

# Significance and role of the State Audit Office of the Republic of North Macedonia and the State Audit Institution of the Republic of Serbia

*Elena Ivanova<sup>1</sup>, Janka Dimitrova<sup>2</sup>*

<sup>1</sup> University Goce Delchev- Stip, Faculty of Economics, [ivanovaa\\_elena@yahoo.com](mailto:ivanovaa_elena@yahoo.com)

<sup>2</sup> University Goce Delchev- Stip, Faculty of Economics, [janka.dimitrova@ugd.edu.mk](mailto:janka.dimitrova@ugd.edu.mk)

## **Abstract**

State audit is a procedure for examining financial transactions defined as government expenditures, in terms of the legal and intended use of funds, as well as evaluating the use of funds in terms of the quality of public sector program performance. The State Audit Office of the Republic of North Macedonia, as well as the State Audit Institution of the Republic of Serbia, are independent in their work and independent of the executive branch. The State Audit Office of the Republic of Northern Macedonia is an independent institution operating on a pre-established annual program and applying a methodology consistent with international auditing standards. The State Audit Office of the Republic of Northern Macedonia is accountable to the Assembly of the Republic of Northern Macedonia by submitting an annual report on its operations and audits, but also provides other information related to the execution of the measures and recommendations given to the entities by the certified state auditor, for removing irregularities. The State Audit Office of the Republic of North Macedonia, in carrying out its work and functions, cooperates with: the Assembly of the Republic of North Macedonia, the Government of the Republic of North Macedonia, the Ministry of Finance, the Institutions responsible for initiating audit reports, the IPA Audit Authority and International cooperation.

The State Audit Institution of the Republic of Serbia performs its tasks in accordance with the Constitution of the Republic of Serbia and the Law on State Audit Institution and State Audit Institution and helps the state to use and manage its resources wisely. The State Audit Institution has a mission to contribute to better governance, transparency and accountability in the public sector through confidential information.

**Keywords:** State Audit Office, State Audit Institution, Independence, Management, Governance

## **1. Introduction**

The State Audit Office of the Republic of North Macedonia is an self governed and independent institution, which operates on the basis of a predetermined annual program and applies a methodology that is consistent with international auditing standards. The State Audit Office is accountable for its work to the Parliament of the Republic of North Macedonia and through its activities should provide oversight and control, but also support and promote the public accountability of legal entities and entities managing public funds. The State Audit Office is headed by the Chief State Auditor, with a mandate of nine years without the right to be re-elected. The chief state auditor has a deputy whose mandate is also nine years. The

Auditor General and his deputy are elected by public notice, which is published in at least three daily newspapers, which are published throughout the Republic of North Macedonia. One of the newspapers should be in a language spoken by at least 20% of the citizens who speak an official language other than Macedonian.

The State Audit Institution of the Republic of Serbia was established in 2005 and is an independent state institution. The institution is accountable to the National Assembly of the Republic of Serbia for the performance of its tasks. Shortly after its establishment, the State Audit Institution became a member of the International Organization of Supreme Audit Institutions (INTOSAI) in 2008, and in 2009 became a member of the European Organization of Supreme Audit Institutions (EUROSAI). The President of the State Audit Institution is also the President of the Council. The Council of the State Audit Institution adopts the annual audit program, adopts the annual report, establishes the institution's annual accounts and performs many other tasks set forth by the Law on State Audit Institutions.

## **2. Historical Development of the State Audit Office of the Republic of North Macedonia and the State Audit Institution of Serbia**

The State Audit Office is established in the Republic of North Macedonia as an institution that will conduct state audit. The State Audit Office is an institution that has been operating for quite a short period of time and is an independent audit institution. The state audit from 1991 to 1998 was carried out by the Economic and Financial Audit Department of the Social Accounting Office, which was later renamed the Payment Operations Bureau. After the Social Accounting Service was renamed the Payment Operations Bureau in 1994, the Economic and Financial Audit Department continued to perform all audit activities until 31.01.1999 when all the employees in the Economic and Financial Audit Department within the Payment Operations Bureau. transferred to the State Audit Office.

In 1997, the first Law on State Audit was adopted, which defines state audit and the manner in which state audit should be performed. The law adopted refers to the execution of state audit of state expenditures, financial transactions and financial reports related to the audit of state bodies, organs of local self-government units, legal entities which are fully or partially financed by the Budget of the Republic of North Macedonia, the budgets of the units of local self-government and the budgets of the funds, the legal entities in which the state is the dominant shareholder, the public enterprises, the National Bank of the Republic of North Macedonia, the payment operations, funds, agencies and other institutions established by law. [1]

In the following years, the Law adopted in 1997 has been amended several times in order to bring it closer to European Union standards and practice. In early 1999, the State Audit Office came into operation, the first audits were made during 1998-1999, and the first Annual Report on the Audits and Operations of the State Audit Office was submitted in 2000 to the Parliament of the Republic of North Macedonia. A few years later, in 2005, the State Audit Office began conducting both a performance audit and a follow-up audit. A new Law on State Audit was adopted later in May 2010, with the aim of strengthening the independence of the State Audit Office and achieving greater efficiency and effectiveness in its operations. The new Law adopted in 2010 (Official Newspaper of the Republic of North Macedonia number. 66/2010 and 145/2010) strengthens the position and role of the State Audit Office, as an independent supreme audit institution and in compliance with international standards and European regulation.

In the Republic of Serbia, the highest public audit body is the State Audit Institution, established by the 2005 Law on State Audit Institution. In 2006, the State Audit Institution

was recognized as a constitutional category. The part of the Constitution of the Republic of Serbia concerning public funds and their economic regulation stipulates that the execution of all budgets (according to Article 92 of the Law) controls the State Audit Institution and that the State Audit Institution is the highest state audit authority in the Republic of Serbia. On September 6, 2007, was held the Fifth Session of the Finance Committee of the National Assembly. At the session, the members of the Commission determine the list of candidates for the Council of State Audit Institution, which they have proposed to the National Assembly for adoption. Later, on September 24, 2007, at the session of the National Assembly, the National Assembly elects a President, Vice-President and members of the Council of the State Audit Institution.

The election of Council members marked the beginning and operation of the institution. One year after the election, one member resigned as a member of the State Audit Institution Council. The 16th meeting of the Finance Committee was held on January 21, 2009, where the members of the Committee adopted the proposal for a new member of the State Audit Institution Council by a majority vote. The National Assembly held a session on March 18 and elected Danka Aksentijevic as a member of the Council. Shortly after its establishment, the State Audit Institution became a full member of the International Organization of Supreme Audit Institutions (INTOSAI) in November 2008 and on June 23, 2009 became a full member of the European Organization of Supreme Audit Institutions (EUROSAI).

In order to carry out tasks within the competence of the Institution, in 2009 the National Assembly established the Rules of Procedure of the State Audit Institution. On November 27, 2009, the State Audit Office submits to the National Assembly the first audit report on the financial statements and the regularity of operations. The submitted report refers to the last report on the 2008 budget of the Republic of Serbia. Later, in 2010, the State Audit Institution became a member of the Network of Supreme Audit Institutions of Candidate Countries and Potential Candidates for EU Membership.

The first strategic plan of the State Audit Institution for the period 2011-2015 was adopted in 2011. At the fifth session of the Committee on Finance of the Republic Budget and Public Expenditure Control, on September 17, 2012, the members of the Committee review the nominations and determine the list of candidates for President, Vice-President and members of the State Audit Council. The first audit report that was presented to the public on 27 June 2014 was the report "Management of Official Vehicles of the Direct Beneficiaries of the Budget of the Republic of Serbia".

The State Audit Institution adopted the second strategic plan for 2016-2020 on December 28, 2015. The main goals of this document were to safeguard the responsibility and independence of the Institution, to provide quality audit services in accordance with ISSAI standards, to strengthen partnerships with key stakeholders to improve the reputation and influence of the State Audit Institution and to strengthen organizational capacity. In the second strategic plan, the State Audit Institution set priorities related to the further development of the Institution as a professional audit institution, aiming at greater expertise, greater skills, knowledge, maximizing the impact of audits, as well as demonstrating the intentional work and responsibility of the Institution through making best use of your own resources.

### **3. Organizational setup and management of the State Audit Office of the Republic of North Macedonia and the State Audit Institution of the Republic of Serbia**

The State Audit Office of the Republic of North Macedonia performs its functions independently of the executive, but its powers and independent status should be understood

and accepted by society itself. The State Audit Office is headed by the Chief State Auditor, there is a Deputy State Auditor, a Secretary General and advisors to the Chief State Auditor. There are also several departments, the Audit Department of the legislative, executive, public administration and public enterprises that carry out public works, defense, public security, judiciary, public prosecution and public prosecution. There is a department for auditing entities in the fields of economics, traffic and communications and public enterprises and companies in the fields of education and science, culture and financing of activities, public enterprise and agency in the field of sports, public enterprise in the field of urban planning and construction and local government. Sector for Audit of Labor and Social Policy, Labor Relations, Pension and Disability Insurance, Health, Environment and Physical Planning, Agriculture, Forestry and Water Economy, Legal and Penitentiary Institutions and Public Enterprises in the Area. There is also a sector for auditing and monitoring international practice for the implementation of international standards, a sector for information systems auditing, a sector for legal and general affairs, public procurement and public relations and a sector for financial affairs. The State Audit Office, when finding certain irregularities, is not authorized to issue an order to stop illegal activities or to take penal measures, but to notify the competent authorities (Public Prosecutor's Office, Ministry of Interior, State Commission for Prevention of Corruption).

As we have said, the State Audit Office is headed by the Chief State Auditor, who has a mandate of 9 years and is not eligible for re-election. The Chief State Auditor has a deputy who also has a mandate of 9 years and they are elected by public notice to be published in at least three daily newspapers published throughout the state, but one of the newspapers should be in a language spoken by at least 20% of the citizens who speak an official language but is different from the Macedonian language. The Auditor General and his deputy are elected by the Assembly of the Republic of North Macedonia and are independent in the performance of their duties. The Auditor General, or the Deputy Auditor General, shall meet the following requirements: [2]

- to be a citizen of the Republic of North Macedonia;
- have higher education in the field of economics or law;
- have at least seven years of experience in the field of economics or law;
- hold one of the internationally recognized certificates or certificates of English proficiency not older than five years;
- have passed a psychological and integrity test;
- not to perform any other public office or profession, not to be a member of a political party body, a member of the board of directors, a supervisory board or any other body of another legal entity, and
- not have been pronounced a misdemeanor sanction, a ban on performing a profession, activity or duty.

State audit is performed by an authorized state auditor who should be employed by the State Audit Office. The auditor must have at least five years of experience in financial or accounting work, with a required three years of audit or control experience and must take an appropriate examination. The exam program is adopted by the Chief State Auditor. Training in the subjects of the program is conducted by persons nominated by the State Audit Office, and must have a university education and work experience of at least ten years in the appropriate lecture area. The exam consists of two parts, the first part of which is a theoretical part and is computationally answered by specific questions. The certified state auditor may not be a member of the board of directors, the supervisory board or any other body of other entities. [3] Also, the certified state auditor and the state auditor may not audit if they are founders or shareholders where they are auditing or are spouses or blood

relatives up to the third degree of kinship with the auditee. They may not be audited if they were previously employed or involved in the preparation of the annual accounts and financial statements for at least five years prior to the audit of the auditee. When auditing, an authorized state auditor should work in teams composed of state auditors.

The State Audit Institution in the Republic of Serbia has the President of the institution, the Vice-President, the Council, the Audit Office and the mediation service. The highest body in the state audit institution is the Council as a collegial body, which has five members: president, deputy chairman and three members. In accordance with the law, the State Audit Institution is headed by a State Auditor General who is also the President of the Council. The Council of the State Audit Institution adopts the Rules of Procedure of the institution, adopts the annual audit program, an act that closely regulates the audit procedure, establishes the institution's final account, makes a financial plan of the institution, decides upon the objection of the auditee upon proposal of the auditee. The Audit Report adopts the Annual Report and the Special Reports, as well as other acts of the institution and performs other activities determined by the Law on State Audit Institution and Oral Acts. new. The Council shall decide on the meetings chaired by the President of the Council or the Vice-President and shall take decisions by a majority vote of all members. The members of the Council cannot question the independence of their decisions and the independence of the Institution itself.

The Rules of Procedure of the Institution's Council shall regulate matters relating to the work of the Council. The General State Auditor manages the audit department and exercises the audit powers of the institution in accordance with the law and powers given to the President of the institution. The General State Auditor, as defined by Article 27 of the Law on State Audit Institution, may be a person who fulfills the general requirements for work in public authorities, holds a university education and is a state authorized auditor under the law. In order to be considered suitable for the position of Auditor General, a person must have at least ten years of work experience and at least eight years of work related to the responsibilities of the institution. The General State Auditor, upon a proposal from the President, may, by decision, appoint and dismiss the Council for a term of six years with the possibility of re-election. The Chief State Auditor assumes office after being sworn in before the Council of the State Audit Institution.

#### **4. Responsibilities of the State Audit Office of the Republic of North Macedonia and the State Audit Institution of the Republic of Serbia**

The Chief State Auditor of the State Audit Office in the Republic of North Macedonia has the following responsibilities: [4]

- proposes the Budget of the State Audit Office;
- Adopts the Annual Work Program of the State Audit Office;
- Determines the criteria for the scope, subjects and subject of the state audit;
- prescribes the manner of performing the state audit;
- prescribes the form and contents of the identification card form, as well as the manner of its issuance and revocation;
- adopts the Program for taking the exam for obtaining the title of certified state auditor;
- determine the amount of the costs for taking the exam for acquiring the title of certified state auditor, in accordance with the real costs for conducting the exam for acquiring the title of authorized state

auditor and for issuing the certificate for authorized state auditor;

- prescribes the manner of taking the exam for obtaining the title of certified state auditor;
- prescribes the form and contents of the Certificate of Certified Public Auditor;
- Adopts bylaws for implementation of this law and publishes them in the Official Gazette of the Republic of North Macedonia;
- Adopts an act on organization and work of the State Audit Office and a systematization act on the State Audit Office;
- decides on the rights and obligations of the employees of the State Audit Office in accordance with the law;
- Adopts an act on the manner of conducting a disciplinary procedure for the employees of the State Audit Office who do not have the status of administrative officers;
- establish committees and other working bodies in the State Audit Office;
- communicates with the media in order to inform the public about the work of the State Audit Office and the results of the performed audits, and
- performs other activities stipulated by this Law

The State Audit Institution, as the highest auditing body of public funds, within its competence, performs the following tasks: [5]

- Plans and performs the audit in accordance with the Law on State Audit Institution;
- Adopts bylaws and adopts other acts of law enforcement;
- submits reports in accordance with Article 43 and Article 44 of the Law;
- takes positions and gives opinions, as well as other forms of public announcements regarding the implementation and application of certain provisions of the law;
- if necessary and in accordance with its capabilities, provide expert assistance to the Parliament, the Government of the Republic of Serbia and other public authorities on certain important measures and important projects, in a way that does not diminish independence;
- can advise users of public funds;
- comment on bills and other regulations and provide opinions on public finance matters;
- may make recommendations for amendments to laws applicable on the basis of information obtained during the production process audit that may have adverse consequences or lead to unplanned results;
- Adopts and publishes auditing standards related to public funds related to the auditing of the Institution, audit manuals and other professional literature relevant to the promotion of the audit profession;
- establishes an education program and exam program for the title of state auditor and certified state auditor, organizes the organization of exams for acquiring the titles of state auditor and authorized state auditor and keeping a register of persons who have acquired these titles;
- establishes criteria and notifies professional titles within the competence of the institution acquired

abroad;

- cooperates with international auditing and accounting organizations in the field of public sector accounting and auditing;
- performs other activities determined by law.

The State Audit Institution carries out the following types of audits: audit of financial statements, business audit and business purpose audit. An audit of financial statements is performed by examining documents and reports and other documents in order to provide appropriate, accurate and reliable audit evidence in order to be able to express an opinion on whether the financial statements of the appropriate entity truthfully and objectively present the financial position and whether the results of operations are in accordance with the accepted accounting standards and accounting principles.

A business audit reviews financial transactions and income and expense decisions to determine whether the appropriate transactions are performed in accordance with law, authorizations, and whether they are for the intended purposes. A business-purpose audit reviews budget and other public funds to gather adequate and reliable evidence to report whether the entity's assets have been used in accordance with the principles of cost-effectiveness, efficiency and effectiveness.

## **5. Cooperation between the State Audit Office of the Republic of North Macedonia and the State Audit Institution of the Republic of Serbia**

The State Audit Office of the Republic of North Macedonia as an independent and independent institution in the performance of its work and function needs to cooperate with the competent authorities and institutions, including: [6] The Assembly of the Republic of North Macedonia, the Government of the Republic of North Macedonia, the Ministry of finance, with institutions responsible for initiating audit reports, and with international organizations of other countries' supreme audit institutions in the performance of their work. The State Audit Office shall inform the Assembly of the Republic of North Macedonia on its operations and shall provide timely and objective information. The State Audit Office should also provide support to the Assembly of the Republic of North Macedonia if necessary in fulfilling its Parliamentary competences by identifying cases of corruption, unlawful conduct, abuse of certain functions, or identifying them. and will present all irregularities.

Pursuant to the Law on State Audit, the Chief State Auditor should submit to the Government of the Republic of North Macedonia all final audit reports on the audited entities that the Government is responsible for overseeing their operations. The Government of the Republic of North Macedonia has set up a special expert body called the 'Audit Committee' which is responsible for reviewing the submitted audit reports and proposing certain measures and activities with a view to more successfully implementing the recommendations given by the auditors in the audit reports themselves.

If the certified state auditor, while performing the audit, observes or assesses that the auditee has committed a crime or misdemeanor in the performance of his duties, then the authorized state auditor shall be obliged to immediately notify the competent authorities in accordance with Article 35 of the Law on State Audit. The authorities responsible for initiating proceedings on audit reports are: the State Commission for the Prevention of Corruption (SCPC), the Public Prosecutor's Office of the Republic of Macedonia (PPO), the Ministry of Interior (MOI), the Financial Police (PE) and others.

The State Audit Office actively cooperates with the competent state authorities to reduce and prevent corruption and conflicts of interest. The cooperation of the State Audit Office with the competent authorities and institutions for initiating proceedings is in accordance with the powers and obligations laid down in the Law on State Audit, the Law on Prevention of Corruption, the Law on Prevention of Conflict of Interest, the Law on Public Prosecutor's Office, the Electoral Code. and other laws and bylaws.

Since 2001, the State Audit Office of the Republic of North Macedonia is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and since 2002 a member of the European Organization of Supreme Audit Institutions (EUROSAI). Since 2005, the SAO has been a member of the EUROSAI Information Technology Working Group and the Environmental Working Group. The State Audit Office is also a member of the applicant countries of the European Court of Auditors in Luxembourg and a member of the European Union accession candidates.

The State Audit Institution of the Republic of Serbia implements international cooperation within its competence in order to strengthen its capacity and apply international auditing standards. In co-operation, the State Audit Institution has made contacts with a number of Supreme Audit Institutions (SAIs) worldwide to share experiences and improve the audit process itself. The State Audit Institution has been a full member of the International Organization of Supreme Audit Institutions (INTOSAI) since November 2008 and a member of the European Organization of Supreme Audit Institutions (EUROSAI) since June 2009 when a meeting was held in Ukraine to receive Serbia as its member.

INTOSAI (International Organization of Supreme Audit Institutions) was founded in 1953 by 34 countries. Membership is extended to over 190 Supreme Audit Institutions. As an internationally recognized leader in public sector auditing, INTOSAI has published guidance on financial management in other areas, developed related methodologies, and provided training and information exchange among members.

EUROSAI (European Organization of Supreme Audit Institutions) is a regional organization set up by European members in 1989 and links 50 Supreme Audit Institutions across Europe. Cooperation with the Supreme Audit Institutions of the Central and Eastern European States began in 1993 when the European Court of Auditors organized the first meeting of the heads of institutions in Berlin. Since 1997, the European Court of Auditors and EU Member States have increased cooperation with candidate countries and new potential candidate countries and their supreme audit institutions both formally and practically. The State Audit Institution of Serbia has been a member of the network of top audit institutions of candidate countries and potential EU membership candidates since August 2010.

## **6. Conclusion**

The state audit is compulsory once a year on the Budget of the Republic of North Macedonia and on the budgets of the funds, and on the other audit subjects, it is performed within the deadlines determined by the Annual Work Program of the State Audit Office. From all this we can conclude that the State Audit Office of the Republic of North Macedonia is an independent and independent institution that operates on the basis of a predetermined annual program and applies a methodology that complies with international auditing standards. According to the Law, the State Audit Office is independent from the executive branch and reports to the Parliament of the Republic of North Macedonia for its work. The State Audit Office is headed by the Chief State Auditor, there is a Deputy State Auditor, a Secretary General and advisors to the Chief State Auditor. The Chief State Auditor and his deputy shall be elected by means of a public advertisement published in at least three daily newspapers published throughout the territory of the Republic of North Macedonia, with one



of the newspapers being in a language spoken by at least 20% of the citizens who speak an official language that is different from the Macedonian language. The State Audit Office of the Republic of North Macedonia, when ascertaining certain irregularities, is not authorized to issue an order to stop the illegal activities or to take penal measures, but the competent authorities (Public Prosecutor's Office, Ministry of Interior, State Commission for Prevention of Corruption) should inform them. Since 2001, the State Audit Office of the Republic of North Macedonia is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and since 2002 a member of the European Organization of Supreme Audit Institutions (EUROSAI).

In the Republic of Serbia, the highest public audit body is the State Audit Institution, established by the 2005 Law on State Audit Institution. In 2006, the State Audit Institution was recognized as a constitutional category. The part of the Constitution of the Republic of Serbia concerning public funds and their economic regulation stipulates that the execution of all budgets (according to Article 92 of the Law) controls the State Audit Institution and that the State Audit Institution is the highest state audit authority in the Republic. Serbia. The State Audit Institution in the Republic of Serbia has the President of the institution, the Vice-President, the Council, the Audit Office and the mediation service. The highest body in the state audit institution is the Council and the Council is a collegial body with five members in total: President, Vice-President and three members. In accordance with the law, the State Audit Institution is headed by a State Auditor General who is also the President of the Council. The State Audit Institution of the Republic of Serbia implements international cooperation within its competence in order to strengthen its capacity and apply international auditing standards.

The audit institutions in both countries have almost the same rights and responsibilities, being members of INTOSAI and EUROSAI, which shows the commitment to implement international standards of supreme audit institutions.

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