I. GENERAL PROVISIONS

Article 1
Subject of the law

This law regulates the principles, competence, organization of the financial inspection in the public sector (hereinafter: financial inspection), as well as the procedure for carrying out financial inspection.

Article 2
Purpose of the law

The purpose of this law is to protect the financial interests within the public sector seriously bad financial management, fraud and corruption.

Article 3
Scope of Financial Inspection

Financial inspection is carried out at: users of funds from the Budget of the Republic of Macedonia, Funds, 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 municipalities and the City of Skopje, or where the state or Municipalities and the City of Skopje are shareholders, as well as for non-profit organizations and other legal and civil persons, only for the part of public funds or guarantees received (hereinafter: entities in which is perform the financial inspection).

Article 4
Principles of financial inspection

Financial inspection in the public sector is performed in accordance with the principle of: legality, equality, impartiality and objectivity, material truth, questioning the subjects of surveillance, public, proportionality and subsidiarity pursuant to the Inspection supervision law and the principle of confidentiality, which includes a forbidden on providing information during the financial inspection, except in cases provided by law.

Article 5
Definitions

Certain notions used in this law have the following meanings:
1. "Financial inspection" is an ex-post activity of controlling the compliance of transactions and other activities in the area of financial management and control carried out by the entities in which is perform the financial inspection.

2. "Public funds" are all collected, received, earned, granted and spent funds of the inspected entities, including the budget revenues, receivables, expenditures and subsidies.

3. "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.

4. "Seriously bad financial management" are actions or omissions made by managerial or other person in the entity that could cause or lead to losses and/or damage.

5. "Fraud" is any intentional act or omission related to: using or showing false, inaccurate or incomplete statements or documents that result in misappropriation or unjust retention of public funds, funds from the European Union and resources from other domestic and foreign sources; disclosing information, thus breaking any particular obligation to the same effect and improper use of funds for purposes other than those for which they were originally assigned.

6. "Irregularity" is non-compliance or erroneous application of laws and other regulations, as well as of international agreements, which stems from the actions or inactions of the public funds users, and which has or could have a detrimental effect on the Budget of the Republic of Macedonia, EU funds or funds from other national and foreign sources, irrespective of whether they are revenues/income, expenditures/spending, returns, inheritances or liabilities.

II. ORGANIZATION AND COMPETENCIES FOR PERFORMANCE OF THE FINANCIAL INSPECTION IN THE PUBLIC SECTOR

Article 6

(1) The work of the financial inspection is performed by the Department for financial inspection in the public sector (hereinafter: Department), as separate internal organizational unit within the frames of the Ministry of Finance.

(2) With the work of the financial inspection manages Chief Financial Inspector for public finances (hereinafter: Chief Inspector), who is responsible directly to the Minister of Finance.

Article 7

(1) The financial inspection is carried out by an Inspector for public finances (hereinafter: Financial Inspector).

(2) Financial Inspector is a person graduated on the Faculty of economics or law, with working experience in the area of finances, internal and external audit, who meets the general requirements established by the Law for civil servants.

(3) Financial Inspector performs financial inspection on based of an authorization signed by the Chief Inspector.
1. Chief Inspector

Article 8

The Chief Inspector performs the following tasks:

- checks the requests, information or the reports under Article 10 of this law and issues an authorization for the start of the financial inspection;
- determines training needs of the inspectors and coordinates the relevant training programs;
- cooperates and exchanges information with other public sector entities and the European Anti-Fraud Office (OLAF).

2. Financial Inspector

Article 9

The financial Inspector shall perform the following things:

- performs financial inspection for management with the public funds in compliance with a law;
- determines the violations of the laws, especially those related to fraud and corruption that causes financial harm to the public sector entities;
- analyzes the causes and the circumstances that led to violation of the laws;
- identifies the persons responsible for the occurrence of detected irregularities and to locate the direct (immediate) responsible;
- to submit a request for initiating misdemeanor or criminal procedure and property liabilities for the and property perpetrators, when there are legal requirements;
- performs check of the implementation of the measures approved by the Chief Inspector regarding the performed financial inspection and
- analyzes the causes and circumstances that led to the disruption of financial discipline meaning not execution, negligent and not timely execution of the tasks while the management with the public funds and to give a proposal to the Chief Inspector for undertaking actions.

3. Basis for start of financial inspection

Article 10

1) Financial inspection is performing based on:
   - Confirmed by evidence request, information or report from legal and civil persons;
− reporting or record for violation of the procedures for financial management and control;
− report on the financial management and control area;
− report on the internal audit;
− report from the State Audit Office;
− request from the Government of the Republic of Macedonia;
− request from the head or employer of the public sector entity;
− request from the Public Prosecution of the Republic of Macedonia and
− request from the European Anti-Fraud Office (OLAF - Office Europeen de Lutte Anti-Fraude).

4. Criteria for withdrawal from performing financial inspection

Article 11

(1) The Financial Inspector is withdrawn from performing financial inspection if:

− in the last three years worked or has been a member of a management or supervisory board in the entity in which is carrying out the financial inspection;
− in the last three years a spouse or a relative up to the second degree is a member of a management or supervisory body in the entity in which is carrying out the financial inspection;
− there are reasonable reasons that there are personal interests in the activities that are subject to control and
− there are other reasons that give suspicion of his/her impartiality.

(2) The financial inspector immediately after the discovery that one of the reasons for exemption from paragraph 1 of this Article exists, without any delay terminates the inspection and immediately shall report to the Chief Inspector who decides for exemption or prolongation of the performance of the financial inspection.

5. Status and salaries

Article 12

(1) The chief inspector and financial inspectors have the status of the civil servants.

(2) The titles of financial inspectors are: Junior Inspector, Inspector and Senior Inspector and assistant chief inspector.

(3) Junior Inspector may be an officer who meets the requirements of title associate of the Law on Civil Servants. Younger inspector may participate in the work of inspectors team, but can independently conduct financial inspections.
(4) An inspector may be an officer who meets the requirements of title advisor of the Law on Civil Servants.

(5) Senior Inspector may be an officer who meets the requirements for the title Head of Unit of the Law on Civil Servants.

(6) Chief inspector Assistant can be an officer who meets the requirements of title Assistant Head of Department of the Civil Servants Law.

(7) The Chief Inspector may be an officer who meets the requirements for the title Head of Department of the Law on Civil Servants.

(8) The decisions for determine the titles of paragraph (2) of this Article are adopted by the Minister of Finance.

Article 13

(1) The salary of the chief inspector and financial inspectors are determined based on the following points:

- Chief Inspector 1.183 points;
- Assistant Chief Inspector with 909 points;
- Senior Inspector with 864 points;
- Inspector to 697 points and
- Junior inspector 561 point.

(2) The value of the points in paragraph (1) of this Article shall be equal to the value of the point about the salaries of civil servants.

(3) Work experience and career development of financial inspectors are paid according to the Civil Servants Law.

6. Right of the Financial Inspector

Article 14

When carrying out the financial inspection, the Financial Inspector has a right to:

- unlimited access to all information and documents relevant for the inspection, including those that are classified with the highest degree, that are kept within the entity subject to inspection;
- unlimited access to the premises and the assets of the entity in which is carrying out financial inspection;
- carry out a control of the legality for spending the funds and the sources of funds (assets and liabilities), accounting systems and all documents, including those in electronic form;
- request from the entity in which is carrying out financial inspection, certified copies of documents related to the financial inspection within determined deadlines in the written request from Article 16, paragraph 2, of this law;
- request from the entities in which is carrying out financial inspection to provide an insight into the banking accounts in the country and abroad within specified deadlines;
- request, within specified deadlines, reports of the internal auditors, reports of the State Audit Office and other control bodies, which are kept with the entity where is carrying out financial;
- perform control and to request information and certified copies of documents also from the legal and civil persons outside of the entity subject to financial inspection, in relation to carrying out the financial inspection;
- be informed by the competent court about the decisions brought in relation to the undertaken measures with the inspection activities and
- prevent access of responsible persons to safe boxes, warehouses and other objects which are subject to the financial inspection, by sealing them in presence of an authorized officer of the entity which is subject to the inspection.

7. Obligations of the Financial Inspector

Article 15

(1) Financial Inspector shall act lawfully, timely and in compliance with the Code of Ethics of the civil servants and Code of Ethics of the inspection service.

(2) During the performance of the financial inspection, the Financial Inspector is obliged to inform the responsible person of the entity that is subject to the financial inspection about the legal basis for the inspection, the beginning of the inspection, unless a law specifies it differently or if such notice reduces the efficiency of the inspection or for the sake of protection of the public interest and life and health of the people and property.

(3) Financial Inspector informs the responsible person of the entity in which is carrying out the financial inspection in an objective and clear manner about the results of the performed inspection, ascertained irregularities and damages and the reasons for their occurrence as well as the misdemeanors ascertained on the basis of facts and circumstances.

(4) Financial Inspector respects the confidentiality of all facts or circumstances that were ascertained during the process of carrying out his/her duties, unless in cases established by law.

(5) Financial Inspector stops from taking any actions that could obstruct the prosecution.

8. Obligations of the entity in which is performing financial inspection

Article 16
(1) The entity in which is performing the financial inspection is obliged to the Financial Inspector to:
- allow the inspector unobstructed performance of the inspection and to provide an insight to the information and the documents necessary for performance of the inspection;
- provide the necessary conditions for unobstructed work and ascertaining the actual situation and
- provide, within specified deadline, an access to the premises, products, documents or any other asset that is subject to the financial inspection.

(2) The entity in which is performing the financial inspection is obliged upon written request of the Financial Inspector within the timeframe determined in the request of the financial inspector, to provide or prepare for accurate and complete data, reports, materials and other documents necessary for performing the financial inspection.

(3) The Financial Inspector may order to the entity which is subject to financial inspection to perform some activity during the inspection procedure, in order to fully ascertain the actual situation and to determine a deadline for performance of that activity.

(4) The entity subject to financial inspection has no right to refuse to provide information from previously performed financial inspections by other control entities, documents and data that are kept in paper or electronic form with certain degree of confidentiality in accordance with the provisions for protection of classified information and documents that contain personal data.

Article 17

(1) Ministry of Finance is not liable for damages to third parties that may arise due to the measures and activities undertaken by financial inspection in the public sector, except when it exceeded its powers under this law.

(2) For the damages under paragraph (1) of this Article does not liable people who are or have been inspectors, unless they are a final decision been convicted of a criminal offense in connection with the operation.

(3) The chief inspector and financial inspectors, during and after termination of employment or engagement of the Ministry of Finance, not liable for damages to third parties caused by running tasks if they are performed within the powers laid down in law.

III. PROCEDURE FOR PERFORMANCE OF FINANCIAL INSPECTION

1. Initiating a procedure for financial inspection

Article 18

1) Procedure for financial inspection can initiate the Chief Inspector based on Article 10 of this law and upon a request of the Minister of Finance.

2) The chief inspector before the commencement of the financial inspection under Article 10
of this Law shall inform the Minister of Finance.

3) The Chief Inspector decides for initiating a financial inspection if gets knowledge which points out to reasonable suspicion for seriously bad financial management.

2. Reporting on performed financial inspection

Article 19

(1) The Financial Inspector prepares a report on the performed financial inspection with findings with relevant proofs and suggests measures that are submitting to the Chief Inspector.

(2) Upon approval from the Chief Inspector, the report shall be submitted to the head of the entity in which is performing financial inspection in order to give written comments within 15 days of the day of submission of the report.

(3) In case of ascertained irregularities, due to written comments, within the deadline from paragraph 2 of this Article, copies of the findings in the report and the associated evidence are adequately submitting to the persons in the entity whose activities were subject to inspection.

(4) The Financial Inspector who performed the inspection shall prepare a written response within 7 days from the date of receipt of comments mentioned in paragraph (2) and (3) of this Article.

(5) Upon an approval of the answer, the Chief Inspector is submitting it to the head of the entity that is subject to the financial inspection, as well as to the persons from paragraph 3 of this Article.

(6) The Chief Inspector is submitting to the Minister of Finance the whole documentation for the performed financial inspection for his information.

3. Measures that are taken by the Chief Inspector

Article 20

(1) On the basis of the report from the financial inspection in the public sector, the Chief Inspector can undertake the following measures:

- to request from the head of the entity that is subject to financial inspection to undertake necessary measures to review the financial management systems, in order to remove the irregularities and/or to remove the negative consequences of these activities;

- to request from a competent body or a head of entity in which is performed financial inspection to terminate the activities what led to irregularity or caused a damage;

- to request from a competent body or a head of entity in which was performed financial inspection to align internal acts with the regulation for financial management and control;
- to request from a competent body or a head of entity in which was performed financial inspection to undertake measures for material recovery or disciplinary measures, according to law and to report on their execution within a specified deadline and
- to block bank accounts or use of funds approved in the in the budget at a level of program, item or project until to remove the identified irregularities.

(2) In cases mentioned in paragraph 1 of this Article, the head of the entity in which the inspection was carried out, within 30 days after informing the Chief Inspector, is obliged in writing to inform about the undertaken measures and activities.

4. Informing the bodies

Article 21

(1) In case of ascertained irregularities identified during performance of the financial inspection:
- for the users of funds from the Budget of the Republic of Macedonia and the funds, the information on irregularities shall be submitted to the superior Minister and/or the body responsible;
- in the units of the local self-government and the City of Skopje and their unit-users, the information on irregularities shall be submitted also to the major and the Council of municipality and to the major and Council of the City of Skopje;
- in the agencies and the other institutions established by law, public enterprises, public institutions and the other legal entities that are in state ownership or in which the state is a shareholder, as well as in the non-profit organizations and other legal and civil persons, the information on irregularities shall be submitted also to the Government of the Republic of Macedonia, meaning to the Mayor of the municipality i.e. or the City of Skopje or to the legal entity legal entity holding the controlling interest of the capital and
- in trade company in which was initiated a procedure of bankruptcy or liquidation, the information on irregularities shall be submitted also to the body which has ownership rights of the state or the municipality and the bodies of the bankruptcy proceedings.

(2) Information on the irregularities from paragraph 1 of this Article, the Chief Inspector is submitting to the Minister of Finance.

5. Annual report

Article 22

The Ministry of Finance submits Annual Report to the Government about the results of the financial inspection in the public sector in the preceding year, latest by 31st March in the current year. The Annual Report is publishing on the web site of the Ministry of Finance.

V. VIOLATION PROVISIONS

Article 23
The head of the inspected entity in which is carrying out financial inspection will be fined for made violation, in the amount from 5.000 to 7.000 Euro in denars equivalent, if he/she:

1. fail to provide unobstructed performance of the inspection and fail to provide an insight to the information and the documents necessary to carry out the inspection (Article 16, paragraph 1, line 1);

2. fail to undertake measures to re-examine the financial management systems in order to remove the irregularities and/or remove the negative consequences of these activities (Article 20, paragraph 1, line 1);

3. fail to cease the activities which led to irregularity or caused damage (Article 20, paragraph 1, line 2);

4. not align the internal acts with the regulation for financial management and control (Article 20, paragraph 1, line 3);

5. fail to undertake measures for material compensation or disciplinary measures in accordance with the law and fail to inform about their implementation within the determined deadline (Article 20, paragraph 1, line 4);

Article 24

(1) For the violations in Article 23 of this Law, violation procedure shall be taken by and a violation sanction shall be imposed by a competent court.

(2) In accordance with the provisions of Article 23 of this Law, shall be performed procedure for settlement and mediation.

VI. TRANSITIONAL AND FINAL PROVISIONS

Article 25

On the day of the implementation of this law, cease to apply the provisions from Article 51 of the Law on Public Internal Financial Control (“Official Gazette of the Republic of Macedonia”, No. 90/09 and 12/11).

Article 26

This law enters into force on the eighth day from the day of the publication in “Official Gazette of the Republic of Macedonia”, and will start applying as of 1st January 2013.