures in relation to legal and earmarked use of funds;

4) assessment of the use of funds in relation to achieved economy, efficiency and effectiveness, and

5) assessment of measures undertaken by the auditees concerning ascertained position and recommendations given in the final audit report.

#### Article 20

(1) State audit shall be performed by an authorized state auditor and state auditors employed in the State Audit Office.

(2) Authorized state auditors and state auditors shall be obliged to conduct state audit in compliance with Article 18 paragraph (1) of this Law.

(3) Authorized state auditor shall be a professional holding a certificate for authorized state auditor and meeting other requirement prescribed by this Law.

(4) Authorized state auditor shall conduct audit in a team comprised of state auditors. In case of inability of a state auditor, his/her replacement shall be designated to the team.

(5) State auditor shall be a professional employed in the State Audit Office who directly performs the tasks stated in Article 19 of this Law, meets the requirements of Article 14 points 1, 2 and 4 of this Law, and performs audit tasks under the supervision of an authorized state auditor.

(6) Authorized state auditor and state auditor shall have an identification card for proving their official role and are required to show it when conducting audit.

(7) Authorized state auditor and state auditor shall not be members of a political party authority, Management Board, Supervisory Board or any other body within another entity.

#### Article 21

Authorized state auditor and state auditor shall not conduct an audit provided that:

1) he/she was previously employed by or was legal representatives of the auditee, at least five years prior to the audit;

2) he/she participated in the bookkeeping or prepared the annual report and the financial statements of the auditee, at least five years prior to the audit;

3) he/she is a spouse or is in non-marital cohabitation, blood kinship in straight line to the third degree of kinship with the owner or the legal representative of the auditee, and

4) he/she is a founder, shareholder or partner in the auditee.

#### Article 22

(1) State audit shall be conducted on the Parliament of the Republic of Macedonia, the President of the Republic of Macedonia, the Budget of the Republic of Macedonia and the budgets of the municipalities, budget beneficiaries, budget spending units, public enterprises, trade companies where the state is dominant shareholder, agencies and other institutions established by law, other institutions financed by public funds, the National Bank of the Republic of Macedonia, political parties financed by Budget funds, beneficiaries of EU funds (excluding the system for implementation, management and control of the instrument for pre-accession assistance in the Republic of Macedonia) and beneficiaries of funds from other international institutions (hereinafter: auditee).

(2) State audit shall be performed, if need be, on auditees not contained in paragraph (1) of this Article and are in connection with the auditees, have economic, financial or other interest and use funds that are public expenditures.

#### Article 23

(1) State audit shall be conducted every year on the Budget of the Republic of Macedonia and on the budgets of the funds, whereas state audit on the other auditees from Article 22 of this Law shall be conducted in line with the Annual Programme for operation of the State Audit Office.

(2) For the purpose of informing the Parliament of the Republic of Macedonia, the State Audit Office shall submit its Annual program for operation no later than December of the current year for the following year.

#### Article 24

(1) Prior to the audit the State Audit Office may oblige the auditee to provide all necessary information including documents, data or other information required for planning and conducting the audit.

(2) The auditee shall meet the requirement referred to in paragraph (1) of this Article within 5 working days from the day it was submitted.

## Article 25

(1) While conducting state audit, authorized state auditors and state auditors shall have free access to the official premises and property of the auditee, shall have a right to review records, forms and other documentation, electronic data and information systems, as well as a right to demand explanations from auditee representatives on all issues relevant to the audit procedure.

(2) The legal representative of the auditee shall make available to the authorized state auditor and the state auditor all required documentation, papers, reports and other records and copies of the same, and shall provide him/her with other information necessary for conducting the state audit.

(3) The auditee shall not limit the scope of examination or obstruct the application of specific audit procedures. In line with the auditing standards the State Audit Office shall highlight such behavior in an appropriate way in the report, and shall immediately inform the competent supervising authority of the auditee.

## Article 26

(1) The legal representative of the auditee shall make available to the authorized state auditor i.e. the state auditor documents marked as classified information in a manner prescribed by law.

(2) The authorized state auditor and the state auditor shall handle classified information in accordance with provisions of the Law on classified information.

(3) The authorized state auditor and the state auditor shall not use information obtained in the course of audit for acquisition of assets or other personal benefit, or for the benefit of other entity.

(4) The provisions from paragraph (2) and (3) of this Article shall also apply to external professionals engaged by the State Audit Office.

## Article 27

In the course of audit the State Audit Office may engage professionals and experts in the field of audit.

## Article 28

The authorized state auditor and the state auditor shall not be held responsible for the opinion expressed in relation to the performance of official authorities.

## Article 29

Pertaining to data and information obtained by the authorized state auditor or state auditor in the course of state audit which are of particular interest to the Republic of Macedonia and are marked as classified information, the authorized state auditor shall prepare a separate audit report in accordance with the Law on Classified Information.

## V. PROCEDURE FOR ADOPTION OF FINAL AUDIT REPORT

### Article 30

(1) Following the audit procedure, the authorized state auditor shall prepare and submit draft audit report to the legal representative of the auditee and to the person accountable for the auditee in the audited period.

(2) Within 30 days from the day of receipt of the draft report, the persons referred to in paragraph (1) of this Article may submit comments to the State Audit Office.

(3) After the expiration of the deadline from paragraph (2) of this Article, the authorized state auditor shall prepare final audit report.

(4) Reports referred to in paragraph (1) and (3) of this Article shall be signed by no less than three auditors.

### Article 31

(1) The General State Auditor shall submit the reports referred to in Article 30 of this Law to the legal representative of the auditee, to the person accountable for the auditee in the audited period and to the authorities responsible for supervision and control of the operations of the auditee.

(2) The General State Auditor shall publish the final audit reports and the comments by the persons referred to in Article 30 paragraph (1) of this Law on the Internet (web) site of the State Audit Office.

### Article 32

The legal representative of the auditee shall inform the State Audit Office and the authority responsible for its supervision and control on the measures undertaken in relation to the findings and recommendations in the audit reports within 90 days of the date of receipt of the final report.

## VI. REPORTS

### Article 33

(1) The State Audit Office shall prepare Annual Report on conducted audits and operation of the State Audit Office.

(2) The State Audit Office shall submit the report from paragraph (1) of this Article for review to the Parliament of the Republic of Macedonia no later than 30 June of the current year for the previous year.

(3) The Parliament of the Republic of Macedonia shall review the report from paragraph (1) of this Article and adopt conclusions upon it.

(4) Final audit reports referred to in Article 30 paragraph (3) of this Law shall be submitted to the Parliament of the Republic of Macedonia.

### Article 34

Following the end of the fiscal year and prior to the adoption of the final account of the Budget of the Republic of Macedonia, the State Audit Office shall prepare audit report on the Budget of the Republic of Macedonia and shall submit the report to the Parliament of the Republic of Macedonia.

## VII. COOPERATION

### Article 35

Should the authorized state auditor in the course of audit assess that the auditee made a violation or criminal act, he/she shall immediately inform the competent authorities.

### Article 36

Entities that keep administrative records, registers and databases as well as holders of payment operations shall communicate information regarding the auditee in a manner prescribed by law.

### Article 37

State Audit Office shall cooperate with the international organizations of supreme audit institutions and supreme audit institutions of other countries in the course of state audit.

## VIII. AUDIT ON STATE AUDIT OFFICE OPERATION

### Article 38

(1) Audit on the operation of the State Audit Office shall be conducted by an audit company holding a permit to conduct audit in accordance with the Law on Audit.

(2) The selection of the audit company shall be made by the Parliament of the Republic of Macedonia based on previously conducted procedure in line with the Law on Public Procurement.

(3) The State Audit Office shall cover the fee for the conducted audit.

(4) The audit company shall have access to the complete accounting records of the State Audit Office.

(5) The audit report shall be submitted to the Parliament of the Republic of Macedonia and to the State Audit Office no later than 30 June of the current year.

(6) The Parliament of the Republic of Macedonia shall review the report of the audit conducted by the audit company along with the report referred to in Article 33 paragraph (1) of this Law.

## IX. VIOLATION PROVISIONS

### Article 39

(1) A fine in the amount of 3,000 Euros to 6,000 Euros in denar equivalent amount shall be imposed to a legal entity – auditee provided that the auditee:

1) does not make available to the authorized state auditor or the state auditor all necessary documentation, documents, reports and other information required for conducting the state audit (Article 25 paragraph (2)), and

2) limits the scope of examinations of the auditor or obstructs the application of certain audit procedures (Article 25 paragraph (3)).

(2) A fine in the amount of 1,000 Euros to 2,000 Euros in denar equivalent amount shall be imposed to the person accountable in the legal entity – auditee.

### Article 40

A fine in the amount of 500 Euros to 1,000 Euros in denar equivalent amount shall be imposed to a natural person – authorized state auditor i.e. state auditor provided he/she does not conduct the state audit in accordance with Article 20 paragraph (2) of this Law.

#### Article 41

Prior to submitting a request for initiating offence proceedings before a competent court, the offender shall be offered a settlement in line with the Law on offences.

### X. TRANSITIONAL AND CLOSING PROVISIONS

#### Article 42

(1) The General State Auditor shall adopt the regulations prescribed by this Law within three months of the date of entry into force of this Law.

(2) Existing regulations shall apply until the adoption of regulations referred to in paragraph (1) of this Article.

#### Article 43

The General State Auditor elected before the commencement of this Law shall continue performing the function until the end of the term for which he/she was elected.

#### Article 44

The Law on State Audit ("Official Gazette of the Republic of Macedonia" no. 65/97, 70/01, 31/03, 19/04, 73/04, 70/06 and 133/07) shall be repealed on the day of the entry into force of this Law.

#### Article 45

This Law shall enter into force on the eight day of its publication in the "Official Gazette of the Republic of Macedonia".