

## **Chapter VI**

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**REPUBLIC OF MACEDONIA**

**LAW ON  
PUBLIC INTERNAL FINANCIAL CONTROL  
(Official Gazette No.90/2009)**

**Skopje 22<sup>nd</sup> July 2009**

## **LAW ON PUBLIC INTERNAL FINANCIAL CONTROL**

### **I. GENERAL PROVISIONS**

#### **1. Subject**

##### **Article 1**

**(1) This Law regulate the public internal financial control system that covers the financial management and control, internal audit and their harmonisation, established in compliance with the international standards for internal control and internal audit.**

**(1) This Law regulate the organisation, standards, methodology, relations and responsibilities as well as the competences of the Minister of Finance and the consultancy bodies for public internal financial control.**

#### **2. Coordination of the Public Internal Financial Control System**

##### **Article 2**

**(1) The Minister of Finance shall be in charge of the coordination of the development, the establishment, the implementation and the maintenance of the public internal financial control system, and on his behalf the Central Harmonisation Unit of the Public Internal Financial control System within the Ministry of Finance (hereinafter: Central Harmonisation Unit).**

**(2) The coordination referred to in paragraph (1) of this Article shall be executed by the Minister of Finance through:**

- harmonisation and supervision of the financial management and control;**
- harmonisation and supervision of the internal audit; and**
- preparation and issuance of bylaws, manuals and directives**

#### **3. Definitions**

##### **Article 3**

**Certain terms used in this Law shall have the following meaning:**

**(1) Public funds shall mean all collected, received, acquired, allocated and spent funds by the subjects from the public sector, also including budget revenues, credits, expenditures and subsidies.**

**(2) Public sector entities shall mean users of the funds of the Budget of the Republic of Macedonia, the Funds, the municipalities and the City of Skopje, agencies and other institutions established by law, public enterprises, public institutions and other legal entities owned by the state or in which, the state shall be shareholder.**

**(3) Financial management and control shall mean a system of policies, procedures and activities established by the Head of the Entity, in order to provide reasonable assurance that the objectives of the Entity have been accomplished.**

- (4) Reasonable assurance shall mean a satisfactory level of confidence for certain issue taking into account the costs, the benefits and the risks.**
- (5) Responsible persons for financial management and control shall mean the Head of the Entity and the Heads of Subordinated Units within the Entity.**
- (6) Financial controller shall mean a person within the Entity, authorised for control of the legality and the regularity of the proposed financial decisions, as well as their approval or negation, taking into consideration the principles of cost-effectiveness, efficiency and effectiveness.**
- (7) Ex-ante financial control shall mean a procedure, by which the financial commitment shall not be undertaken and the expenditure shall not be paid without prior approval by an official hierarchically independent of the credit official and the payment ordonnator.**
- (8) Credit ordonnator shall mean an authorised official who can undertake financial commitments.**
- (9) Payment ordonnator shall mean an authorised official who can give payment orders;**
- (10) Ex-post financial control shall mean a procedure being implemented within the entity, which shall ensure for the financial transactions in the form of commitments, expenditures or revenues, to be checked after the transaction is fully completed.**
- (11) Sound financial management and control shall mean transparent, regular, economical, efficient and effective use of the available funds;**
- (12) Economy shall mean minimising the resources used for achieving the planned goals or outcomes of certain activity, taking into account the determined quality of those effects or outcomes.**
- (13) Effectiveness shall mean the extent to which the objectives of certain activity are achieved or the relation between the planned impact and actual impact of certain activity.**
- (14) Efficiency shall mean maximising the effects or outcomes of certain activity in relation to the invested funds.**
- (15) Audit trail shall mean documented flow of the financial and other transactions from their beginning until the end, in order to provide reconstruction of all separate activities and their approval. It shall cover the systems of documenting, reporting, accounting and archiving;**
- (16) Cashier shall be an authorised official in charge of paying and receiving cash ;**
- (17) Mandate shall mean the right for bringing decisions on behalf of the mandate giver and it can be general or special;**
- (18) General mandate shall mean giving authorisation for implementing the overall competence, for which the mandate giver shall be responsible;**
- (19) Special mandate shall mean authorisation given for specific cases;**
- (20) Sub-mandate shall mean approval for the mandate receiver to transfer completely or partially the received authorisation to the Head of the Basic Organisational Units being under his direct responsibility.**
- (21) Mandate giver shall be the head of the entity giving authorisation;**

- (22)Mandate receiver shall mean an official who received authorisation by the mandate giver to decide and to act on his behalf.**
- (23)Financial commitment shall mean a payment commitment expressed in the form of money, material assets, property or rights;**
- (24)Risk shall be the probability of occurrence of event with a negative impact on the achievement of the objectives of the entity;**
- (25)Risk management shall mean a process of ascertaining and assessing the internal and external risks which may negatively affect the fulfilment of the objectives of the entity and the implementation of the necessary controls in order to keep the exposure of the risks to an acceptable level or to decrease the consequences of possible risk to an acceptable level;**
- (26)Control shall mean all activities undertaken in order to avoid or decrease the risks;**
- (27)Mission shall be the main reason for existence and operations of the entity and it shall consist of working area, values and objectives that should be accomplished;**
- (28)Supervision shall be managerial responsibility helping the entities in accomplishing the objectives, finishing, review and approval of the affairs, clear segregation of the duties and responsibilities awarded to each employee, systematic review of the performance of the activities of each employee at the necessary level and approval of the performance of the activities in the important areas, thus ensuring execution of the planned activities.**
- (29)Basic financial reports shall mean balance sheet, balance of revenues and expenditures, consolidated balance of the capital property (inventory of the capital property), balance of obligations and notes/justification for the financial reports;**
- (30)Internal audit shall mean an independent objective assurance and consulting activity, designed to add value and improve the entity `s operations. It shall help the entity in accomplishing its objectives, by applying a systematic, disciplinary approach for assessing and improving the effectiveness in the process related to risk management, control and governance. .**
- (31)Audit on the internal control systems shall mean an in-depth assessment of the functioning of the internal control systems;**
- (32)Performance (execution) audit of the working shall mean an assessment of the economy , efficiency and effectiveness of the operations and the usage of funds in a defined area of activities or programmes;**
- (33)Financial audit shall mean control of the accuracy, the completeness and the lawfulness of the accounting records and the financial statements;**
- (34)Compliance (regularity) audit shall mean an assessment whether the operations are in compliance with the effective laws, bylaws and internal acts;**
- (35)IT audit shall mean detailed assessment of the performance of the informational and technical systems.**
- (36)Independence of the internal audit shall mean non -existence of conditions impairing the objectivity;**

- (37) Objectivity in the internal audit shall mean an unbiased behaviour not being based on judgment of others;**
- (38) Competence in the internal audit shall mean having relevant knowledge and skills;**
- (39) Professionalism in the internal audit shall mean implementation of careful relation and skills of attentive and competent official;**
- (40) Integrity in the internal audit shall mean conscientiously non-participation in an illegal activity or non-undertaking of activities t discrediting the profession of the internal auditor or the entity;**
- (41) Confidentiality in the internal audit shall mean respecting the value and ownership of information that should not be disclosed without authorisation, except in cases of legal or professional commitment;**
- (42) Suspicion of fraud shall mean undertaken or not undertaken act, from which, one can excusably bring a conclusion for intentional or wrong presentation of the material or financial facts;**
- (43) Code of Ethics of the Internal Auditors shall mean the Code of Ethics of the Institute of Internal Auditors.**
- (44) Internal Audit Charter shall mean an internal act signed by the Head of the Internal Audit Unit and the Head of the Entity, , determining the objectives, the authorisations and the responsibilities of the internal audit.**
- (45) International standards for internal audit shall mean the International Standards for the Professional Practise of Internal Audit of the Institute of Internal Auditors (USA/IA, Inc.).**
- (46) International audit standards shall mean the standards of the International Federation of Accountants / IFAC.**

## **II. FINANCIAL MANAGEMENT AND CONTROL**

### **1. Scope of the Financial Management and Control**

#### **Article 4**

- (1) Financial management and control pursuant to this Law shall be applicable to budget users in the field of legislative, executive and judicial authorities (central government), Funds, the municipalities and the City of Skopje (hereinafter: entities).**

#### **Article 5**

- (1) The financial management and control of the entity shall cover the financial processes of planning, executing, monitoring and reporting on:**
- collection of the revenues determined in the budget ;**
  - management and control of the execution of the expenditures approved in the budget and**
  - protection of the assets and liabilities, the value of which shall be recorded in the balance sheet.**

- (2) The financial management and control should be implemented in all organisational units and at all levels of the entity and it shall cover all funds of the entity, including the funds from the European Union and from other sources.**
- (3) The financial management and control system should be continually assessed and developed for the purpose of efficient accomplishment of the mission and the objectives of the entity.**

## **2. Financial Management and Control Objective**

### **Article 6**

**The objective of the financial management and control shall be improving the financial management for the purpose of achieving the following general objectives:**

- Performing the activities in a proper, ethical, economical, effective and efficient manner,**
- Conformity of the operations with the laws, the other regulations, the established policy, the plans and the procedures,**
- Protecting the property and the other resources from losses caused by bad management, unjustified spending and usage, as well as from irregularities and misuses,**
- Strengthening the responsibility for successful realisation of the tasks,**
- Proper record of financial transactions**
- Timely financial reporting and monitoring the work results. .**

## **3. Responsibility and Accountability of the Head of Entity**

### **Article 7**

**(1) The head of the entity shall be in charge of the following:**

- Budget preparation, budget execution and reporting on the budget of the entity managed by him;**
- Financial management and control and internal audit in all organisational structures, programs, operations and processes, managed by him;**
- Control on keeping accounting, undertaking financial commitments, executing the payments, collecting revenues and safeguarding assets and liabilities;**
- Continuous assessment of the financial management and control system;**
- Determination and accomplishment of the objectives of the entity and preparation and realisation of the strategic and other plans as well as programs for accomplishment of the general and specific objectives of the entity;**
- Establishing an organisational structure and working procedures to ensure functioning, monitoring and development of sound financial management and control;**

- **Establishing a reporting line in compliance with the transferred authorisations and responsibilities;**
  - **Competency of all employees for execution of the tasks in line with the financial management and control; and**
  - **Risk management and establishment of appropriate and efficient internal controls.**
- (2) **The head of the entity shall be accountable for achieving the objectives of the entity by managing public funds in a legal, economical, efficient and effective manner.**

#### **4. Responsibility and Awarding Mandate**

##### **Article 8**

- (1) **The head of the entity may, by an act give a mandate (general or special) to one or more managing officials being hierarchically placed directly subordinated to him.**
- (2) **By a mandate act a sub-mandate may be given.**
- (3) **The mandate or sub-mandate act may include conditions for using the authorisation.**
- (4) **On the basis of mandate or sub-mandate, decisions with an important political or financial impact shall not be reached without prior approval by the Head of the entity. .**
- (5) **Heads of Internal Organisational Units within the Entity, who have received a authority with mandate or sub-mandate can act only within the framework of the limits determined by the mandate or sub-mandate act and they shall be responsible to the mandate giver for the usage of the mandate.**
- (6) **Decisions regarding the mandate shall be made and signed on behalf of the head of the entity. The head of the entity shall, after the given mandate continue to be responsible for all reached decisions also including the decisions referring to financial management and control.**
- (7) **The Minister of Finance shall closely stipulate the manner for granting mandates**

#### **5. Financial Affairs Unit**

##### **Article 9**

- (1) **Head of the Entity shall establish a special Organisational Unit for Financial Affairs (hereinafter: Financial Affairs Unit) as Department or Unit, the Head of which shall be directly responsible to the head of the entity and the highest managing civil servant.**
- (2) **Financial Affairs Unit shall be in charge of performing the activities in the field of financial management and control. The Minister of Finance shall stipulate the manner of performance of the task under the competence of the Financial Affairs Unit.**



## **6. Requirements to be fulfilled by the Head of the Financial Affairs Unit**

### **Article 10**

Person, who despite the general employment requirements determined by law, should also meet other requirements, may be appointed as Head of Financial Affairs Unit, those being:

- University degree in the field of economics;
- At least three years of working experience in the field of finance; and
- He/she has not been , by a court decision prohibition to perform activity or profession , during the prohibition.

## **7. Competences of the Head of Financial Affairs Unit**

### **Article 11**

(1) Head of Financial Affairs Unit shall supervise and advices the management of the entity particularly for:

- Budget control (control of budget formulation and execution);
- Ex-ante financial control;
- Control of the execution of the established policy and the operational management (supervision over the whole process of the internal management and control);
- Accounting and
- Budget and financial reporting.

(2) Head of Financial Affairs Unit shall :

- co-ordinate the process for preparation and amendments and modifications to the budget and the strategic plan of the entity.
- co-ordinate the process for development, establishment, implementation and maintenance of the financial management and control.
- co-ordinate the process of accounting recording of the budget execution and the preparation of the annual account and the Annual Finance Report referred to in Article 49 of this Law.
- obligatory give an opinion upon the draft acts prepared by the other Organisational Units within the entity and the draft acts of other entities that have or may financial implications on the budget of the entity.
- Implement ex ante and ex post financial control.
- protect the assets and liabilities, the value of which shall be recorded in the balance sheet.

### **Article 12**

(1) Head of Financial Affairs Unit shall prepare a plan for the establishment of the financial management and control as well as a methodology for

implementation of the plan being approved by the head of the entity.

- (2) Head of Financial Affairs Unit may adequately to the needs and specifications in the operations of the entity appoint a Coordinator for Financial Management and Control operationally implementing and coordinating the establishment and the development of the financial management and control within the entity. The Coordinator for Financial Management and Control shall not be allowed to fulfil ex ante and ex post control activities.
- (3) Persons in charge of the establishment and the development of the financial management and control referred to in paragraphs (1) and (2) of this Article and the persons in charge of the implementation of special types of control referred to in Article 21 paragraph (1) of this Law, shall be obliged to undergo a training in accordance with a Programme for Training in Establishment and Development of Financial Management and Control adopted by the Minister of Finance, as well as to cooperate with the Central Harmonisation Unit within the Ministry of Finance in relation to the establishment and the development of financial management and control.
- (4) The Central Harmonisation Unit shall prepare and update a Manual for Financial Management and Control being approved by the Minister of Finance. The Manual for Financial Management and Control shall include guidelines for establishment and implementation of the financial management and control.

## **8. Financial Management and Control Components**

### **Article 13**

- (1) Financial management and control shall be implemented on the basis of internationally accepted standards for internal control , through the application of the following, mutually related components:
  - Control environment,
  - Risk management,
  - Controls,
  - Information and communication, and
  - Monitoring.
- (2) The internationally accepted standards for internal control shall be published in the “Official Gazette” by the Minister of Finance.

## **9. Control Environment**

### **Article 14**

The control environment shall include the following:

- **Personal and professional integrity of the management and the staff of the entity,**
- **Management philosophy and style of work of the management,**
- **Organisational structure, ensuring segregation of responsibilities, hierarchy and clear rules, rights, obligations and levels of reporting,**
- **Policies and practices of human resource management,**
- **Competence of staff.**

## **10.Risk Management**

### **Article 15**

- (1) The risk management shall include identification, assessment and control over potential events or situations that might have an adverse effect on the achievement of the entity objectives for the purpose of ensuring reasonable assurance that the objectives will be attained.**
- (2) Regarding the implementation of the activities referred to in paragraph (1) of this Article, the Head of the Entity shall adopt Risk Management Strategy, which shall be updated every three years and in the cases when the risks significantly change . The controls aimed at minimising the risk should be analyzed and updated at least once a year.**

## **11.Controls**

### **Article 16**

**Controls shall include the following:**

- **Procedures for authorisation and approval;**
- **Segregation of duties in a manner not allowing to an official y be at the same time responsible for authorisation, execution, accounting and control;**
- **Double signature system;**
- **Rules for access to assets and information;**
- **Ex-ante and ex post financial control;**
- **Procedures for full, correct, precise and prompt accounting of all transactions;**
- **Report and review of activities - assessment of the transactions' efficiency and effectiveness;**
- **Monitoring procedures;**
- **Procedures for human resources management;**

- **Rules on the documentation of all transactions and actions related to the entity's activities.**

## **12. Information and Communication**

### **Article 17**

**Information and communication shall include the following:**

- **Identification, collection and dissemination, , of reliable and trustworthy information in appropriate form and timeframe, enabling to any responsible official to undertake certain responsibility;**
- **Effective horizontal and vertical communication, , at all hierarchical levels in the entity;**
- **Building of an appropriate information system for management of the entity so as for all employees' to get acquainted with the clear and precise guidelines and instructions on their role and responsibilities related to the financial management and control;**
- **Documentation and and graphic display containing rules for drafting, execution, transfer, usage and archiving of documents;**
- **Documentation of all operational processes and transactions to the end of ensuring an adequate audit trail ;**
- **The development of an effective, timely and reliable reporting system including: levels and final deadlines for reporting; reports presented to managers; forms of reporting upon detection of errors, irregularities, misuse, frauds or misappropriations.**

## **13. Monitoring**

### **Article 18**

- (1) Monitoring shall mean check of the adequate functioning of the financial management and control system.**
- (2) Monitoring of the financial management and control should be carried out particularly through constant monitoring, self-assessments and internal audits.**
- (3) Head of the Entity shall, through the Financial Affairs Unit during the year, perform self-assessments of the separate processes of the financial management and control system in the entity managed by him, and once in five years he shall implement self-assessment of the structure and the functioning of the whole financial management and control system.**
- (4) Notwithstanding paragraph (3) of this Article, the self-assessment may not be implemented in specific organisational part within the entity or for specific**

financial process if the result from the risk management gives good arguments for non-implementation of the self-assessment.

- (5) Head of Financial Affairs Unit shall inform the Head of Internal Audit Unit about the results of the executed self-assessments.
- (6) With regard to the Annual Financial Report referred to in Article 47 of this Law, the head of entity shall report on both the self-assessments referred to in paragraph (3) of this Article being performed in the respective year and the results from these self-assessments not being completely positive.
- (7) 47, Report referred to in paragraph (6) of this Article shall include the comments of the head of the entity referring to the recommendations of the self-assessments.
- (8) Head of entity shall give opinion on the financial management and control in the Annual Financial Report referred to in Article 47 of this Law .

#### **14. Principles of Accounting and Financial Reporting**

##### **Article 19**

- (1) The head of the entity shall establish accounting and financial reporting providing him with relevant information in order to be able to monitor and to be responsible for the functioning of the financial management and control within the entity.
- (2) Accounting shall be established and shall function in compliance with the principles of regularity, efficiency, economy, verifiability and orderliness.
- (3) The head of the entity shall be in charge of verification of the conformity of the data received by third parties with the principles referred to in paragraph (2) of this Article, if the revenues or the expenditures depend on those data.

#### **15. Financial Commitments Ordonnator, Payment Ordonnator and Cashier**

##### **Article 20**

- (1) The head of the entity may assign persons authorised for undertaking financial commitments, persons authorised for payment and cashiers.
- (2) One person may perform only one of the tasks referred to in paragraph (1) of this Article and should be hierarchically independent of the other persons of referred to in paragraph (1) of this Article.
- (3) The Minister of Finance shall prescribe the manner of conducting the general financial processes.

#### **16. Ex-ante and Ex-post Financial Control**

##### **Article 21**

- (1) The head of the entity shall be in charge of ex-ante and ex-post financial control.
- (2) The head of entity shall decide for the manner of implementing the ex-ante and ex-post controls taking into consideration the need and the specifications of the operations after the implemented risk analyses.
- (3) Ex-post financial control shall provide the instruments for removing the detected irregularities of the internal controls and it should not be implemented by persons being in charge of ex-ante financial control;

- (4) The ex-post control shall also include detective control carried out after full implementation of the approved financial decisions and transaction for the purpose of minimising the risk of undesirable consequences and improving the procedures or ex -ante controls.

## **17.Special Financial Commitments**

### **Article 22**

- (1) The head of the entity can assume financial commitments in the form of money, material assets, property or rights on behalf of the Republic of Macedonia for awarding subsidies, grants, pecuniary assistance, loans or guarantees to a third party and share in equity, only if it is determined by law.
- (2) When proposing adoption of Law on Assuming Financial Commitments referred to in paragraph (1) of this Article, prior written consent by the Minister of Finance shall be necessary..

## **III. INTERNAL AUDIT**

### **1.Objective, Role and Internal Audit Principles**

#### **Article 23**

The objective of the internal audit shall be providing the head of public sector entity with an independent reasonable objective assurance and advice to the end of improving the operations of the entity and increasing the effectiveness of the internal control systems.

#### **Article 24**

Role of the internal audit shall be giving support to the heads of the public sector entity in the accomplishment of the objectives of the entity through:

- a. Preparation of strategic and annual plans for internal audit on the basis of an objective risk assessment, as well as performing separate internal audits in accordance with the adopted audit plans.
- b. Assessment of the adequacy, economy, efficiency, effectiveness of the financial management and control system for determination assessment and risk management by the management of the entity in relation to:
  - Conformity with the laws, by-laws and the internal acts and contracts;
  - Credibility and completeness of the financial and operational information;
  - Safety of the property and the information; and
  - Performance of the tasks and accomplishment of the objectives.
- c. Giving recommendations for improving the operations and the work procedure.
- d. Monitoring of the implementation of measures undertaken by the head of public sector entity on the basis of executed audits.

#### **Article 25**

The internal audit shall be implemented in compliance with the principles of

**legality, independence, objectivity, competency, professionalism, integrity and confidentiality.**

## **2. Standards and Methodology for Execution of Internal Audit**

### **Article 26**

- (1) The internal audit shall be executed in compliance with the accepted standards for professional execution of the internal audit, this Law, the by-laws adopted on the basis of this Law, the Internal Audit Charter and the internal acts of the public sector entity harmonised with this Law.**
- (2) The internal auditors shall, with regard to their operations, in addition to the acts referred to in paragraph (1) of this Article, be also obliged to implement the Code of Ethics of the internal auditors and the guidelines and the Internal Audit Manual referred to in Article 27 of this Law.**
- (3) The Standards for Professional Practice of the Internal Audit shall mean the International standards for internal audit published in Official Gazette by the Minister of Finance.**
- (4) Minister of Finance shall proscribe the Internal Audit Charter and the Code of Ethics of Internal Auditors.**

### **Article 27**

**The Central Harmonisation Unit shall prepare and update Internal Audit Manual being approved by the Minister of Finance. The internal Audit Manual shall determine the methodology for work and execution of the internal audit.**

## **3. Types of Internal Audit**

### **Article 28**

**Internal audit shall include the following:**

- Financial audit;**
- Compliance audit (regularity);**
- Audit on the internal control systems;**
- Performance audit (execution) ; and**
- IT audit**

## **4. Internal audit Scope and Organisation**

### **Article 29**

- (1) Internal audit shall be performed in all organisational structures, programmes, activities and processes in the public sector entities.**
- (2) Internal Audit Unit shall be established as a Unit with at least two internal auditors, also including the Head of Internal Audit Unit i.e. as a Department with at least five internal auditors, also including the Head of Internal Audit Department.**

### **Article 30**

- (1) Internal Audit Unit shall be mandatory established in:**

- **The Parliament of the Republic of Macedonia, the National Bank of the Republic of Macedonia, the General Secretariat of the Government of the Republic of Macedonia, the Judiciary Council of the Republic of Macedonia, the Ministries, the Pension and Disability Insurance Fund of the Republic of Macedonia the Health Insurance Fund of the Republic of Macedonia, Agency for State Roads of the Republic of Macedonia Employment Agency of the Republic of Macedonia and the Civil Servants Agency;**
- (2) **Internal Audit Unit shall be also mandatory established as in all public sector entities, which average annual budget/financial plan was above Denar 50 million in the last three years.**
- (3) **Public sector entity, which average annual budget/financial plan did not exceed Denar 50 million in the last three years shall organise the internal audit by engaging:**
  - **Internal auditor/s from Internal Audit Unit from other public sector entity, on the basis of an agreement concluded between the heads of the both public sector entities; or**
  - **Auditor/s listed in the internal auditors registry referred to in Article 48 of this Law.**
- (4) **Notwithstanding paragraphs (1) and (2) of this Article, the Government of the Republic of Macedonia may, upon proposal by the Minister of Finance, on the basis of carried out risk assessment, determine obligation for establishing Internal Audit Unit within other public sector entities as well.**

#### **Article 31**

- (1) **Head of public sector entity shall establish an Internal Audit Unit in line with the following criteria:**
  - **With at least one internal auditor and Head of Internal Audit Unit if the average budget/financial plan of the respective public sector entity was at least Denar 50 million in the last three years also including the EU – financed Funds and Programmes .**
  - **with at least three internal auditors and Head of Internal Audit Unit if the average budget/financial plan of the respective public sector entity was at least Denar 500 million in the last three years, also including ; EU –financed Funds and Programmes with at least four internal auditors and Head of Internal Audit Unit if the average budget/financial plan of the respective public sector entity was at least Denar 2 billion also including EU –financed Funds and Programmes .**
  - **With at least one internal auditor of every five budget users.**
- (2) **The minimum number of employees in the Internal Audit Unit referred to in paragraph (1) of this Article shall not include the auditors-trainees of referred to in paragraph (4) Article 36, of this Law.**

#### **Article 32**

- (1) **The Internal Audit Unit shall perform internal audit in the public sector entity, the spending units, all structures, programmes, activities and processes, also including those of the beneficiaries of the resources from the the EU Funds, as well at the legal entities and natural persons using public funds and with**



which, the entity performing internal audit shall have business relations. The Internal Audit Unit, within the entity in charge of the management of inter-agency programmes/projects, shall coordinate the operations of the Internal Audit Units of the public sector entities participating in the implementation of the programmes/projects.

## **5.Organisational, Professional and Functional Independence of the internal Audit Unit**

### **Article 33**

- (1) The Internal Audit Unit shall be organisationally and functionally independent and directly and solely responsible to the head of the public sector entity.**
- (2) The functional independence of the Internal Audit Unit shall be ensured through its independence of the other organisational units of the entity in the planning of the operations, the execution of the internal audit and the reporting.**
- (3) The head of the Internal Audit Unit and the internal auditors shall be independent when performing the internal audit, being executed skilfully and professionally by applying methodology based on the international standards for internal audit, as well as the principles and the rules for behaviour determined under of the Code of Ethics of Internal Auditors as well as the instructions or the guidelines by the Minister of Finance.**
- (4) Head the Internal Audit Unit and the internal auditors should not perform financial management and control tasks and other tasks in the entity not arising from the internal audit function.**
- (5) The head of the Internal Audit Unit and the internal auditors may not be dismissed or transferred to another working post due to reporting on certain situations or giving certain recommendations.**
- (6) Before undertaking disciplinary measures, redeployment or dismissal of the Head of the Internal Audit Unit and the internal auditors, the head of the public sector entity shall be obliged to inform the Central Harmonisation Unit and to enclose the necessary documentation.**
- (7) The transfer or dismissal of the head of the internal audit unit and internal auditors shall be made after receiving written consent by the Minister of Finance.**

### **Article 34**

- (1) The Head of Internal Audit Unit shall be obliged to directly inform the head of the public sector entity on all audit affairs within the public sector entity, and particularly on the following:**
  - The regularity, effectiveness and the efficiency of the budget/financial plan execution**
  - The regularity and the efficiency of the internal financial control also including the management of the funds and**
  - The conformity of the accounting reports on the budget/financial plan execution with the accounting standards.**

- (2) Head of Internal Audit Unit shall give opinions on the internal rules and acts of the public sector entity with regard to issues related to internal financial control and internal audit before these rules and acts become effective.**
- (3) The head of Internal Audit Unit shall advise all managing officials in the public sector entity about the risk management.**

#### **6. Requirements to be fulfilled by the Head of Internal Audit Unit, Certified Internal auditors and Internal Auditors**

##### **Article 35**

- (1) Certified internal auditor may be appointed as head of internal audit who in addition to the requirements referred to in Article 36, paragraph (2) indents 1, 2 and 4 of this Law shall have at least 3 years of work experience in the field of internal or external audit.**
- (2) The following persons cannot be appointed as head of internal audit Person whose spouse, relative in a direct line without limitation, in a collateral line up to the fourth degree, or by marriage up to the fourth degree are or have been employed in a managing position in the public sector entity in the previous two years.**
- (3) The head of the entity shall be informed in writing about the circumstances referred to in paragraph (2) of this Article , by the applicant for the position of Head of Internal Audit Unit during the appointment.**

##### **Article 36**

- (1) Certified Internal Auditors and internal auditors shall be appointed by the head of the entity.**
- (2) Individuals, who in addition to the general requirements determined by law also meet specific requirements may be assigned as certified internal auditors, those being the following:**
  - higher education;
  - training and passed exam for certified internal auditor in the public sector according to a Programme for Taking Exam for Certified Internal Auditor or possession of internationally recognised audit certificate;
  - At least 2 years working experience in internal or external audit; and
  - He/she has not been pronounced, by a court decision prohibition to perform activity or profession, during the prohibition,
  - ;
- (3) Individuals, who in addition to the general requirements determined by law also meet specific requirements may be appointed as as internal auditors, those being the following:**
  - higher education;
  - At least 2 years of working experience in the field of internal or external audit; and
  - He/she has not been , by a court decision prohibition to perform activity or profession , during the prohibition
- (4) Individuals, who addition to the general requirements determined by law also meet specific requirements may be appointed as internal auditors, those being**

**the following:**

- higher education; and
  - He/she has not been , by a court decision prohibition to perform activity or profession , during the prohibition;
- (5) After the period of 2 years, the trainee auditor shall be appointed as an internal auditor.
- (6) The training referred to in paragraph (2), indent 2 of this Article shall be coordinated by the Central Harmonisation Unit.
- (7) Minister of Finance shall proscribe the programme and the manner for taking the exam for acquiring certificate for certified internal auditor referred to in paragraph (2) of this Article.

## **7. Internal Auditor Rights**

### **Article 37**

(1) The Internal Auditor shall have the following rights:

- To enter the premises of the public sector entity being audited, taking into account the rules for security and and good behaviour.
- To have access to the relevant documents related to the audit within the public sector entity, as well as the documents including data with certain degree of secrecy and other documents and data kept in electronic form, observing the regulations for protection of both classified information and personal data. To request certified copies, statements or certificates of these documents and in specific cases to take the original documents leaving a copy with acknowledgement of receipt;
- To request oral or written information from any employee or head in the public sector entity being audited;
- To request information from any information holder in the public sector entity; and
- To request information from other institutions in relation to the operations and the management of the public sector entity, being audited.

## **8. Conflict of Interests**

### **Article 38**

The Head of Internal Audit Unit i.e. the internal auditor should participate in audit if one of the following conflicts of interests is present:

- During the previous year, the Head of Internal Audit Unit i.e. the Auditor was employed by the organisational unit of the public sector entity, being audited;
- During the previous year the Head of Internal Audit Unit i.e. the Auditor, his spouse or relative up to second degree managed the public sector entity, being audited;
- The Head of Internal Audit Unit i.e. the Auditor, his spouse or relative up to second degree have stake or shares in entities using funds being state expenditures and having business relations with the public sector entities, being audited.

- Other circumstances exist that could lead to conflict of interests upon assessment by the Head of Internal Audit Unit, for which, he shall give written explanation.

#### **Article 39**

The Head of the public sector entity i.e the heads and the employees in the public sector entity, being audited shall have the following obligations:

- To assist and cooperate during the audit;
- To provide oral or written information, statements upon request by the auditor's request, access to documents, electronic data bases or any information bearer;
- To submit certified copies of the requested documents, as well as to submit the requested original documents with acknowledgment of receipt thereof;
- Upon request by the auditor, to give a statement for the completeness of documents and the data;
- According to the audit findings and recommendations, to prepare and submit to the Head of Internal Audit Unit an action plan for implementation of the recommendations, identifying the responsible persons and the final deadlines for undertaking the necessary measures within their competences;
- To implement the recommendations and to inform the head of public sector entity and the Head of Internal Audit Unit on the implementation of the action plan; and
- To provide appropriate working conditions for the auditors.

### **9.Planning the Internal Audit**

#### **Article 40**

(1) The internal audit shall be performed on the basis of:

- Strategic Plan for period of three years,
- Annual Plan and
- Individual Audit Plan.

(2) The strategic and the annual plan for performing the internal audit shall be adopted by the Head of Internal Audit Unit after consent obtained by the head of the public sector entity on the basis of the carried out risk assessment.

(3) The Head of Internal Audit Unit shall, for each individual audit approve a plan and programme, describing more specifically the audit procedures.

(4) The Head of Internal Audit Unit shall, by 15<sup>th</sup> December in the current year at the latest, submit the Strategic Plan for the next three years and the Annual Audit Plan for the next year to the Central Harmonisation Unit and to the heads of the organisational units of the public sector entities covered under the Annual Plan.

### **10. Amendments to the Annual Audit Plan**

#### **Article 41**

(1) The Annual Audit Plan may be amended if a significant change of the

**assessed risk or the planned resources occurs during the preparation of the Annual Plan.**

- (2) The Head of Internal Audit Unit shall inform the Central Harmonisation Unit on the amendments to the Annual Plan.**

#### **11. Performance of Internal Audit**

##### **Article 42**

- (1) The Audit shall be performed by determining, analysing, assessing, and documenting the data, sufficient for giving expert opinion on the set goals.**
- (2) The Head of Internal Audit Unit may, in accordance with the head of the public sector entity, also engage experts to assist during the execution of the internal audit in separate areas.**
- (3) Audit Report including a summary, objectives and scope of the audit, findings, conclusions and recommendations shall be prepared for each performed internal audit.**
- (4) Minister of Finance shall prescribe the manner of performing the internal audit and the manner reporting on the audit to the public sector entity.**

#### **12. Specific Audit Rules within Public Sector Entity**

##### **Article 43**

- (1) The Internal Audit Unit can prepare own Annex to the Internal Audit Manual referred to in Article 27 of this Law, if there specifications in the operations.**
- (2) The Annex to the Manual referred to in paragraph (1) of this Article shall be submitted to the Central Harmonisation Unit.**

### **IV. COMMITTEES FOR FINANCIAL MANAGEMENT AND CONTROL AND INTERNAL AUDIT**

#### **1. Financial Management and Control Committee**

##### **Article 44**

- (1) The Minister of Finance shall establish a Financial Management and Control Committee as a consultative body for issues related to financial management and control.**
- (2) The Financial Management and Control Committee may have its members the Heads for Financial Affairs Units of the Ministries. The State Secretary of the Ministry of Finance shall act as chairperson over the Committee, and the Head of the Central Harmonization Unit shall be Secretary.**
- (3) The Financial Management and Control Committee shall have meetings at least once in three months, and in case of emergency the president may call extraordinary meeting**
- (4) The Financial Management and Control Committee shall adopt Rules of Procedure.**

#### **2. Audit Committee**

##### **Article 45**

- (1) The Minister of Finance shall establish Audit Committee as consultative body for issues related to the internal audit.**
- (2) The Audit Committee may have as its members the Heads of Internal Audit Units, i.e. internal auditors from the Ministries. The State Secretary of the Ministry of Finance shall act as chairperson over the Committee and the Head of the Central Harmonisation Unit shall be Secretary.**
- (3) The Audit Committee shall meet at least once in three months, and in case of emergency, the president may call extraordinary meeting.**
- (4) The Audit Committee shall adopt Rules of Procedure.**

#### **Article 46**

**Financial Management and Control Committees and Audit Committees may be established in the entities referred to in Article 4 of this Law.**

### **V. REPORTING ON FINANCIAL MANAGEMENT AND CONTROL AND INTERNAL AUDIT**

#### **Article 47**

- (1) The head of the first line budget users, users in the field of legislative, executive, and judicial authorities (except the State Audit Office), the Funds, the municipalities and the City of Skopje shall be obliged to submit to the Central Harmonisation Unit an Annual Financial Report lby10th May in the current year for the previous year at the latest.**
- (2) The Annual Financial Report shall particularly include the following:**
  - Report on planed and spent funds by items (comparative overview tables)**
  - Report on realised programmes, projects and agreements;**
  - The annual accounts or consolidated annual account;**
  - Report on the performed self-assessments referred to in Article 18 paragraphs (3) and (8) of this Law (results from the self-assessments not being fully positive, comments of the heads of the entity referring to the recommendations of the self-assessments and opinion on the financial management and control);**
  - Quality statement and the condition of the internal controls;**
  - Report on the activities for establishment and development of the financial management and control; and**
  - Report on the performed audits and the internal audit activities.**
- (3) The Minister of Finance shall closely prescribe the form and contents of the reports referred to in paragraph 2, indents 1,2,4, 6 and 7 and the statement referred to in paragraph 2, indent 5 of this Article.**

### **VI. CENTRAL HARMONISATION UNIT**

#### **Article 48**

**(1) The Central Harmonisation Unit shall be in charge of the following:**

- **Preparation of laws and by-laws in the field of the financial management and control and the internal audit;**
- **Preparation of methodology and working standards for the financial management and control and the internal audit;**
- **Coordination of the trainings for the heads and employees involved in the financial management and control and the internal audit;**
- **Coordination during the establishment and the development of the internal financial control system;**
- **Preparation of approval for redeployment and dismissals of internal auditors referred to in Article 33, paragraph (7) of this Law;**
- **Establishment and maintenance of databases for the internal audit units and the adopted charters;**
- **Establishment and maintenance of registry of certified internal auditors who took the exam for internal auditor in the public sector and who have internationally recognised audit certificate.**
- **Cooperation with institutions responsible for public internal control affairs in the country and abroad and exchange of information for the development of the public internal financial control;**
- **Supervision of the quality of the financial management and control system;**
- **Supervision of the quality of the operations of the Internal Audit Units; and**
- **Preparation of an Annual Report on the Functioning of the Public Internal Financial Control System on the basis of the Annual Financial Report referred to in Article 47 of this Law, the Ministry of Finance shall submit to the Government of the Republic of Macedonia by the end of July in the current year for the previous year at the latest;**
- **Organisation of ad hoc audits to be performed by internal auditors from certain public sector entities, when the subject of such audit goes beyond the scope i.e. the competence of the certain entity or the subject of the audit has such a nature that the multidisciplinary approach of the internal audit is more beneficial. The findings and recommendations of this type of audit shall be discussed with the audited entities and the final report submitted to the involved entities .**

**Article 49**

- (1) The head of the entity shall be obliged to provide access to the employees from the Central Harmonisation Unit to documents, accounting records and the other information necessary for monitoring the functioning of the financial management and control and the internal audit to the employees from the Central Harmonisation Unit.**
- (2) The access referred to in paragraph (1) of this Article shall be provided upon received written authorisation by the Minister of Finance.**

**VII. UNDERTAKING MEASURES AGAINST IRREGULARITIES AND FRAUDS**

**Article 50**

- (1) The head of the public sector entity shall be obliged to both prevent the risk of irregularities and frauds and to undertake activities against irregularities and frauds.**
- (2) The head of the public sector entity shall appoint a person reporting on irregularities and suspicions for frauds or corruption and shall independently undertake activities referred to in paragraph (5) of this Article.**
- (3) All employees, including the internal auditors shall inform the head of the public sector entity or the person in charge of irregularities or suspicions of frauds or corruption.**
- (4) If the Internal Auditor has suspicion of fraud or corruption during the performance of the audit, he shall inform the Head of Internal Audit Unit, being obliged to submit written information to the head of the public sector entity and the person in charge of irregularities thereon.**
- (5) After the received report on existence of irregularities or suspicions of frauds or corruption, the person in charge of irregularities shall undertake the necessary measures and shall inform the Public Prosecutor's Office of the Republic of Macedonia and the Ministry of Finance – Financial Police Office and Financial Inspection of the Public Sector thereon,, and within 15 days he/she shall inform in writing the person pointing out to the irregularities or frauds on the undertaken measures, except in case of an anonymous report.**
- (6) If the persons referred to in paragraph (3) of this Article are not informed on the appropriately undertaken measures, they shall inform the bodies referred to in paragraph (5) of this Article. The Central Harmonisation Unit shall not be body in charge of irregularities and frauds.**
- (7) Employees including the internal auditors reporting irregularities or suspicions of frauds shall be provided with protection on the identity and the acquired employment –related rights pursuant to law.**
- (8) The Government of the Republic of Macedonia, upon proposal by the Minister of Finance, shall prescribe the procedure for preventing irregularities, the manner of mutual cooperation, the form and , the contents, the deadlines and the manner of informing on the irregularities.**

## **VIII. INSPECTION SUPERVISION OVER THE PUBLIC FINANCES**

### **Article 51**

- (1) The Ministry of Finance shall be in charge of inspection supervision the public finance.**
- (2) Main objective of the inspection supervision of the public finance shall be undertaking activities in relation to complaints or reported suspicions of fraud or corruption.**
- (3) The inspection supervision of the public finance shall be carried out in compliance with the principles of legality, objectivity and confidentiality.**
- (4) The tasks of the inspection supervision of the public finances shall be directly performed by public finance inspectors.**

## **IX. CONTROL OF USAGE OF RESOURCES FROM THE EU FUNDS**



## **Article 52**

- (1) Entities using resources from the European Union Funds shall be also obliged, in addition to the provisions of this Law, to take into consideration and to apply the special requirements for financial management, internal controls and internal audit, determined by the European Commission.**
- (2) All beneficiaries of the resources from the European Union Funds should enable the authorised officials from the Ministry of Finance, the inspectors from the European Commission and the European Court of Auditors free access to the whole documentation, the offices, the funds and the staff, taking into account the rules for security and good behaviour.**

## **X. VIOLATION PROVISIONS**

### **Член 53**

**Fine in the amount of EUR 1,000 to 2,000 in Denar equivalent shall be imposed on the head of the entity for perpetrated misdemeanour if:**

- 1. he/she fails to establish Financial Affairs Department/Unit (Article 9);**
- 2. he/she undertakes financial obligation for awarding subsidy, loan or guarantee to a third party or share in equity, not being determined by law. ( Article 22 paragraph (1));**
- 3. he/she fails to submit an Annual Financial Report to the Central Harmonisation Unit ( article 47);**

### **Article 54**

**Fine in the amount of EUR 1,000 to 2,000 in Denar equivalent shall be imposed to the head of the public sector entity for perpetrated misdemeanor if:**

- 1. He/she fails to establish an Internal Audit Unit. ( Articles 30 and 31 );**
- 2. He/she redeploys or dismisses Head of Internal Audit or internal auditor without prior written approval by the Minister of Finance. ( Article 33 paragraph (7));**
- 3. Responsible person or employed in the public sector entity internal audit is performed do not fulfils the obligations referred to in Article 39;**
- 4. he/she fails provide access for the employees of the Central Harmonisation Unit to the documents, accounting records, and other information necessary for monitoring the functioning of the financial management and control and the internal audit. ( Article 49);**
- 5. he/she fails to undertake the necessary activities against irregularities and frauds. ( Article 50 paragraph (1));**
- 6. He/she fails to appoint a person in charge of irregularities. ( Article 50**

**paragraph (2));**

- 7. He/she fails to provide protection of the identity and the acquired employment related rights to an employee or an internal auditor, in cases of report on irregularities and suspicions of fraud or corruption, ( Article 50 paragraph (7));**
- 8. He/she fails to provide the authorised officials from the Ministry of Finance, inspectors from the European Commission and the European Court of Auditors, with free access to the whole documentation, the offices, the funds and the staff. ( Article 52 paragraph (2));**

#### **Article 55**

- (1) Competent court shall conduct misdemeanour procedure and shall impose sanction for misdemeanours referred to in Articles 53 and 54 of this Law.**
- (2) The Ministry of Finance shall request for initiating misdemeanour procedures to competent court.**
- (3) Settlement or mediation procedure shall not be carried out with regard to the provisions referred to in Articles 53 and 54 of this Law.**

### **XI. TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 56**

- (1) The by-laws referred to in this Law shall be adopted within one year from the date of entering into force of this Law.**
- (2) Until the day of entering into force of the by-laws referred to in paragraph of this Law, adopted pursuant to the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia”, no. 22/07) and the Law on Internal Audit in the Public Sector (“Official Gazette of the Republic of Macedonia ”, no. 69/04 and 22/07).**

#### **Article 57**

- (1) The head of the entity shall appoint Head of Financial Affairs Unit referred to in Article 9 of this Law, within 90 days from the day of entering into force of this Law.**
- (2) The Head of Financial Affairs Unit, in accordance with the head of the entity, shall adopt plan for implementation and development of financial management and control referred to in Article 12, paragraph (1) of this Law, within six months from the day of entering into force of this Law.**
- (3) The head of the entity shall appoint a person in charge of irregularities pursuant to Article 50 of this Law, within 90 days from the day of entering into force of this Law**

#### **Article 58**

**The public sector entities shall be obliged to perform internal audit pursuant to Article 30, paragraph (3), indent 2 and Article 31 of this Law, within one year from the day of entering into force of this Law.**

**Article 59**

The provisions referred to in Article 30 paragraph (3), indent 2, Article 36, paragraph (2) shall be in force as of 1st January 2011.

**Article 60**

The provisions referred to in Article 51 of this Law, shall be valid until the regulation of the operations of the financial inspection in the public sector by specific law.

**Article 61**

With the day of entering into force of this Law the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia”, no. 22/07) and the Law on Internal Audit in the Public Sector (“Official Gazette of the Republic of Macedonia”, no. 69/04 and 22/07 ) shall cease to be valid on the day of entering into force of this Law.

**Article 62**

This law shall enter into force on the eighth day from the day it is published in the “Official Gazette of the Republic of Macedonia”.

**Pursuant to article 8, paragraph 7 from the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia” no.90/09), the Minister of Finance adopted the following**

**RULEBOOK  
FOR THE MANNER FOR GRANTING AUTHORISATIONS (MANDATES)**

**Article 1**

This Rulebook regulates the manner of granting mandates.

**Article 2**

The general or the specific mandate for implementation of the financial management and control, the head of the entity shall give it with a decision.

Based on the decision from paragraph 1 of this Article, the mandate receiver may give sub-mandate with which is transferring completely or partially the received mandate.

The form of the decision from paragraph 1 of this Article shall be published on the website of the Ministry of Finance.

**Article 3**

The decision for mandate may contain instructions for the manner of implementation of the authorization and the manner of delivering information for implementation of the the given mandate.

**Article 4**

For the issued mandates within the entity shall be maintaining and updating records in which will be entering data for: number and date of issuance of the decision for mandate, the function of mandate giver and mandate receiver, name and surname, signatures of the mandate giver (MG) and the mandate receiver (MR) and scope of the mandate.

The form of the records referred to in paragraph 1 of this Article shall be published on the website of the Ministry of Finance.

**Article 5**

This Rulebook shall enter into force the day after publication in “Official Gazette of the Republic of Macedonia” and it will apply from 1<sup>st</sup> January 2012.

No. \_\_\_\_\_  
\_\_\_\_\_ 2010 year  
Skopje

**MINISTER OF FINANCE  
Msc. Zoran Stavreski**

Pursuant to article 20, paragraph 3 from the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia” no.90/09) the Minister of Finance approved the following

## **RULEBOOK**

### **FOR THE WAY OF IMPLEMENTATION OF THE GENERAL FINANCIAL PROCESSES**

#### **Article 1**

This Rulebook regulates the way of implementation of the general financial processes within the budget users from the area of legislative, executive and judicial authority, fund, municipalities and the City of Skopje (hereinafter: the entity).

#### **Article 2**

General financial processes in the meaning of this Rulebook are: the process of internal distribution of the total approved budget, the process of undertaking financial commitments and the payment process.

#### **Article 3**

The internal distribution of the total approved budget covers:

- unallocated part of budget,
- budget that is intended for the common expenditures of the entity (salaries, electric energy, heating, water, current and investment maintenance, common goods and services and other) and budget that is intended for realization of the policies and projects.

#### **Article 4**

- (1) The process of internal distribution of the total approved budget is conducting according to a decision from the head of the entity with which is ascertaining: the total approved budget of the entity, unallocated part of the budget for which spending is responsible the head of the entity, the budget intended for common expenditures of the entity for which spending is responsible the State Secretary or the person authorized by the head of the entity and the budget which is intended for realization of the policies and projects for which spending are responsible all heads (the official who manages the body within the composition of the entity that is not direct

**budget user and is not legal entity, the heads of the departments and the heads of the project units, meaning the temporary units for realization of certain objectives/projects) as well as the maximum amounts by programs and accounts.**

**(2)**

**(3) The decision from paragraph 1 of this article shall be prepared by the head of the Financial Affairs Unit, approved by the State Secretary or a person authorized by the head of the entity and signed by the head of the entity latest by 10<sup>th</sup> January in the current year.**

**(4) In case of changes and amendments of the Budget of the Republic of Macedonia, meaning to the budgets of the municipalities and the City of Skopje, new decision shall be adopted in which besides the previously ascertained amounts shall be entered also the changed amounts by programs and accounts in a new column.**

**(5) The decisions from paragraph (1) and (3) of this article within eight days of the day of adoption shall be submitted to the Ministry of Finance.**

**(6) The form of the decision for internal distribution of the total approved budget shall be published on the website of the Ministry of Finance.**

#### **Article 5**

**(1) The process of undertaking financial commitments includes undertaking of:**

- financial commitments for purchasing, leasing and renting that can be committed only based on a written contract;**
- financial commitments for giving subventions, subsidies, financial aid, loans or guarantees on third party and capital participation that can be committed only based on act of the authorised body adopted in accordance with a law by which is regulated this right; and**
- financial commitments for small purchases of goods and services that can be committed with written order and written order confirmation by the supplier.**

**(2) Financial commitments from paragraph 1 of this Article can not be committed orally neither by an electronic mail.**

#### **Article 6**

**(1) Financial commitments shall be committed only based upon a written procedure prepared by the head of the Financial Affairs Unit, approved by the State Secretary, meaning the person authorized by the head of the entity and shall be adopted by the head of the entity.**

**(2) Financial commitments with significant time difference between the day of occurring of the commitment and the day of payment shall be documented and recorded in the financial accounting system in such way that will enable the payment ordonnator to be aware of the day of payment and the credit ordonnator for the not spent part of the budget managed by him/her.**

#### **Article 7**

##### **(1)**

**The credit ordonnator is responsible for regular, effective, efficient and economical spending of his/her budget.**

**(2) Credit ordonnator for the unallocated budget is the head of the entity or a person authorized by him/her.**

**(3) Credit ordonnator for the budget intended for the common expenditures of the entity is the State Secretary, meaning a person authorized by the head of the entity.**

**(4) Credit ordonnator for the budget intended for realization of the policies and projects are the heads from article 4, paragraph 1 of this Rulebook.**

**(5) Financial commitments may be undertaken by a credit ordonnator on behalf of the head of the entity.**

**The credit ordonnator shall not undertake financial commitments if there are no planned resources in the budget or they are insufficient.**

#### **Article 8**

**The credit ordonnator can not maintain accounting record of the financial commitments.**

### **Article 9**

- (1) The payment process means issuing payment order by signing payment order by authorized person for payments upon prior received payment request from the credit ordonnator.**
- (2) Payment ordonnator is the head of the Financial Affairs Unit.**
- (3) The payment order from paragraph 1 of this article shall be submitted to the Treasury in the Ministry of Finance for payment execution.**



**(1) Article 10**

**(2)**

- The payment request from article 9 paragraph 1 of this Rulebook contains: contract for purchase, invoice/situation and a document for confirmation of the receiving regarding the undertaken financial commitments from article 5, paragraph 1, line 1 of this rulebook, or
- act for undertaken financial commitments from article 5, paragraph 1, line 2 of this Rulebook; and
- check lists for undertaking financial commitments prepared according to the directives published on the web site of the Ministry of Finance.

**(3) The payment ordonnator may reject the payment request if has an objection on the content of the request.**

**(1) Article 11**

**(2)**

**(3) In case of an advance payment, the head of the Financial Affairs Unit shall be responsible to check whether the conditions for payment are fulfilled.**

**(4) In case of purchase, the head of the Financial Affairs Unit shall respect the deadline ascertained in the contract signed by the credit ordonnator. In cases when the deadline for payment is not stated in the contract from paragraph 2 of this article, the head of the Financial Affairs Unit shall respect the deadline for payment stated in the invoice from the supplier if it is not shorter than the payment period ascertained by law.**

**(5) In case of a payment of subventions, subsidies, financial aid, loans or guarantees on third party and capital participation, the head of the Financial Affairs Unit shall respect the payment period stated by the credit ordonnator.**

**(6) It is forbidden the entity to give advance payments on third party with sole goal to spend the budget of the current year, instead the next year budget.**

### **Article 12**

**The recording of payments in the financial accounting system should be timely, accurately and completely.**

### **Article 13**

**(1) The head of the Financial Affairs Unit can not undertake financial commitments, to maintain accounting records of the financial commitments and to perform financial audit of the commitments and the payment process.**

**(2) The credit ordonnator can not sign the payment order from article 9, paragraph 1 of this Rulebook.**

**(3) The cashier can not undertake financial commitments, to approve payment of financial commitments, to maintain accounting records of the financial commitments and to perform financial audit of the commitments and the payment process.**

### **Article 14**

**With the entry into force of this Rulebook, shall cease the Rulebook on the basic elements of the financial management and control and internal control standards in the public sector ("Official Gazette of the Republic of Macedonia " no.130/07)**

### Article 15

**This Rulebook enters into force the day after it is published in “Official Gazette of the Republic of Macedonia” and shall start implementing as of 1<sup>st</sup> January 2012.**

No. \_\_\_\_\_  
\_\_\_\_\_ 2010  
Skopje

MINISTER OF FINANCE  
MSc. Zoran Stavreski

**Based on article 9, paragraph 3 from the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia no.90/09”) the Minister of Finance has approved the following**

**RULEBOOK**  
**FOR THE WAY OF IMPLEMENTING OF THE COMPETENCES OF THE FINANCE**  
**AFFAIRS UNIT**

**Article 1**

This Rulebook regulates the manner of performing the tasks under the competence of the Financial Affairs Unit.

**Article 2**

The Financial Affairs Unit controls the implementation of the financial management and control through supervision on:

- the complete and timely collection of the revenues;
- the timely payment of the expenditures in accordance with the procedures for undertaking commitments and executing payments;
- the compliance of the budget execution as a whole or for separate budget accounts with the procedures adopted by the head of the entity and/or the Minister of Finance; and
- the budget and financial reporting.

**Article 3**

(1) Financial Affairs Unit shall prepare the draft budget of the entity for the next year and the multiyear estimates related to the budget. The draft budget for the next year shall be prepared on the basis of proposals received by the heads of the departments, units whose heads are directly accountable to the head of the entity and the organs in composition of the entity (hereinafter: heads) and the guidelines by the Financial Affairs Unit accordingly with the guidelines of the Ministry of Finance.

(2) Financial Affairs Unit shall assess whether the proposals from paragraph 1 of this article are in conformity with the given directives.

(3)The Head of the Financial Affairs Unit submits a report and an opinion to the head of the entity for the received proposals and if needed also own proposals for which he/she had prior consultation with the heads of the departments.

(4)Proposed budget and the multiyear estimates related to the budget accorded by the head of the entity, the Financial Affairs Unit shall be submit them in time to the Ministry of Finance.

#### **Article 4**

Financial Affairs Unit shall prepare the proposal for change and amendment to the budget according to the paragraphs 2, 3 and 4 from article 2 of this Rulebook.

#### **Article 5**

(1) Financial Affairs Unit shall monitor the effectiveness of the budget control that is conducted by the heads with regards to the budget items they manage, in particular to ensure that:

- the approved budgets are not exceeded;
- the reallocations between budget accounts shall be charged with respect to the goals and/or the intention; and
- the budget accounts shall be executed in the year for which they are planned.

(2)Proposed decisions that may have financial implications and are not foreseen in the budget, the heads should immediately submit them to the Head of the Financial Affairs Unit in order to provide an opinion with regard to the budget and financial implications that might be caused. Such ex-ante financial control should not be implemented for the decisions for which there are provided means in the budget.

(3)The Head of the Financial Affairs Unit may be involved in the preparation of the proposal acts that have or might have financial implications.

(4)If the Head of the Financial Affairs Unit has remarks to the proposed act, should submit them to the responsible head. In case the comments to the proposed act not to be consolidated, meaning accepted, the Head of the Financial Affairs Unit shall submit them to the head of the entity.

(5)The Head of the Financial Affairs Unit shall monitor the creation of periodical reports for financial commitments and liabilities, expenditures, revenues and other reports for which the data may be provided from the accounting.

#### **Article 6**

(1) Financial Affairs Unit advises and motivates the heads to implement effective, efficient, accurate, verifiable and complete financial management and control.

(2) Financial Affairs Unit monitors the establishment and implementation of the accounting and in cases when the accounting is not under its complete and direct responsibility.

(3) If the Financial Affairs Unit considers that the revenues could increase through more efficient management, will be necessary to give the adequate recommendations to the head.

(4) If the head does not accept the recommendations from paragraph 3 of this article, then the Head of the Financial Affairs Unit shall inform the Head of the entity for that.

#### **Article 7**

(1) An audit trail is establishing in the Financial Affairs Unit, meaning a documentary track of the financial and other transactions from the beginning till the end.

(2) The audit trail established by the heads in the entity is monitored by the Head of the Financial Affairs Unit.

#### **Article 8**

Financial Affairs Unit shall prepare the Annual financial report according to Article 47 from the Law on Public Internal Financial Control.

#### **Article 9**

Financial Affairs Unit during the preparation of the guidelines and manuals for budget control and financial management in the entity should consult the Internal Audit Unit.

#### **Article 10**

This Rulebook enters into force the next day after publishing in “Official Gazette of the Republic of Macedonia” and shall apply as of 1<sup>st</sup> January 2012.

No. \_\_\_\_\_  
\_\_\_\_\_ 2010 year  
Skopje

**MINISTER OF FINANCE**  
**Msc. Zoran Stavreski**

Based on article 13, paragraph 2 from the Law on Public Internal Financial Control ("Official Gazette of the Republic of Macedonia" No.90/2009) the Minister of Finance has published

## **INTERNAL CONTROL STANDARDS IN THE PUBLIC SECTOR**

### **- Control environment**

- Standard 1 - ETHICS, INTEGRITY
- Standard 2 - FUNCTIONS, ATTRIBUTIONS, TASKS
- Standard 3 - COMPETENCE, PERFORMANCE
- Standard 4 - SENSITIVE POSITIONS
- Standard 5 - DELEGATING
- Standard 6 - THE ORGANISATION STRUCTURE

### **- Risk management**

- Standard 7 - OBJECTIVES
- Standard 8 - PLANNING
- Standard 9 - COORDINATION
- Standard 10 - MONITORING PERFORMANCE
- Standard 11- RISK MANAGEMENT

### **- Control activities**

- Standard 12 - PROCEDURES
- Standard 13 - SEPARATION OF DUTIES
- Standard 14 - SUPERVISING
- Standard 15 - ADMINISTRATION OF DEVIATIONS
- Standard 16 - CONTINUITY OF THE ACTIVITY
- Standard 17 - CONTROL STRATEGIES
- Standard 18 - ACCESS TO RESOURCES

### **- Information and communication**

- Standard 19- INFORMING
- Standard 20 - COMMUNICATION
- Standard 21 - CORRESPONDENCE
- Standard 22 - HYPOTHESIS, REEVALUATIONS
- Standard 23 - POINTING OUT IRREGULARITIES

### **- Monitoring**

- Standard 24 - CHECKING AND EVALUATION OF CONTROL
- Standard 25 - INTERNAL AUDIT

## **Standard 1 ETH-**

### **ICS, INTEGRITY**

#### 1.1. Description of the standard

Each public institution ensures the conditions so that the employees to know the regulations which governs their behavior, the prevention and reporting of the frauds and irregularities.

#### 1.2. General requirements

-The manager and the employees must have a corresponding degree of personal and professional integrity<sup>1</sup> and to be aware of the importance of the activity they are carrying on;

-The manager, through his/her decisions and personal example, supports and promotes the ethical values<sup>2</sup> and the personal and the professional integrity of the employees. The decisions and the personal example must reflect:

- valuing the transparency and the probity in activity;
- valuing the professional competency;
- initiative, through examples;
- conformity with laws, regulations, rules and specific policies;
- observing the confidentiality of the information;
- equal treatment and respect of the individuals;
- loyal relationships with the collaborators;

**D** complete and exact character of the operations and documentation;

**D** professional manner of approaching the financial information.

-The employees manifest that behavior and develop those actions perceived as ethical within the public institution;

-The manager and the employees have a positive approach to the financial control, whose functioning they support.

## **Standard 2 FUNCTIONS, ATTRIBU-**

### **TIONS, TASKS**

#### 2.1. Description of the standard

Each public institution permanently transmits to employees and updates:

- the document comprising the attributions of the public institution;

<sup>1</sup> Integrity: characters, dignity feelings; right and knowingly that are directing human behaviour; sincerity, probity and propriety.

<sup>2</sup> The ethical values are part of the culture of public institution and constitute an unwritten code, based on what the behaviours are evaluated. However, the public institution must have an official code of conduct, written, which is a mean of an uniform communication of the ethical values to all the employees.



- job descriptions;
- the document comprising the allotted tasks and the expected results<sup>3</sup>.

## 2.2. General requirements

- The attributions of the public institution can be achieved only if they are known by the employees and they act concisely;
- Each employee has a well defined role in the public institution, established with job description;
- The tasks are allotted and the results are communicated only in the manager-employee-manager report (chief-subordinated-chief);
- The managers have to identify the sensitive tasks, in the carrying out of which the employees can be exposed to some difficult situations and influence in a negative way the financial management.
- The manager should support employees in their job performance

## **Standard 3 COMPETENCE, PERFORMANCE**

### 3.1. Description of the standard

The manager ensures that the filling of the position is by the competent person, allotting tasks at the level of competence and to ensure development of professional capacities of the employees<sup>4</sup>.

### 3.2. General requirements

- The manager and the employees must have knowledge, abilities and experience that make possible the efficient and effective carrying out of the tasks;
- The competence of the employees and the allotted tasks must be in a permanent, stable balance. Actions to ensure this balance:

<sup>3</sup> The management of the public institution will communicate to all the employees which are the institution's tasks resulted from the legal act of organizing and functioning. As well, will take care that these tasks to be found in the institution's Regulation of organizing and functioning, to which all the employees to have access. There will be drafted and updated, all the times the necessities will request, the job descriptions for all the civil servants and the contracting personnel from the public institution. This is a permanent obligation of each management level.

<sup>4</sup> The employees of the public institution must have the expertise, the competencies, the attributions and the necessary instruments to contribute to the achievement of the activity's object of the organization.

It is established, by the law that occupying the functions of a public institution is made through contest. In this way are assured the premises of fulfillment the tasks of institution by the competent and capable persons, as well as the attainment the objectives for the future of the organization. The management of the institution evaluates continuously the needs and the requirements of the organization that permits taking justified decisions on formation, supervising, distribution of the tasks and on reorganization. The leadership may resorts to external services to answer needs, which could not be fulfilled with the resources of the organization.

The personnel training can be focused upon those competencies, which encourage the individual performances, and upon inter-personnel abilities regarding taking decisions and group learning.

- defining the necessary knowledge and skills for each work place;
- carrying out recruitment interviews, based on a different evaluation document;
- keeping the recordings of the interview;
- identifying the base training plan of the new employee, even in the recruiting stage process;
- ensuring that the identified training necessities are immediately satisfied;
- developing the internal training capacity, complementary to the training forms outside the public institutions;
- defining the training/mobility policy, having as target the growth of the employees' experience.

- The performances of the employees are reviewed at least once a year and are discussed with those by the person that makes the report;
- Competence and performance must be sustained with adequate instruments, which include the computer, software, patents, working methods, etc.;
- The necessary competence level is the one that constitutes the base for efficient and effective performance.

#### **Standard 4 SENS-**

#### **ITIVE POSITIONS**

##### 4.1. Description of the standard

The public institutions identify the positions that are sensitive and establish an adequate policy for the rotation of the employees that fill those positions.

##### 4.2. General requirements

- In each institution are created:
  - the list of sensitive positions;
  - D** the list of the employees that fill sensitive positions;
  - the plan to insure the rotation of the employees in sensitive functions, so that an employee will not be active in that position for more than 5 years.
- In the inventory of sensitive positions, usually, are reflected those positions that present a significant risk for goal achievement;
- - The rotation of employees must be made with a minimum effect on the activity of the public institution as well as on the employees.

#### **Standard 5**

## **DELEGATING**

### 5.1. Description of the standard

The manager establishes, in writing, the limits of competencies and responsibilities, which he delegates.

### 5.2. General requirements

- The manager proceeds to the delegation, taking into account the importance of the decision and the risks associated to it;
- The delegated employees should have knowledge, experience and the necessary ability to perform the entrusted authority act;
- Assuming the responsibility by the delegated employee is confirmed by signature;
- Sub delegating is possible with the agreement of the manager;
- Delegating the competence does not exonerate the manager of responsibility.

## **Standard 6 THE ORGANISATION**

### **STRUCTURE**

#### 6.1. Description of the standard

Each public institution defines the own organizational structure. The competencies, the responsibilities, the tasks and the obligations of reporting are precisely defined for each structural component and are transmitted, in writing, to the employees<sup>5</sup>.

#### 6.2. General requirements

The competence<sup>6</sup>, the responsibility<sup>7</sup>, the task and the obligation of reporting<sup>8</sup> are duties associated to the post; these must be clear, coherent and defined in writing;

## **Standard 7**

### **OBJECTIVES**

#### 7.1. Description of the standard

<sup>5</sup> On the basis of the legal act on organizing and functioning of the public institution, the manager approves the organizational structure: departments, units, offices, working posts. The appointment with managers and execution personnel of these structures is reflected in the staffing chart. The purpose of this action is the effective and efficient fulfilment of the institution's objectives.

<sup>6</sup> Competence presents capacity for decision making in the frames of defined limits with aim to realize the activities connected to the working post.

<sup>7</sup> Responsibility presents an obligation to perform the task in the frames of defined competence.

<sup>8</sup> Information presents an obligation to inform about achievement of the goals.

Each public institution must define the main objectives<sup>9</sup>, linked with the purposes of the entity, as well as to define the complementary purposes, linked with the reliability of the information, conformity with laws, regulations and internal policies, and also communicates the defined objectives to the all employees and the interested parties.

## 7.2. General requirements

- The general objectives are in accordance with the mission of the public institution;
- Each public institution transposes the general objectives into specific objectives and communicates them to the staff;
- The objectives must be defined so that to answer to the requirements "S.M.A.R.T.", meaning they have to be:

- S - Specific;
- M - Measurable and verifiable;
- A - Appropriate;
- R - Realistic;
- T- Time - dependent;

-The settlement of the objectives represents the duty of the manager; the responsibility of their achievement comes to both the manager and the employees;

-The multitude and complexity of the objectives lead to the use of diverse criteria of their classification, with the purpose to facilitate the materialisation of the accountabilities, responsibilities, to ensure the promptness in knowing the results, etc.

## **Standard 8**

### **PLANNING**

#### 8.1. Description of the standard

The public institutions should make plans through which the necessary activities for achieving targets are put in concordance with the maximum possible allocated resources, so as the risks of not achieving the targets to be minimal.

#### 8.2. General requirements

- Planning is one of the essential functions of management;
- Planning refers to the allocation of resources, starting from the establishment of requirements for achieving objectives. Having in view

<sup>9</sup>The general objectives of any public institution are the realization of good quality public services in conditions of maximum efficiency and efficacy, in the way that those objectives are presented in the normative act that regulates the organisation and functioning of the institution.

the limited character of resources, their allocation necessitates decision regarding the best way of allocating them;

- Planning is a continuous process, which gives the plan a dynamic character. The change of objectives, resources or of any other element of the fundamentation process imposes the updating of the plan;
- The structuring grade of the planning process, the precision and the grade of detailing of the plan varies depending on diverse factors, as: the size of the public institution, the decisional structure of that institution, the necessity of the formal approval of some activities, etc.
- After the time horizon it refers to, in general, are elaborated:

- annual plans;
- multi-annual plans;

- Specific to the multi-annual planning it is necessary to establish the measures that must be taken to achieve the objectives.

### **Standard 9 CO-** **ORDINATION**

#### 9.1. Description of the standard

For achieving the objectives, the decisions and the actions of the structural components of the public institution must be coordinated for the purpose of assuring their convergence and coherence.

#### 9.2. General requirements

- The management ensures the coordination of decisions and actions of the structural compartments of the public institution;
- Then when necessities impose it, specialized structures can be organized, which support the management in the coordination activity;
- Coordination influences decisively the results of the interaction between the employees of the organizational structure within the framework of professional relationships;
- The employees of some organizational compartments must take account of the consequences of their decisions and of their actions on the whole institution;
- The efficient coordination presumes previous consultations, in the framework of an institution as well as between the respective structures.

### **Standard 10**

## **MONITORING PERFORMANCE**

### 10.1. Definition of the standard

The public institutions ensure, for each policy and activity, the monitoring of the performance, using relevant quantity and quality indicators, including those regarding cost-effectiveness, efficiency and effectiveness.

### 10.2. General requirements

- The manager must receive systematic reports on each activity that is comprised in the plan;
- The manager evaluates the performances, ascertaining the eventual deviations from the objectives, for the purpose of taking the imposed corrective measures;
- The monitoring system of performance is influenced by the size and the nature of the institution, by the modification/changing of the objectives and/or indicators, by the access mode to information of the employees.

## **Standard 11 RISK**

### **MANAGEMENT**

### 11.1. Description of the standard

The public institution systematically analyses, at least once a year, the risks<sup>10</sup> linked to carry out its main activities, to develop appropriate plans in order to limit the possible consequences of these risks and appoints the employees responsible with applying respective plans.

### 11.2. General requirements

- Subject from the public sector should establish an efficient internal control system based on risk management;
- The manager should establish and maintain efficient system of internal controls, based on:
  - identifying important risks<sup>11</sup> which can have negative influence on the effectiveness and the efficiency of the activities, observing the rules and regulations, reliance on financial and management information, protecting the assets, preventing and finding the frauds;
  - defining the acceptable level of exposure to these risks<sup>12</sup>;

<sup>10</sup> Every activity or not implementing an activity represent a risk for not accomplishing the goals.

<sup>11</sup> Important risks do not appear especially not as a result of:

-not appropriate relations of the management of the subject from the public sector towards the environment where the subject is functioning;

-too centralized management systems.

<sup>12</sup> The risk is acceptable if the measures that should be taken to avoid the risks are not financially justified.

- evaluating the probability that risk to be materialised, as well as evaluating the size of its impact;
- monitoring and evaluating the risks and of adequacy degree of internal controls to the risk management
- check of the reports for budget execution, including those for the performance of the programs.

## **Standard 12**

### **PROCEDURES**

#### 12.1. Description of the standard

The public institution elaborates written procedures for the important activities and, especially, for the economic operations, which are communicated to all the involved employees.

#### 12.2. General requirements

- For any action and/or significant event, the public institution must ensure that an adequate documentation exists and the operations are put down in documents;
- The documentation must be complete, precise and to correspond with the structures and policies of the public institution.
- The documentation contains administrative policies, manuals, operational instructions, check-lists or other forms of presenting the procedures;
- The documentation must be updated, useful, precise, easy to examine, available and accessible to the manager, employees, as well as to third persons, if is the case;
- The documentation ensures the permanence of the activity, despite the fluctuation of staff;
- It should be taken into account that the absence of documentation, the incomplete character or/and not updating represent risks in carrying out the objectives.
- The public institution should prepare documentation flow for every level of responsibility and to follow their implementation.

## **Standard 13 SEPARA-**

### **TION OF DUTIES**

#### 13.1. Description of the standard

Two persons verify the financial and operational aspects of each operation, independent one related to the other, taking into consideration that the functions of initiating and verifying each operation must be separated.

13.2. General requirements

-Separation of duties and responsibilities should ensure reducing the risks for arising and not detecting errors, fraud and not respecting the legislation.

-By separation of duties are created the conditions that any person or compartment cannot control all the important stages of an operation or of an event;

-Separation of duties and responsibilities between more persons creates the premises of an effective equilibrium of powers;

-The managers of institutions where the possibility to apply the separation of duties and responsibilities is limited due to the small number of employees must be aware of risks and must compensate this limitation through other measures.

**Standard 14**

**SUPERVISING**

14.1. Description of the standard

The public institutions establish adequate measures of supervising the operations, based of pre-established procedures, including by ex-post control, in order to carrying out the transactions in an effective way.

14.2. General requirements

-The manager must dispose the performance of the supervising controls in order to ensure that the procedures are observed by the employees in an effective manner and continuously;

-The controls of supervising involve revises regarding the activity of the employees, reports on exceptions, tests through sampling or any other modalities that confirm the procedures' observing;

-The manager verifies and approves the employees' activity, gives the necessary instructions in order to decrease the errors, eliminate the fraud, observe the legislation and to watch on understanding and applying the instructions;

-Supervising of activities is adequate if:

■the duties, the responsibilities and the limits of competence conferred are communicated to each employee;

■the activity of each employee is systematically evaluated;

■the obtained results of activity in various stages of carrying out the operation are approved.

**Standard 15**

**ADMINISTRATION OF DEVIATIONS**

15.1. Description of the standard



Each public institution ensures that, for all the situations in which, due to special circumstances, deviations appear from the established policies or procedures<sup>13</sup>, the adequate documents are drawn up, approved at an adequate level, before carrying out the transactions.

#### 15.2. General requirements

- The registered deviations must be documented and justified, in view of their presentation for approval;
- The periodical analysis of circumstances and of the mode of how the actions were administered is necessary, in view of drawing some conclusions of good practice for the future.

### **Standard 16 CON-**

#### **TINUITY OF THE ACTIVITY**

##### 16.1. Description of the standard

The public institution ensures the adequate measures in order that, in any moment and in any circumstances, its activity can continue on all levels, especially on the economic-financial one.

##### 16.2. General requirements

- The public institution is an entity the activity of which must go on continuously, through the component structures. The eventual interruption of its activity<sup>14</sup> affects the reach of proposed objectives;
- For each of the situations that appear, the institution must act in view of ensuring the continuity, through diverse measures, as for example:
  - hiring of employees to replace the pensioned ones or the ones that leave the institution on other considerations;
  - delegation, in case of temporary absence (holidays, missions, etc.);
  - service contracts for the maintenance of the equipment from the endowment;
  - procurement contracts for replacing the equipment from the endowment.
- The public institution should prepare a list of situations that can cause discontinuity of the activities, as well as a list of measures for preventing their arising.

<sup>13</sup> Several specific circumstances may occur during exercise of activities, that could not be anticipated in front and that can procure deflections in exercise of the transactions through implemented procedures.

<sup>14</sup>The public institution confronts itself with different situations, which affects the continuity of the activity: the mobility of employees; defects of equipment from the endowment; disfunctionalities produced by some of its suppliers of services; changes of procedures, etc.

## **Standard 17 CONTROL**

### **STRATEGIES**

#### 17.1. Description of the standard

The public institution should build control strategies and programs conceived for the achievement of objectives and to ensure their maintenance.

#### 17.2. General requirements

-The control strategies should be in correlation with elaborated strategies, policies and programs for the achievement of objectives<sup>15</sup>. Without an adequate control strategy, increases the risk of manifesting deviations from the strategy, policy and programs of the institution and, so, of not achieving the objectives at the level of expected exigencies;

-Control strategies should be prepared in conformity with the strategy concept, that understands determination of control objectives, necessary resources, scheduling in time, training of the control employees, improvement of the control methods and procedures, evaluation mode of the controls, etc.;

-The control strategies refer to the types of control applicable to the situation. In the large palette of the control modalities and of the classification criteria of those we find:

- control activities: observation; comparison; approving; communication of reports; coordinating; checking; analyzing; authorizing; supervising; examining; monitoring, etc.;
- classification of control taking into account the comprising mode of objectives: total control; selective control (through sampling);
- classification of control taking into account the wanted scope: conformity control; control of advanced training; adaptation control, etc.;
- classification of control taking into account the affiliation of the control bodies: internal control; external control;
- classification of control taking into account the persons carrying out the control: self control; specialty control;
- classification of control taking into account the mode the control is carried out: direct control; indirect control; cross control;
- classification of control taking into account the normative base: normative control; practical control; theoretical control;
- classification of control taking into account the institution's interest: control for itself; control for others;
- classification of control taking into account the moment of the carrying out of the control: *ex-ante* control; ongoing control; *ex-post* control;

<sup>15</sup> Control strategies would be more complex and stronger, if the processes for establishment and implementation of the objectives of the public institution are more complex and stronger.

## **Standard 18 ACCESS TO**

### **RESOURCES**

#### 18.1. Description of the standard

The manager establishes, by issuing authorizing documents, the persons who have access to the material, financial and informational resources of the public institution and appoints the persons responsible for the protection and correct use of these resources.

#### 18.2. General requirements

(2) To restraint the access to resources with aim to reduce the risks of their inadequate use;

(3) The severity of the restriction should be determined depending of the vulnerability of the type of resource and on the risk of potential losses, which have to be appreciated periodically.

(4) Depending of the exposure of goods for inadequate use and their value, the frequency should be determined of periodical comparisons of these goods with their evidenced value (inventory)

(5) In determining the vulnerability of goods and values cost, potential risk and inadequate use are kept in view.

## **Standard 19**

### **INFORMING**

#### 19.1. Description of the standard

The public institution establishes the type of information, quantity, quality, frequency of sources and theirs receivers, so that managers and employees, through reception, processing and transmission of information, can fulfill the tasks.

#### 19.2 General requirements

-The information is indispensable for a sound financial management, an effective monitoring for identifying the risk situations in the incipient stages of their manifestation;

-The culture of public institution has a major impact on the quantity, nature and viability of the information, as well as concerning the enlargement of scale in the field of the ethical values, policy, strength, responsibilities and obligations to report, institutions' objectives, plans, etc.

-The information must be correct, credible, clear, complete, at the right time, useful, easy to understand and receive;

- The manager and employees must receive and transmit the necessary information to fulfill the tasks;
- The information must benefit of a fast and opened circulation in all senses, including inside and outside;

### **Standard 20 COM-**

#### **MUNICATION**

##### **20.1. Description of the standard**

- The public institution must develop an efficient system of internal and external communication, which to ensure a precise, fluent and fast dissemination of the information, so that these to arrive complete and on time to users.

##### **20.2. General requirements**

- The manager ensures functioning of an efficient system of communication;
- The system of communication, by its components, serves to the users' purposes;
- The system of communication must be flexible and fast inside the institution, as well as between this one and the external environment;
- The system of communication must be adapted to the capacity of the users, as concerns processing the information and fulfilling the responsibilities regarding communication.

### **Standard 21 COR-**

#### **RESPONDENCE**

##### **21.1. Definition of the standard**

Each public institution organizes the receiving/sending, registering and archiving of correspondence, so that the system be accessible to the manager, as well as to the employees and third parties with abilities in the field.

##### **21.2 General requirements**

- The object of the action of correspondence constitutes the entrance-outgoing of information in/out of the public institution,
- Correspondence uses different information supports (paper, magnetic, floppy, CD, etc.) and is realized through different means (carrier, mail, electronic mail, fax, etc.);

- The percentage in which the public institution uses one or the other of the supports and calls on one or the other of the means to realize the correspondence is determined by a series of factors, as for example: the level of internal equipment and/or of the third's party, the training level of the employees, urgency, distance, cost, safety, the restrictions in the regulations etc.
- Depending on the type of support used and the means used regarding the correspondence, the entry, outgoing, registration and stocking operations must be properly adapted, based on plans that should ensure:
  - assurance of receiving, respectively outgoing of correspondence;
  - D** stocking (archiving) of correspondence;
  - access to the made correspondence.

## **Standard 22 HYPOTHESIS, REEVALUATIONS**

### 22.1. Description of standards

The setting of the objectives takes into consideration hypothesis accepted consciously, by consensus. The modification of hypothesis, as a follow-up of the changing of the environment, imposes the reevaluation of the objectives.

### 22.2. General requirements

- Hypothesis are formulated linked with/and are at the base of the setting of any objective that follows to be achieved;
- The employees implicated in the achievement of an objective must be conscious of the formulated and accepted hypothesis linked to the said objective, because if contrary they will harder accept the objectives;
- If the hypothesis are changed based on which the objective have been determined, the needs for information should be reevaluated as well, that will result with needed information that have to be collected, the way of collection, contents of the reports or the appropriate information system.

## **Standard 23**

### **POINTING OUT IRREGULARITIES**

23.1. Description of the standardThe employees, aside from the communications they realize regarding the achievement of the objectives in which they are involved to, have the possibility, based on distinct procedures, to point out presumed irregularities, without this kind of pointing out to draw a non equitable or discriminatory treatment toward the employee who conforms to these kind of procedures.

### 23.2. General requirements

- The managers have to establish and communicate to the employees the corresponding procedures, applicable in the case of pointing out presumed irregularities;
- The managers have the obligation to conduct adequate investigations and whenever needed to take the measures that are imposed;
- The employees that point out, in conformity with procedures, deeds and actions of fraud/corruption, of which, directly or indirectly, they have knowledge of, will be protected against any discrimination.
- Pointing out of irregularities should be on a transparent way with aim to elude the impression that secrets are revealed.
- The manager should promote the reverence of laws and mutual trust.

**Standard 24 CHECKING AND EVALUATION OF CONTROL**

24.1. Description of the standard

The public institution establishes an evaluation function of internal control and elaborates the plans and programs for the carrying out of these actions.

24.2. General requirements

- The manager must ensure continuously the checking and the evaluation of the functioning of the internal control and of its elements. Disfunctionalities or other problems that are identified must be solved operatively, through corrective measures;
- The checking of operations guarantees that the internal controls contribute to the achievement of objectives;
- The evaluation of the control's effectiveness can refer, either to the whole of the institution's objectives, or to some of those, option that reverts to the manager;
- The manager should establish the way of evaluation of the effectiveness of the controls.

**Standard 25**

**INTERNAL AUDIT**

25.1. Description of the standard

The public institution establishes or has access to an audit capacity, which has in its structure competent auditors, whose activity is carried out, usually, in conformity with programs based on risk evaluation.

25.2. General requirements

- The internal audit should ensure an independent and objective evaluation of the internal control system of the public institution;
- The internal auditor elaborates his/hers actions through audit reports in which he/her enunciates the weak points identified in the system and formulates recommendations for their elimination;
- The manager disposes the necessary measures, keeping in view the recommendations made in the internal audit reports, for the purpose of eliminating the weak points ascertained by the audit missions.

No. \_\_\_\_\_

\_\_\_\_\_ 2010 year

Skopje

**MINISTER OF FINANCE**

**Msc. Zoran Stavreski**

Pursuant to Article 47, paragraph 3 of the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia” no. 90/09), the Minister of Finance adopted the following

## **RULEBOOK**

### **FOR THE FORM AND CONTENT OF THE REPORTS AND THE STATEMENT FOR THE QUALITY AND THE CONDITION OF THE INTERNAL CONTROLS FROM THE ANNUAL FINANCIAL REPORT**

#### **Article 1**

This Rulebook shall prescribe the form and content of the report on planned and spent money by accounts (comparative tabular overview), the report of realized program/ project/contract, the report on conducted self-assessments of the financial management and control system conducted by the head of the entity through the Financial Affairs Unit, the report on the activities for establishment and development of the financial management and control, the report on performed audits and the activities of the internal audit and the statement for the quality and condition of the internal controls.

#### **Article 2**

The report on planned and spent money by accounts (comparative tabular overview) contains the data for: description of the budget parts, number of account, planned funds, spent funds and percentage of realization.

The form of the report referred to in paragraph 1 of this Article is given in Annex 1 which is an integral part of this Rulebook.

#### **Article 3**

The report on implemented program/project/contract shall be filled in for each program, project or contract separately. The report contains the following data: basic data, overview of planned and spent funds for realization of the activities and overview of components and activities within the frames of the program/project/contract.

The form of the report referred to in paragraph 1 of this Article is given in Annex 2 which is an integral part of this Rulebook.

#### **Article 4**

The report on implemented self assessments of the financial management and control system implemented by the head of the entity through the Financial



Affairs Unit contains the following data: processes on which was made self assessment during the reporting year, execution period, ascertained high risks, measures for decreasing meaning eliminating the risks, person in charge for implementing the measure and deadline for implementing the measure.

The form of the report referred to in paragraph 1 of this Article is given in Annex 3 which is an integral part of this Rulebook.

### **Article 5**

The report on the activities for establishment and development of the financial management and control is consisted of general data for the entity, general and specific part.

The general part contains: general information for the entity, organizational set up of the financial management and control system, previous (ex ante) control and additional (ex post) control and a person in charge for irregularities.

The specific part is consisted of a Questionnaire for self assessment of the financial management and control and instructions for fulfilling the Questionnaire.

The form of the report referred to in paragraph 1 of this article is given in Annex 4 and it is an integral part of this Rulebook.

### **Article 6**

The report on performed audits and internal audit activities contains general data for the entity, general and special part.

The general part contains: general information for the entity, information for the internal audit unit and the internal auditors and information for the application of the standards and the methodology for work of the internal audit.

The specific part is consisted of: review of the performed audits, ascertained findings and given recommendations, cases of not observing or wrong implementation of the laws and other regulations as well as suspicions for frauds, actions taken by the head of the entity for implementation of the important recommendations that have not been implemented, main conclusions regarding the functioning of the financial management and control system and recommendations for development of the internal audit.

The form of the report for the performed audits and the internal audit activities is given in Annex 5 and it is an integral part of this Rulebook.

### **Article 7**

The statement for the quality and the condition of the internal controls confirms the authenticity of the information contained in the report on planned and spent

money by accounts (comparative tabular overview), the report of implemented program/project/contract, the report on carried out self-assessments on the financial management and control system conducted by the head of the entity through the Financial Affairs Unit, the report on the activities for establishment and development of the financial management and control, the report on conducted audits and the internal audit activities and the statement for the quality and the condition of the internal controls.

The Statement for the quality and the condition of the internal controls contains: name of the entity, name and surname of the head of the entity, function and text: “I declare that I certify the veracity of the data contained in the report on planned and spent money by accounts (comparative tabular overview), the report on implemented program/project/contract, the report on implemented self-assessments on the financial management and control system conducted by the head of the entity through the Financial Affairs Unit, the report on the activities for establishment and development of the financial management and control, the report on performed audits and the internal audit activities and the statement for the quality and the condition of the internal controls”, number, date, signature of the head of the entity and a stamp

The form of the statement referred to in paragraph 1 of this article is given in Annex 6 which is an integral part of this Rulebook.

#### **Article 8**

By entering into force of this Rulebook, shall cease the Rulebook for the form, content and the manner of submission of the statement for the quality and the condition of the internal controls (“Official Gazette of the Republic of Macedonia” no.08/08).

#### **Article 9**

This Rulebook shall enter into force on the eight day after publication in “Official Gazette of the Republic of Macedonia” and shall apply as of 1<sup>st</sup> January 2012.

No. \_\_\_\_\_  
\_\_\_\_\_ 2010  
Skopje

**MINISTER OF FINANCE**  
**Msc. Zoran Stavreski**

**ANNEX 1**

**Report on planned and spent funds by accounts  
(comparative tabular overview) for \_\_\_\_\_ year**

Nr.	Description of the budget parts	Number of account	Planned funds	Spent funds	% of realization
1	Total approved budget				
2	Unallocated part of the budget				
3	Program for .....				
4	Name of the account				
5	.....				
6	Budget intended for the common expenditures of the entity				
7	Program				
8	Name of the account				
9	.....				
10	Budget intended for realization of the policies and projects				
11	(Name of the organizational unit)				
12	Name of the account				
13	.....				
....	TOTAL				

**Head of Financial Affairs Unit**

---

(stamp)

**Report**

**on realized Program / project / contract for \_\_\_\_\_ for 20\_\_**

(name of program/project/contract)

1. Name of the program/project/contract \_\_\_\_\_ .
2. Head of the entity \_\_\_\_\_ .
3. responsible person that from the head of the entity received general authorization for realization of the program/project/contract (head of the project) \_\_\_\_\_ .
4. Objective of the program/project/contract \_\_\_\_\_ .
5. Main task of the program/project/contract \_\_\_\_\_ .
6. Planned period for realization, from \_\_\_20\_\_ year, until \_\_\_20\_\_ year.
7. Review of planned and spent funds for realization of the activities in the reporting 20\_\_ year.

No.	Source of funds	Planned funds in denars in the reporting year	Spent funds in denars in the reporting year	% of realization	Remark
1	Budgetary (603)				
2	Own incomes				
3	Loans				Source for loan
4	Donations				Name of the donator
5	Transfers from others				Name of the entity giver of means
6	Received material means (goods, services, basic assets, buildings, land) without compensation				Name of giver, type of materials, quantity, price and value (total and individual)
7	Received other material and non-material means without compensation TOTAL				Source and type of means

**8. Review of components and activities within the frames of the program/project/contract**

No.	Activity	Planned activity	Planned funds	Realized activity	Spent funds	% of realized activity	% of spent means	Performance indicator
1.	Component							
1.1	Activity							
2	Component							
2.1	Activity							
	TOTAL							

**Head of Financial Affairs Unit**

(stamp) -----

**Report**

**for the implemented self assessments of the financial management and control system implemented by the head of the entity through the Financial Affairs Unit**

No.	Processes on which is made self assessment during the reporting year	Period of execution	Ascertained high risks	Measures for decreasing meaning eliminating the risks	Person responsible for implementing the measure	Deadline implementing the measure
1.	.....					

**Head of the Financial Affairs Unit**

**Head of the entity**

\_\_\_\_\_  
(stamp)

\_\_\_\_\_

**ANNEX 4**

Entity WUN  
number Place and  
date

**REPORT FOR THE ACTIVITIES FOR ESTABLISHMENT AND DEVELOPMENT OF THE  
 FINANCIAL MANAGEMENT AND CONTROL FOR \_\_\_\_\_ YEAR**

Responsible person – manager of the entity	
Name and surname of the head of the Financial Affairs Unit who is responsible for the financial management and control	
Telephone	E - mail
<b>Objective of the report for the activities for establishment and development of the financial management and control</b>	
Information to the Ministry of Finance – Public Internal Financial Control Department for the undertaken activities for establishment and development of the financial management and control so that the necessary data can be provided for preparation of the Annual report for the functioning of the public internal financial control system that is submitted to the Government of the Republic of Macedonia.	
<b>Financial management and control– bases of the obligation for reporting</b>	
According to Article 47, paragraph 1 from the Law on public internal financial control in the public sector (“Official Gazette of the Republic of Macedonia” No.90/09), “The head of the first line budget user from the area of legislative, executive and judiciary authority (except the State Audit Office), funds, municipalities and the City of Skopje is obliged to submit Annual financial report to the central Harmonization Unit latest by 10 <sup>th</sup> May in the current year for the previous year.”	

**I. GENERAL PART**

<b>1. ORGANIZATIONAL STRUCTURE OF THE FINANCIAL MANAGEMENT AND CONTROL SYSTEM</b>	
1.1 Is appointed a Head of the Financial Affairs Unit responsible for the financial management and control?	Yes D No <b>D</b>
1.2 If the answer is YES, please specify the date and number of the decision, the name of the head and his function:	
1.3 Is ascertained the need for appointing a coordinator for financial management and control?	Yes D No <b>D</b>
1.4 If the answer is YES, please specify the date and number of the decision, the name of the coordinator and his function:	
1.5 Is established a unit for financial affairs (department/unit)?	Yes D No <b>D</b>
1.6 If the answer is YES, please state the name of the act and the date of adoption:	
1.7 How many job posts related to the financial management and control are planned, meaning filled in the Financial Affairs Unit? Planned: Filled in:	
1.8 Is it prepared a Plan for establishment of the financial management and control which is approved by the head of the entity?	Yes D No <b>D</b>
1.9 Is it prepared a Methodology for implementation of the plan which is approved by the head of the entity?	Yes D No <b>D</b>
1.10 Is it established a working group that will work on preparation of policies, procedures and activities related to the financial management and control?	Yes D No <b>D</b>
1.11 If the answer is YES, please state the name and date of the decision as well as the names of members of that	

working group:

**2. PREVIOUS (EX ANTE) CONTROL**

2.1 Is it prepared a list (map) of the working processes within the entity? Yes D No D

2.2 State the by-laws and other regulations that regulate the working processes that are specific for Your organization:

2.3 State the processes for which written procedures have been prepared and approved by the head of the entity:

2.4 State the most important processes for which there are no written procedures:

2.5 Whether according to the written procedures approved by the head of the entity, internal controls have been established taking into consideration the most important risks?

2.6 If the answer is NO, give an explanation:

**3. ADDITIONAL (EX POST) CONTROL**

3.1 Whether according to the written procedures approved by the head of the entity is established additional ex-post control? Yes D No D

3.2 How many employees implement the additional control?

3.3 How many controls are implemented in the reporting period?

3.4 State the most important areas covered with the control and the most important findings:

3.5 What activities are undertaken in case of ascertained irregularities?

**4. PERSON IN CHARGE OF IRREGULARITIES**

4.1 is appointed a person in charge of irregularities? Yes D No D

4.2 If the answer is YES, please specify the date and number of the decision, as well as the name of the person and his function:

**II. SPECIFIC PART**

**QUESTIONNAIRE FOR SELF ASSESSMENT OF THE FINANCIAL MANAGEMENT AND CONTROL**

QUESTIONNAIRE	YES	4	3	2	1	NO	If you gave positive answer (first three columns of the Questionnaire) state the evidence for your positive answer
<b>Number of points</b>	5	4	3	2	1		

**1. CONTROL ENVIRONMENT**

- a) Is there a procedure that ensures familiarization of all employees with the code of ethics of civil servants?
- b) Whether all employees are obliged to act in compliance with the code of ethics for civil servants meaning with the special codex of the subject?
- c) Are there measures for ascertaining the success of the personnel policy and whether is regularly followed up?
- d) Whether managers are assured that risk management, internal control and internal audit are useful processes meaning system that significantly contributes to achievement of goals?
- e) Whether the important (valuable) property, including the intellectual capital, is protected from unauthorized access and use?
- f) Whether the entity has established an obligation for regular reporting for the condition of the area of risk management, internal control and internal audit?

**TOTAL NUMBER OF POINTS – CONTROL ENVIRONMENT**



<b>2. RISK MANAGEMENT</b>						
a) Whether the subject has ascertained and inscribed long term goals for working?						
b) Whether employees are familiarized with long term and short term goals of the subject?						
c) Whether is regularly followed the achievement of the goals and whether the reasons for possible deviations are analyzed?						
d) Whether risks are ascertained?						
e) Whether risks are assessed?						
<b>TOTAL NUMBER OF POINTS – RISK MANAGEMENT</b>						

<b>3. CONTROL ACTIVITIES</b>						
a) Whether for working processes are prepared detailed descriptions of procedures with determined direction of flow of documents, decision points and established internal controls?						
b) Whether the working procedures are prescribed in details and whether on appropriate way are accessible for all employees?						
c) Whether operational written working manuals exist for all procedures?						
d) Whether manuals contain descriptions of internal controls?						
e) Segregation of responsibilities: Whether is assured that one person will not execute two or more of the following obligations: suggesting, approving, transferring and evidencing of the working activities?						
f) Whether acts, working processes and organizational charts are updated?						
g) Whether is provided access control to data and records?						
h) Whether are ascertained and whether are implemented procedures by which the manager checks the implementation of the control activities?						
<b>TOTAL NUMBER OF POINTS – CONTROL ACTIVITIES</b>						

<b>4. INFORMATION AND COMMUNICATION</b>						
a) Whether the information system enables following of set up objectives and implementation of effective control over working?						
b) Whether are provided successful and efficient systems for internal written, electronic and oral communications, that enable employees to get information necessary for performing of activities?						
c) Whether is established process for gathering and documenting of errors or request for their analysis, ascertaining reasons and eliminating problems that can repeat in future?						
d) Whether there is appropriate security copy of data (backup) within the IT system, planning procedures for recovering from elementary situations and whether they are tested in practise?						
e) Whether employees are enabled to report of possible irregularities and problems?						
<b>TOTAL NUMBER OF POINTS – INFORMATION AND COMMUNICATION</b>						

<b>5. MONITORING AND ASSESSMENT</b>						
a) Whether is established functional and organizational structure that provides objective and independent reporting of the internal audit?						
b) Whether the manager reacts appropriately on recommendations of the internal audit?						
c) Whether exists following of recommendations of external and internal auditors for improvement of the system for internal controls?						
d) Whether exist working manuals that clearly describe what should be implemented and who is the contact person in case of discovering control irregularities?						

e) Whether are established procedures that provide these guidelines (working manuals) to be implemented in practise and to be updated?						
<b>TOTAL NUMBER OF POINTS – MONITORING AND ASSESSMENT</b>						
TOTAL NUMBER OF POINTS						

COMMENT AND SUGGESTIONS:

Address of the entity:

.....

(signature of the Head of Financial Affairs Unit) (stamp)

## MANUAL FOR FULFILLING THE QUESTIONNAIRE

**1. CONTROL ENVIRONMENT:** The control environment is basis of the internal control system. It covers “the culture” (spirit), which is characteristic for the specific subject from the public sector and determines the complete relation of employees in regard to the set up and achievement of the objectives of the subject, risk management and internal controls and the internal audit. Great influence on the control environment have ethic values, personal and professional integrity of all employees, written procedures and the practise for human resources management, philosophy and the management style, organizational structure (how the manager of the subject determines the responsibilities and competences and implementation of the reporting lines), the relation of the manager of the subject and employees in regard to the survey.

a) Whether exists procedure that ensures familiarization of all employees with the code of ethics of employees (civil servants)? The answer YES on this question is possible if, for example, with an internal act or other written manual of the Manager of the subject is determined every employee to get the codex and its own signature to certify that is familiarized with it. The subject can familiarize employees with the codex also on another way (for example by organizing obligatory seminars).

In the remark state the reference of the appropriate document that certifies your theorem.

b) Whether all employees are obliged to act in compliance with the code of ethics for employees (civil servant), meaning with the specific Codex of the subject?

It is not enough only familiarization with the codex, but employees must, for example, with own signature to oblige to behave in compliance with the codex.

c) Whether measures exist for ascertaining the success of the personnel policy and whether is regularly followed?

For measuring the accomplishment of objective that is determined with the personnel policy should ascertain criteria for measuring of the success (success is degree of achievement of objectives).

In the remark state the references of the appropriate documents that certify your theorem.

d) Whether managers are assured that risk management, internal control and internal audit are useful processes, meaning system that significantly contributes to the accomplishment of the objectives?

The answer to this question is subjective – it is not possible potential answers to be treated consistently: the first three possibilities (columns) are with answers YES (with different degrees of assurance), the other two possibilities (NO) means that the Manager of the subject is not assured in the usefulness of those processes (2 columns of negation).

e) Whether the important (valuable) property, including the intellectual capital is protected from unauthorized access and use?

f) Whether the user has established obligation for regular reporting on the condition of the risk management area, internal control and internal audit? Regular reporting in written form can cover self assessment questionnaire as well as internal audit reports. The obligation for regular reporting must be determined in writing.

**2. RISK MANAGEMENT :** The user must determine clear, appropriate and measurable objectives for working, to ascertain all risks that can prevent the accomplishment of the goals and to ascertain appropriate measures for managing those risks.

**2.1 Objectives: The user must have clearly determined objectives that are interrelated and correlated with the complete strategy for the work of the subject and with its budget (financial plan). Objectives must be measurable, and the Manager of the subject has to familiarize employees with them.**

a) Whether the subject has ascertained long term objectives for work?

In the remark state the references of the appropriate documents that certify your theorem.

b) Whether employees are familiarized with the long term and short term objectives of the subject?

In the remark state the references of the appropriate documents that certify your theorem (minutes from meeting, annual interviews with employees etc.).

c) Whether is regularly followed the accomplishment of objectives and whether the reasons for possible deviations are analyzed?

In the remark state the references of the appropriate documents that certify your theorem.

2.2 Risk for achievement of objectives: Subjects develop and follow the system for ascertaining, assessing and managing risks that they face with when achieving their objectives.

d) Whether risks are ascertained?

Risks that influence on the achievement of objectives must be ascertained.

In the remark state the references of the appropriate documents that certify your theorem.

e) Whether risks are assessed?

For every risk must be assessed the possibility for its occurrence and consequences.

In the remark state the references of the appropriate documents that certify your theorem.

**3. CONTROL ACTIVITIES: Control activities are based in written procedures and principles, activities and other measures that are implemented due to accomplishment of goals of the subject with decreased risks on acceptable level.**

a) Whether detailed descriptions of procedures are prepared for the working processes with particular way of document flow, decision points and established internal controls?

Procedures that contain all main processes of the subject must be in a shape of internal acts (rulebook, manual, standard,...) and on disposal to the employees, in their competency and responsibility.

b) Whether working procedures are described in details and whether they are accessible on appropriate way to all employees (state the act)?

The Rulebook for organization and systematization of job posts is not allowed. For every job post must exist special procedure (job description and order) that is component in the process, shown in the flow chart, from which it can be seen the previous and next procedure and lists that document it.

c) Whether written operational guidelines exist for all procedures?

The documentation must be worked out to that level that new employees with required education and experience without special guidelines can perform standard tasks (working manual)

d) Whether guidelines contain descriptions of the internal controls?

The description of the procedures and the flow chart must include the appearance of the control points, the description of the control procedures and the controllers. Determination of the procedures must respect the criteria of the internal controls such as segregation of duties, double signature, additional control, recording the deviation of prescribed procedures, continuity of the activities, and change of risky job positions or establishment of additional control.

e) Segregation of responsibilities: Whether is ensured one person not to perform two or more of the following responsibilities: suggestion, approval, execution and evidencing of the working activities?

If, because of not enough number of employees, the segregation of duties is not possible, must be ensured another control such as: double signature, additional control, ....

f) Whether acts, working processes and organizational schemes are updated? (date of last change)

A procedure must exist by which will be ensured their update and consolidation with laws and regulations. All employees to whom refer working procedures, dispose with newest edition of updated procedures.

g) Whether is ensured appropriate access control to the data and evidences? (only authorized persons have access)

For access in computer programs, employees must use codes that will change on a regular basis. Working with documents must correspond to the regulations for keeping and ensuring of specific degree of confidentiality.

h) Whether are determined and whether are implemented procedures by which the Manager checks the execution of the control activities?

Controls are successful if consistently and continually are implemented. The subject must establish procedures based on which receives information for the functioning of the internal controls.

**4. INFORMATION AND COMMUNICATION: Enable acquiring and exchange of all information needed for managing, implementing and surveying of the work. The subject must have implemented procedures and ensured possibilities for transfer of information and communication on a form of regular and emergency meetings, reports of working groups, gathering and managing information and information for irregularities by employees. Also, must be ensured communication of employees with highest managerial level so that employees would dispose with appropriate information for continual execution of their tasks.**

Additional explanations are not needed for questions related with the information and communications. In the remark state the references of the appropriate documents that certify your theorem.

**5. MONITORING AND ASSESSMENT: The risk management process meaning the financial management and control system is necessary to be followed regularly, to assess its efficacy and effectiveness as well as based on it to implement necessary changes due to changes in the work of the subject i.e. in its environment. Main task of the internal audit is appraisal of the functioning of the financial and management system, reporting about weaknesses and suggesting improvements. Beside the internal audit, the financial management and control is followed with assistance of the self assessment, informing employees as well as external institutions for the possible irregularities and other forms of exchange of information.**

a) Whether is established structure for informing that enables objectivity and independence of the internal audit?

b) Whether the manager of the subject reacts respectively on the recommendations of the internal audit?

The subject usually reacts on the recommendations of the internal audit with respective changes in the financial management and control system.

c) Whether exist following of the recommendations of the external and internal auditors for improvement of the financial management and control system?

State if someone is obliged for following of the recommendations of the external and internal auditors, as well as determining measures that should be undertaken. Whether are determined the dead lines in which those measures should be implemented?

d) Whether working manuals exist that clearly describe what should be implemented and who is the contact person in case of disclosure of control shortfalls?

State whether is prescribed who should be informed in case of not existence of internal controls, existence of not appropriate controls, meaning in case of not implementation of established controls.

In the remark state the references of the appropriate documents that certify your theorem.

e) Whether are established procedures that provide guidelines (working manuals) for implementation in practise and the same to be updated?

In the remark state the references of the appropriate documents that certify your theorem.

In the questionnaire for self assessment of the financial management and control, each answer on given question is scored in span from 1 score (for answer NO) to 5 points (for answer YES), please score your answers and collect the points.

**ANNEX 5**

Entity	
WUN number	
Place:	Date:

REPORT FOR PERFORMED AUDITS OF THE INTERNAL AUDIT FOR \_\_\_\_  
YEAR<sup>1</sup>

**I. GENERAL PART**

<b>1. BASIC DATA FOR THE ENTITY</b>		
1.1 Responsible person – head of the entity		
1.2 Average total budget/financial plan <sup>2</sup> in last three years		
1.3 Planned budget/financial plan for the reporting year		
1.4 Realized budget/financial plan for the reporting year (according to the closing account)		
1.5 The internal audit is implemented by:		
A) <input type="checkbox"/> independent internal audit unit that is directly accountable to the head of the entity		
B) <input type="checkbox"/> internal auditor(s) from the internal audit unit from other public sector entity according to a contract concluded between the heads of both public sector entities.		
B) <input checked="" type="checkbox"/> auditor(s) stated in the registry of authorized internal auditors		
Name of the Internal Audit Unit		
Name and surname of the head of the Internal Audit Unit		
Telephone:		E-mail:
<b>B) Basic data when the internal audit has been organized by engaging internal auditor(s) from IAU from another public sector entity based on concluded contract</b>		
Entity with which the contract has been concluded		
Number and date of concluding/terminating the contract	Concluded on: No.	Terminated on: No.
Name of the engaged IAU		
Name of the auditor(s) who perform the audit according to the concluded contract		
1. 2. .....		
Telephone:		E-mail:
<b>C) Basic data when the internal audit has been organized by engaging internal auditor(s) stated in the registry of authorized internal auditors</b>		
Number and date of concluding/terminating the contract		
Concluded on: No.		
Terminated on: No.		
Name and surname of the authorized internal auditor(s)		
1. .....		
Telephone:		E-mail:

<sup>1</sup> Enter the year for which the annual report refers to

<sup>2</sup> The total budget/financial plan should contain the revenues and other incomes to the basic budget and the incomes to the budget of the self financial activities, donations and loans and the revenues and other incomes to the budgets of the funds and municipalities ascertained with the last supplementary budget during the year, including the funds and programs financed by EU.

<sup>3</sup> Internal Audit Unit

**Objective of the annual report for performed audits and activities of the internal audit:**  
 Informing the Ministry of Finance, Public Internal Financial Control Department for performed audits and activities of the internal audit with necessary data due to preparation of cumulative annual report for the public internal financial control system that shall be submitted to the Government of the Republic of Macedonia.

**Objective of the internal audit:**  
 The objective of the internal audit is to provide an independent reasonable assurance and advise to the head of the public sector entity with aim to improve the working of the entity and increasing the effectiveness of the internal control systems.

**Basis for the reporting obligation**  
 Pursuant to Article 47 of Law on public internal financial control in the public sector ("Official Gazette of the Republic of Macedonia" no.90/09) the head of the first line budget user in the area of legislative, executive and judicial power (except the State Audit Office), funds and municipalities and the City of Skopje is obliged to submit annual financial report to the Central Harmonisation Unit no later than 10<sup>th</sup> May in the current year for the previous year which contains also a report for performed audits and internal audit activities. "

**2. DATA FOR INTERNAL AUDIT UNIT AND INTERNAL AUDITORS**

2.1 The internal audit is legally based Yes **D**      No **D**

2.2 If the answer is YES – state the name, number and the date of the act:

2.4 The Internal Audit Unit in an organizational and functional way is directly and only accountable to the head of the entity. Yes **D**      No **D**

2.5 If the answer is NO – state to whom it is accountable and why:

2.6 The Head of the Internal Audit Unit is appointed: Yes **D**      No **D**

2.7 If the answer is YES – is the appointed head of the Internal Audit Unit an authorized internal auditor and does he/she has at least three years working experience in the area on the internal or external audit? Yes **D**      No **D**

**2.8 Staffing of IAU by job posts**

Job post	Systematized	Fulfilled	Name and surname	Changes in the staffing of the IAU during the reporting year	
				Date of starting with work in IAU	Date of ending the work with IAU
- Head of Department					
- Head of Unit					
- Internal Auditor – Advisor					
- Internal Auditor - Senior Associate					
- Internal Auditor - Associate					
- Auditor on training - Young Associate					
.....					
<b>Total</b>					

2.9 Internal Auditors perform only the tasks of the internal audit: Yes **D**      No **D**

2.10 If the answer is NO – state the tasks that they perform and are not related to the internal audit:

2.11 Internal Auditors have complete, free and unlimited access right to:  
 a) complete documentation: Yes **D**      No **D**  
 b) data and information from all data bearers: Yes **D**      No **D**

c) head of the entity: Yes <b>D</b> No <b>D</b>		
d) persons (heads and employees): Yes <b>D</b> No <b>D</b>		
e) material assets Yes <b>D</b> No <b>D</b>		
2.12 If the answer is NO – state why:		
<b>3. APPLICATION OF THE STANDARDS AND THE METHODOLOGY OF THE WORK OF THE INTERNAL AUDIT</b>		
3.1 Internal Auditors have an example of the Internal Audit Manual	YesD	NoD
3.2 Internal Auditors, besides the Internal Audit Manual received from the Central Harmonization Unit for internal audit, also have their own addition to the manual for the specifics of the working in the unit.	YesD	NoD
3.3 If the answer is YES – is it submitted to the Central Harmonization Unit for internal audit?	YesD	NoD
3.4 Internal Auditors when performing individual audits in they completely obey to the phases of the audit process prescribed in the Internal Audit Manual	YesD	NoD
3.5 If the answer is NO – state the reasons:		
<b>Application of the Charter for internal audit:</b>		
3.6 The head of the entity and the head of the Internal Audit Unit have signed a Charter for internal audit:	YesD	NoD
3.7 If the answer is NO – state the reasons:		
3.8 The Charter for internal audit is submitted to the Central Harmonization Unit for internal audit	YesD	NoD
3.9 If the answer is NO – state the reasons:		
<b>Application of the Code of ethics of the internal auditors in the public sector</b>		
3.10 Internal Auditors obey to the principles and regulations of the Code of ethics of the internal auditors	YesD	NoD
3.11 If the answer is NO – state why and what are the cases of not observation:		
<b>Conducting the internal audit</b>		
3.12 The strategic plan for internal audit is prepared based on solid risk assessment:	YesD	NoD
3.13 If the answer is NO – state the reasons:		
3.14 The strategic plan for internal audit is adopted by the head of IAU upon received agreement of the head of the public sector entity:	YesD	NoD
3.15 If the answer is NO – state the reasons:		
3.16 The annual internal audit plan is prepared based on the Strategic plan for the internal audit:	Yes <b>D</b>	No <b>D</b>
3.17 If the answer is NO – state the reasons:		
3.18 The annual internal audit plan is adopted by the head of IAU upon received agreement of the head of the public sector entity:	Yes <b>D</b>	No <b>D</b>
3.19 If the answer is NO – state the reasons:		
<b>Execution of the updated annual internal audit plan with all changes and amendments:</b>		

Number	Type of audit	Audit subject	Name and surname of the executors	Realized Yes/No	Financial means covered with the audit in denars	% of scope of the total budget/financial plan
1.						
2.						
3.						
4.						
5.						
6.						
.....						
<b>TOTAL</b>						
3.20 Total number of planned audits in compliance with the annual plan						
3.21 Total number of additionally planned audits (ad hoc)						
3.22 Total number of performed audits for which final audit reports are prepared						
3.23 Reasons for not execution of the planned number of internal audits – (state the reasons)						
3.24 Final audit report shall be submitted to the head of the entity and top the heads of the audited organizational units right after the end of each performed audit				Yes <b>D</b>	No <b>D</b>	
3.25 If the answer is NO - state how the final report is submitted: a) <b>D</b> all audit reports are submitted at the end of the year b) <b>D</b> from time to time, several reports are submitted c) <b>D</b> other ways (state how)						
3.26 The head of the entity, meaning heads and employees in the entity where an audit is conducting, based on the audit findings and recommendations shall prepare and submit an Action plan for implementing the recommendations to the head of the IAU where will be defined the responsible persons and the dead lines for undertaking measures within the frames of their competences.				Yes <b>D</b>	No <b>D</b>	
3.27 If the answer is NO – state the reasons:						
3.28 For the given recommendations in the audit reports, the head of IAU and/or the internal auditor has prepared a data base (matrix) for following the implementation of the recommendations				Yes <b>D</b>	No <b>D</b>	
3.29 If the answer is NO – state the reasons:						
3.30 The head of IAU and/or the internal auditor shall follow the implementation of the recommendations from performed audit and the implementation of the action plans.				Yes <b>D</b>	No <b>D</b>	
3.31 If the answer is NO – state the reasons:						
<b>Number of ascertained findings, given and implemented recommendations until the end of the reporting year:</b>						
3.32 Number of ascertained findings in the audit reports						
3.33 Number of given recommendations in the audit reports						
3.34 Number of implemented recommendations						
3.35 Number of partially implemented recommendations						
3.36 Number of not implemented recommendations						
3.37 Number of recommendations for which there are no information for their implementation						
3.38 If there are not implemented recommendations, state the reasons for not implementation						
<b>Spent audit days for performing the internal audits in the reporting year:</b>						



2. CA	SES OF R	Period of execution (date)					Spent audit days (period)	Total	Aver	% of spent audit days	% of spent audit days for	% of total spent audit
		Planned		Realized								
		EPOR- TED	SUSPI IONS F	CIONS F	OR FR	AUDS						
2.1.	State	by the	reported	ess	of	in	for frauds as-	in	the	of	the	execute
3. M CO	the audit AIN	LU- SIONS	THAT REFINEAR TO THE report			FUNCTIONING OF WITH H. E. non-		FINANCIAL AUDIT MANAGE MENT AND				
3.1	State the	ain con-	sions	at refer	o the	nction-	of the financial management and control system				ally	
4. S UGGESTI ONS	DEVELOPMENT OF THE INTERNAL					days)				audits	audits	
4.1	State	y the	ities	t are planned	real-	for the devel-	nt of the intern	al	in Your	institu-	: 15(13+1	
1												
2												
C30 4	MMENTS:											
.....												
<b>TOTAL</b>											100	

Address of the entity:

3.38 Number of total spent audit days (total from column 11)	
3.39 Number of average spent audit days (total from column 12)	
3.40 a) Percentage of spent audit days for the executed initially planned audits with the audit plan (total from column 13) :	b) Percentage of spent audit days for the executed additionally planned (ad-hoc) audits (total from column 14):
Total:100%	

**II. SPECIFIC PART 1. OVERVIEW OF PERFORMED AUDITS, ASCERTAINED FINDINGS AND GIVEN RECOMMENDATIONS**

.6p	HasMB Ha peM3MJa xa	Short descripti  Irregularities	on of the fin. Weakne sses of the internal control system	ding Oth er	Short descriptio n of the recommen dation	Appointed person for implementin g the recommen dation	Realization (yes/no)		Document - proof that the re- commendation is realized	
							If it is "yes" state the undertaken activities	If its is "no" state the reasons for not implementation	Name of the documen t	Archive number of the document
1	2	3	4	5	6	7	8	9	9	10
1										
2										
.....										

(signature of the Head of Internal Audit Unit / Internal Auditor)

(stamp)



