



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА

STATE AUDIT OFFICE

# **10 YEARS**

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## **STATE AUDIT OFFICE**

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Dear Readers,



This booklet includes basic information on the operation, competences, organization and management of the State Audit Office as a Supreme Audit Institution in the Republic of Macedonia. With this booklet we also mark the 10th Anniversary of the State Audit Office operation as an independent institution in the Republic of Macedonia.

The State Audit Office mandate is established in the Law on State Audit, based on the main principles of Lima Declaration of Guidelines on Auditing Precepts: independence, competency, objectivity, neutrality, rationality, confidentiality, professionalism and team work.

Government auditing is essential part of the control system whose objective is timely disclosure of any deviation from the accepted standards and violation of the principles of regularity, economy, efficiency and effectiveness of public finances management, in order to take on corrective measures and to acknowledge responsibility.

In this regard, the State Audit Office represents a capacity that could significantly contribute to proper and efficient spending of the tax payers' funds, give recommendations to the institutions in the public sector on how to improve their operation and thereby contribute to successful accession of the Republic of Macedonia to the European Union.

Operating in surroundings where the processes of integration and globalization are constantly promoted, the State Audit Office continuously develops in the direction of complete compliance and adjustment of its work methods with the internationally accepted standards and best international practice.

Tanja Tanevska  
General State Auditor

A handwritten signature in black ink, appearing to read 'Tanevska', written in a cursive style.

## Ten years operation of the State Audit Office

The first institutions for state audit were formed right after 1945 and they underwent several reforms until the State Audit Office was established as a Supreme Audit Institution.

The State Audit Office (SAO) organization, the scope of audits and the audit work are regulated under the State Audit Law. Since its adoption in 1997, the Law underwent five amendments in order to incorporate the main principles of the Lima Declaration, as well as to advance toward the EU standards and practice. In this regard, the SAO competences were extended with a new audit subject and new auditees (EU funds and the political parties in the Republic of Macedonia). An important criterion for audit selection was also introduced – potential risk of the auditees. The latest amendments refer to the formation of the Audit Authority in the frames of the SAO within the system for managing the pre-accession EU funds in the Republic of Macedonia.

During its 10 years' history, the State Audit Office had four General State Auditors: Antonio Veljanov (May 1998 - May 1999), MSc Metodija Tosevski (February 2000 – November 2005), PhD Dragoljub Arsovski (December 2005 – September 2007) and the current General State Auditor Tanja Tanevska, appointed in December 2007.

### General State Auditors (1998 – present)



**Tanja Tanevska**  
since 2007



**Antonio Veljanov**  
1998 - 1999



**MSc Metodija Tosevski**  
2000 - 2005



**PhD Dragoljub Arsovski**  
2005 - 2007

The SAO started its operation in the beginning of 1999 with nine employees, all of them previously employed in the Audit Department in the former Payment Operations Office. Today, the SAO has 111 employees in total together with the Audit Authority for pre-accession EU funds. Most of the employees have a degree in economy, law and IT.

The first audits were conducted during 1998/99, and the first Annual Report for the SAO operation and the conducted audits was presented to the Parliament of the Republic of Macedonia in 2000.



The trend of the increasing number of conducted audits was mainly achieved by the increased number and skills of the state auditors, the application of information technology, the continuous professional training and the improvement of the working methodology based on the International Auditing Standards of INTOSAI. In this context, the World Bank project for SAO development and the cooperation with the Netherlands Court of Audit had an important role. Owing to the aforementioned activities, in 2005 the SAO started conducting performance audit.

As of late the SAO is engaged in conducting follow up audit and theme audit. The SAO pays special attention to the improvement of audit quality in all phases of the audit.

Successful and modern operation of any professional institution would not be possible without establishing and maintaining international cooperation with other supreme audit institutions and their organizations. Since March 2001, the State Audit Office is a member of INTOSAI – the International Organization of Supreme Audit Institutions. In October 2002, the SAO became a member of EUROSAI – the European Organization of Supreme Audit Institutions. Thereby, the SAO has enriched its experience and significantly improved the quality of its work.

In the past 10 years, the SAO participated in three INTOSAI Congresses and two EUROSAI Congresses. During the same period, the SAO established constructive cooperation with the supreme audit institutions (SAI) of: Bulgaria, Croatia, Slovenia, Turkey, Poland, the Netherlands, Sweden, Ireland, Czech Republic, Hungary, Greece, Romania, Slovak Republic, Lithuania, Albania and the European Court of Auditors in Luxemburg. The SAO has signed agreements for cooperation with several SAIs and it maintains successful cooperation with the European Court of Auditors (ECA) with its internship program. Five junior auditors have already seized this opportunity.

The number of SAO representatives who participate in seminars, workshops, conferences and other events is constantly increasing, which is in line with the SAO policy for exchange of experience and knowledge, following modern trends in the development of the audit profession and international promotion of SAO achievements.

In January 2007 the SAO organized a Round Table entitled “The role and the position of the SAO as a supreme audit institution in the Republic of Macedonia”. The conclusions were in direction of further strengthening of the SAO independence and improvement of the cooperation with the Parliament.

Later in June 2007 the SAO hosted the Meeting of the Heads of Supreme Audit Institutions of EU Candidate and Potential Candidate Countries and the European Court of Auditors. Important input during the two-days’ discussions on the main topics (cooperation between SAI and Parliament, experience from the negotiation process for EU accession, twinning cooperation between SAIs, results from parallel audits of projects financed by EU funds) was also given by the representatives – Heads of several SAIs from EU member countries.

## Status

The State Audit Office is a supreme audit institution in the Republic of Macedonia established by the Parliament of the Republic of Macedonia in 1997. The SAO started its operation in the beginning of 1999.

The General State Auditor (GSA) is the Head of the State Audit Office. The GSA has a Deputy General State Auditor. They are both appointed by the Parliament with a mandate of ten years.

## Audit Subject

### The following are audit subjects:

- **the Budget of the Republic of Macedonia;**
- **the budgets of the local self-government units;**
- **the budgets of the Funds;**
- **budget funds’ users and their spending units;**
- **public enterprises;**
- **the National Bank of the Republic of Macedonia;**
- **legal entities where the state is the dominant shareholder;**
- **political parties financed by the Budget of the RM;**
- **agencies and other institutions established by law;**
- **other institutions financed by public funds; and**
- **beneficiaries of EU funds and other international institutions**

### State audit, in terms of the law, denotes:

- examination of documents, papers and reports on performed internal controls and internal audits,
- examination of accounting and financial procedures and other records to assess whether the financial statements give real and objective presentation of the financial situation and the results of the financial activities, in accordance with the adopted accounting policies and standards;
- examination of financial transactions defined as government expenditures with regard to their legal and earmarked spending;
- assessment as to whether the funds are spent economically, efficiently and effectively (performance audit).



### Audit Scope

The audits are carried out in accordance with the SAO Annual Programme adopted by the General State Auditor.

The auditees included in the Annual Programme are selected based on certain criteria such as risk assessment, type and significance of previous findings, type and extent of measures undertaken in accordance with the recommendations of the authorized state auditor, insight, information and indications for illegal and non-earmarked spending of public funds etc.

The total number of auditees is approximately 1.300 at all levels.

### Methodology Framework

The SAO is carrying out financial (compliance) audit and performance audit, and recently it started carrying out theme audit and follow up audit. The state audit is carried out in compliance with the provisions of the State Audit Law, INTOSAI and IFAC Auditing Standards, INTOSAI Code of Ethics and other relevant legislation in the Republic of Macedonia. The SAO has also developed Financial Audit Manual, Performance Audit Manual and other methodology guidelines, which are constantly upgraded taking into account the experience and best practice of the international SAO community and the other institutions for auditing standards.



## How Does SAO Operate

During the audit process, the auditors are entitled to free access to the premises and property of the auditees in order to examine the documents and other relevant records and to require explanations from their staff regarding significant issues related to the audit performance.

If the need arises, the SAO may perform extended audit on the entities that are not under its competence but have business relations with the auditees and use funds that are government expenditures.

The audits are carried out by audit teams consisting of two to four state auditors (depending on the size and the complexity of the auditee) under the guidance of team leaders holding a certificate for authorized state auditors.

Following the completion of the audit work, the authorized state auditor prepares a preliminary report and submits it to the legal representative of the auditee, the key management official in charge during the audited period, as well as to the management board. The auditee may submit written comments on the audit findings within 15 days of the receipt of the report.

Taking into consideration auditee comments, the authorized state auditor issues a final report, which is submitted to the legal representative of the auditee, the Ministries or the Funds supervising the auditee operations and to the key management official in charge during the audited period. The legal representative of the auditee may file a complaint against the final report within 30 days. The General State Auditor issues a decision upon the complaint giving an explanation for its acceptance or rejection and this document is included in the final report.

The competent authority supervising the auditee operations is obliged to notify the SAO on the actions undertaken regarding the findings and recommendations in the audit report within 90 days of the receipt of the final report.

If the auditors, in the course of the audit, identify reasonable grounds for committed offence or a criminal act, they inform the competent authorities (the Public Prosecutor's Office, the State Anti-Corruption Commission and the Ministry of Interior) for investigating into the matter.

## Reporting and Informing

The SAO submits Annual Report on its operation and conducted audits to the Parliament of the Republic of Macedonia no later than 30th September. The report also includes information on the implementation of recommendations in the audit reports, the system weaknesses identified in the documents and reports of the internal control and the internal audit, and on all material cases of corruption reported to the State Anti-Corruption Commission and other competent authorities.

Audit reports on the execution of the Budget of the Republic of Macedonia and the budgets of the Ministries, the Funds and the public enterprises are also submitted to the Parliament. Audit reports containing findings on major irregularities may be submitted to the Parliament prior to the submission of the Annual Report.

In addition to the Annual Report, the SAO publishes all final reports on its web site.

The General State Auditor informs the public on the SAO operation and the relevant audit results when necessary.

## Financing

The SAO operations are financed by:

- the Budget of the Republic of Macedonia (when auditing budget users and beneficiaries of EU funds and other international funds), and
- audit fees from other auditees, in compliance with the SAO Tariff as adopted by the Parliament

## Organizational Structure

The SAO is an independent, professional and legal institution with Head Office in Skopje. It is organized in seven departments and four independent units.

The Audit Authority for pre-accession EU funds in the Republic of Macedonia operates in the frames of the SAO as a functionally independent audit body.

Currently the SAO has 111 employees together with the Audit Authority for pre-accession EU funds.

Over 97% of the employees have University degree, mainly in economics and law



## International Cooperation

The State Audit Office is a member of:

- INTOSAI - the International Organization of Supreme Audit Institutions, since 29 March 2001;
- EUROSAI - the European Organization of Supreme Audit Institutions, since 31 May 2002; and also of EUROSAI Working Group on Environmental Auditing (WGEA) since October 2002, and the IT Working Group since December 2005.

SAO representatives have participated in many international audit related events like INTOSAI Congresses in Seoul (2001), Budapest (2004) and Mexico City (2007), EUROSAI Congresses in Bonn (2005) and Krakow (2008), ICGFM Conferences in Miami (2005-2008), EUROSAI-OLACEFS Conferences in Lima (2005) and Lisbon (2007). The SAO also participated in numerous other workshops, seminars and meetings such as the Long Term Regional Training Programme (LTRTP) organized by EUROSAI/IDI resulting in two accredited IDI training specialists; meetings and seminars of INTOSAI /EUROSAI WGEA and WG for IT audit, workshops on different audit topics like: Audit of Public Sector Financial Statements, Audit of EU Structural and Cohesion Funds, Implementing Audit Quality Practices, Developing Audit Methods and Manuals; seminars on different topics for performance audit, SAI management, seminar on the system for public internal financial control, SAI communication strategy and many other.



The State Audit Office maintains bilateral and multilateral cooperation with other SAIs and international organizations and institutions for the purpose of exchanging experiences and acquiring new practices in the area of public sector auditing. Bilateral contacts have been established with most of the European SAIs, including the European Court of Auditors (ECA) and agreements for cooperation have been signed with several SAIs.

The World Bank Project for development of the SAO funded by the Dutch Government ended in July 2005. In 20 months the Project achieved outstanding results in terms of organizing and delivering training courses for the SAO staff, preparing performance audit manual, improving audit reporting and carrying out study trips in several European SAIs.

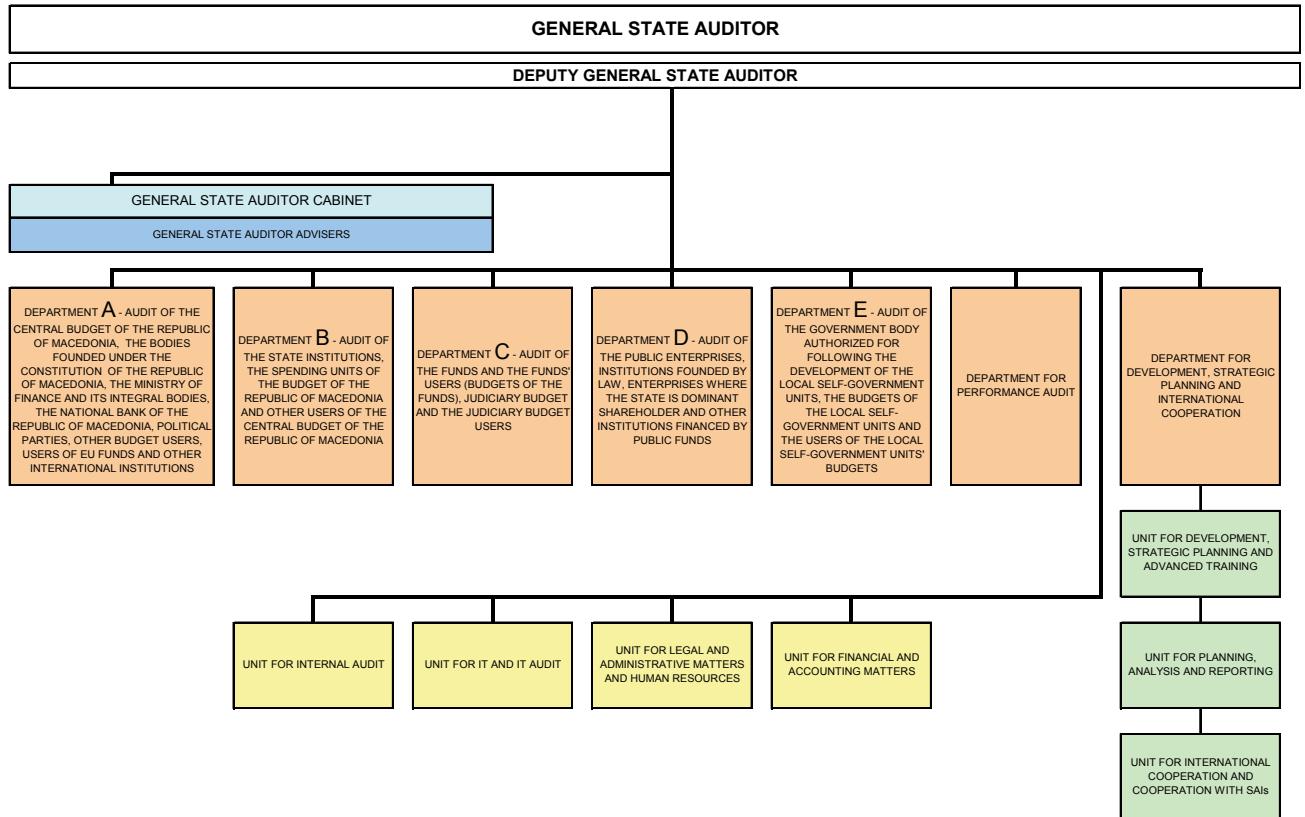
In December 2008 ended the three-year twinning project with the colleagues from the Netherlands Court of Audit (NCA) whose focus was improvement of the legal framework, SAO organizational and administrative capacity and development of auditors' skills and the IT audit.



The cooperation between SAO and NCA continues in 2009-2010 through the MATRA Program financed by the Dutch Ministry of Foreign Affairs.

Joining the network of SAIs of the EU Candidate and Potential Candidate Countries and the European Court of Auditors in 2005 has given the SAO the opportunity to benefit from the frequent contacts with colleagues from SAIs of the EU Member Countries.

The cooperation with the World Bank, the European Commission, the other EU organisations and SIGMA is an ongoing process. It gives the SAO significant support and guidance in becoming a competent external auditor in line with EU and the international standards.



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