

Pursuant to Article 3, point 44 and Article 26, paragraph 1 from the Law on public internal financial control ("Official Gazette of the Republic of Macedonia", no.90/09), _____

(Head of the public sector entity)

of _____ adopted this

(name of the public sector entity)

INTERNAL AUDIT CHARTER

1. Subject of the charter

This charter establishes the frame in which _____ will function with aim of

(Internal Audit Unit in – name of the subject)

improving the working of _____ .

(name of the public sector entity)

2. Internal audit function

Internal Audit is an independent activity of objective assurance and consulting that takes place in the public sector determining whether acceptable policies and procedures are followed, legislative requirements and established standards are met, resources are used efficiently and economically, planned objectives (missions) are accomplished effectively and the objectives of the public sector entity are met.

3. Internal audit objective

The objective of the internal audit is to provide additional assurance to the government, relevant minister, the head and the management of the public sector entity that the implementation of management and control mechanisms is adequate, economical and consistent with the generally recognised standards and national legislation. The internal audit furnishes head of the public sector entity with analyses, recommendations, advices and information concerning the activities reviewed.

4. Independence

1. The internal audit is an independent of the activities it audits in order to ensure objective judgement and impartial advice.
2. The internal auditor does not have competence neither is responsible for the activity reviewed. The internal audit by advising may be involved in the developing or implementing departmental policies, systems and procedures in adherence to any past or present recommendations made by the Internal Audit Unit.

5. Competence

1. The competence of the Internal Audit Unit derives its authority from the Law on public internal financial control ((“Official Gazette of the Republic of Macedonia”, no.90/09)
2. The Internal Audit Unit is authorised to conduct regularity and financial audits, system based audits, IT-audits and performance audits on the work (from a point of view of economy, efficiency and effectiveness)
3. The Internal Audit Unit reports to the Head of public sector entity through its Head and submits reports to the auditee and to the Central Harmonisation Unit for Internal Audit in the Ministry of Finance.
4. In order to carry out responsibilities, the Head and the internal auditors from the Internal Audit Unit are authorised to have full, free and unrestricted access to all documents, property and staff relevant to the performance of internal audits. Head of the public sector entity should co-operate in providing information and explanations to the Head of Internal Audit Unit or the internal auditors for the effective and efficient performance of the audits.

6. Role and scope

1. The role of internal audit is to identify and understand the potential risk in the activities of the public sector entity and to examine and evaluate the adequacy and effectiveness of the internal control systems established to control such risk.
2. The scope of the internal audit is unrestricted and includes adherence to centrally prescribed policies, directives and procedures (including those emanating from the international commitments of the Republic of Macedonia and/or from membership within international groupings), and promotion of the economy, efficiency and effectiveness of the activities of the public sector entity in the interest also of transparency in the execution and sustainability of the public services.
3. The Internal Audit Unit has unrestricted access to all activities undertaken by the public sector in order to review, assess and report on:

- a) the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to ascertained risks;
- b) the extent of compliance with policies, standards, plans and procedures and their financial effects;
- c) the extent of compliance with laws and regulations of the Republic of Macedonia and those emanating from the international commitments, including reporting requirements of national and international regulatory bodies;
- d) the extent to which resources are acquired economically, used efficiently, duly accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, not enough economy, efficiency and effectiveness, fraud or other causes;
- e) the suitability, accuracy, reliability and integrity of financial and other information and the means used to identify, measure, classify and report such information;
- f) the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, frauds and losses of all kinds and that the process aligns with the objectives of the public sector entity;
- g) the suitability of the organisation of the subjects and other units audited, for carrying out their functions and to ensure that public services are provided in way which is economical, efficient, effective, transparent and sustainable;
- h) the actions taken by the Head of the subject to remedy weaknesses identified by the internal audit and to confirm that good practice is identified and communicated widely.

7. Responsibilities

The Internal Auditor shall function in compliance with the Standards for Professional Practice of the internal audit and the Code of Ethics.

1. The head of the Internal Audit Unit shall be responsible for:
 - a) effective performance of all types of audits;
 - b) effective management and development of the internal audit in the public sector entity by providing the necessary professional, technical and operational directions that emanate from the international audit standards, guidelines and practices;

- c) providing effective functioning and independence of the Internal Audit Unit within the frames of the public sector entity with no direct responsibility for, nor competence over any of the audited activities;
- d) preparation of strategic plan based on the objective and scope of the internal audit and on the objective understanding of risks to which the public sector entity is exposed, and submission of the plan to the Head of the public sector entity for endorsement;
- e) preparation of an annual operational plan for execution of the strategic plan. When preparing the plan will be taken into consideration the policies and directives of the Central Harmonisation Unit of the internal audit in the Ministry of Finance, interests of the Head of the public sector entity and the risk assessments of the activities of the public sector entity carried out by the Internal Audit Unit from time to time. The annual audit plan contains the key areas that will be audited, defines the tasks to be performed, determines the dead lines and needed resources;
- f) realization of the plans submitted to, and approved by the public sector entity and for completion of other ad-hoc assignments that might be required in order to fulfil the role and cover the scope of the internal audit within the public sector entity;
- g) giving proposals to the Head of the subject and to the Central Harmonisation Unit of the internal audit in the Ministry of Finance in regard to the resources that are required to meet the approved audit plans;
- h) maintaining of a professional level of the employees in the Internal Audit Unit by providing sufficient level of knowledge, skills and experience;
- i) providing a continuous and timely internal audit for the needs of the Head of the subject completely respecting the confidentiality of the work.

8. Reporting

1. The Internal Audit Unit formally will inform the Head of the public sector entity for the results of its work.
2. The previous audit report shall be produced within one month of the conclusion of the audit and shall be submitted to the auditee and to the Head of the public sector entity responsible for the audited areas. The report contains findings and recommendations arising from the assessment of the reliability and adequacy of that audited parts of the internal control system. The draft version of the previous audit report will be discussed with the auditee for consolidation and precising prior to the issue of the previous report.

3. In case of fraud or financial irregularity, the internal audit in writing shall inform the Head of the subject and the person in charge of irregularities.
4. The Internal Audit shall report to the Head of the subject throughout the year, at least on a quarterly basis, for the achieved results against the adopted audit plans and shall explain any variation from the plan.
5. The Internal Audit Unit submits an Annual Report on the activities during the year to the Head of the public sector entity. A copy of the report shall be submitted to the Central Harmonising Unit for internal audit in the Ministry of Finance latest by 10th May next year. As a minimum, the report shall include:
 - summary for performed audits;
 - analysis of the common or significant weaknesses;
 - a comparison of realized audits with planned;
 - details for the findings from significant audits or investigations where urgent action was required, but has not been taken, including the findings identified in the audit reports from previous years.

9. Relationship with the State Audit Office (SAO)

The relationship between the Internal Audit Unit and SAO shall be in accordance with the following conditions:

- a) The communication between SAO and the Internal Audit Unit shall be realized only personally through the General Auditor and the Head of Internal Audit Unit.
- b) The Head of the Internal Audit Unit shall discuss with the audit plans with the General Auditor regarding the main tasks of the internal audit, with primary objective to avoid duplication of the activities and the resources.
- c) The working documents of the Internal Audit Unit, that might be sensitive or to have restrictions of their contents, may be available to SAO only on request by the General Auditor.
- d) The Head of the subject is owner of the reports prepared by the Internal Audit Unit and they may be available to SAO if they are directly requested by the Head of the public sector entity.
- e) Both the SAO and the Head of the Internal Audit Unit agree in a spirit of mutual trust, respecting their independence, to inform each other if any of them discover, during an audit assignment, that there is a serious suspicion for bad management and/or fraud.

- f) Both SAO and the Head of the Internal Audit Unit shall inform each other and mutually shall participate in any training initiative that is under their competences, including the EU initiatives intended for control and protection of the financial interests of EU.

Date:

Head of Internal Audit Unit

Head of subject

A copy of the signed Audit Charter shall be submitted to the Central Harmonization Unit for internal audit in the Ministry of Finance.