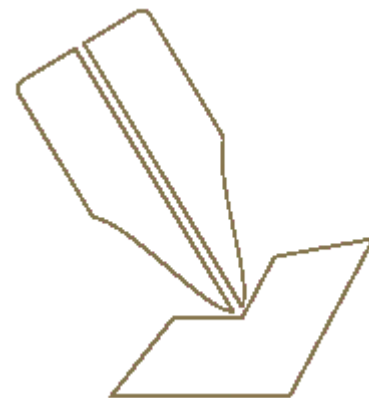


Audit of political parties by SAI Serbia

*State Audit Institution of the Republic of
Serbia*

Marija Basta

Radovan Medic



INTRODUCTION

By article 10 of the Law on State Audit Institution is set that auditees are political parties, in accordance with the law governing financing of political parties.



- Audits of political parties have begun since 2015 (for 2014).
- A total of 43 combined (financial and compliance) audits of political parties were carried out between 2015 and 2024.

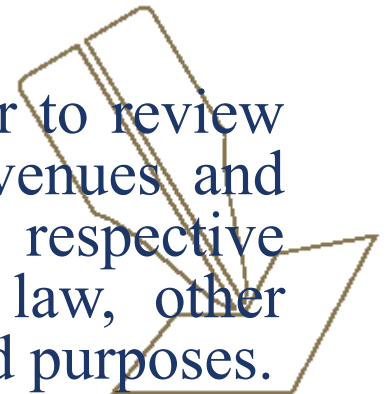


AUDIT OF FINANCIAL STATEMENTS AND COMPLIANCE AUDITS



Subject of political parties audits are annual financial reports and regularity of operations.

- **Audit of annual financial reports** comprises: revenues and expenditures, property and obligations reported in evidences and financial reports, as well as functioning financial management and control; In the audit process, the audit of the conducting of inventory of assets and liabilities was pursued, as well as conducting of the reconciliation of the accounting balance with the actual situation.
- **Audit of regularity of operation** pursued in order to review financial transactions and decisions regarding revenues and expenditures, with the aim to determine whether respective transactions were executed in compliance with law, other regulations, given authorization, and for the planned purposes.



AUDIT OF FINANCIAL STATEMENTS AND COMPLIANCE AUDITS

1. Regulations used for financial reports audits:

- Law on Accounting,
- Law on Budget.



2. Regulations used as sources of criteria in compliance audits:

- Law on Financing Political Activities,
- Labour Law,
- Internal acts of the auditee.



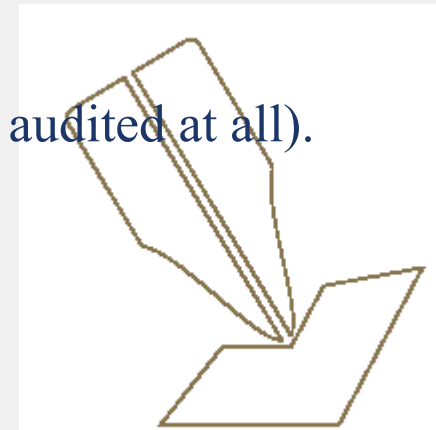
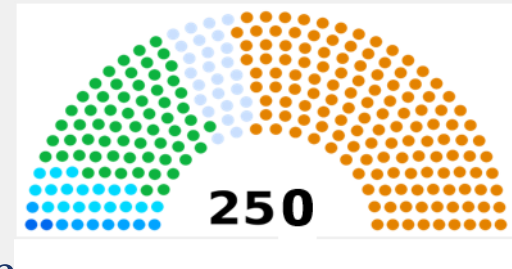
Law on Public Procurements is not mandatory for political parties and they don't conduct public procurement procedures.



CRITERIA FOR SELECTION OF POLITICAL PARTIES FOR AUDIT PROGRAM

The selection of political parties in Audit Program is done on the basis of following criteria:

- Number of deputies in the National Assembly,
- Total assets (operating assets) reported in financial statements,
- Total revenues reported in financial statements,
- Total expenditures reported in financial statements,
- The amount of money allocated from the central budget,
- Total revenues received from public sources,
- Time period elapsed from conducting previous audit (was it audited at all).



MOST IMPORTANT FINDINGS IN FINANCIAL REPORTS AND COMPLIANCE AUDITS OF POLITICAL PARTIES IN PERIOD 2015 - 2023



FINDINGS

No inventory of assets and liabilities has been conducted

No reconciliation of accounts receivables and accounts payables has been conducted

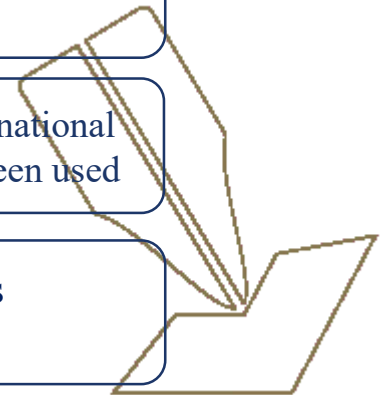
Incomplete internal acts

Unreliable accounting evidence

Incorrect recording

Funds for professional development and training, international cooperation and work with the membership have not been used

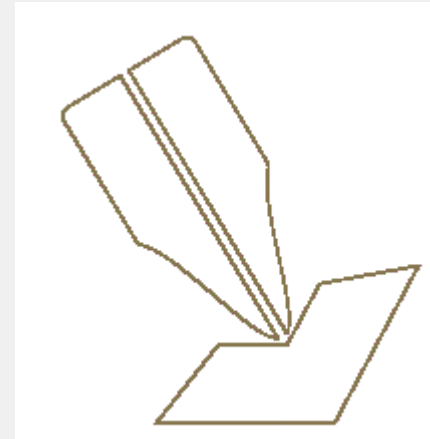
No report on election campaign expenses has been submitted



NO INVENTORY OF ASSETS AND LIABILITIES HAS BEEN CONDUCTED

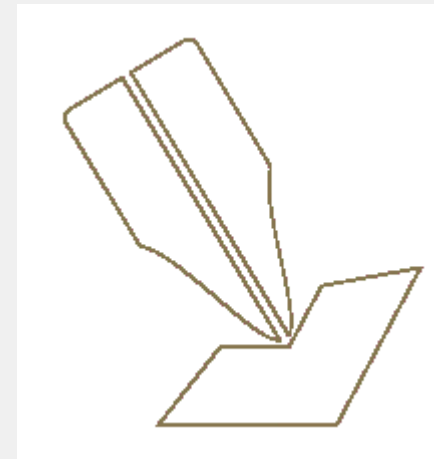
In the course of pursuing the audits, in the area of inventory of assets and liabilities, it was found that:

- No inventory of assets and liabilities has been conducted,
- No differences between the actual balance determined by the inventory and the accounting balance have been recorded, which is not in accordance with Article 20 of the Law on Accounting and the Rulebook on the Method and Deadlines for Conducting the Inventory and Reconciliation of the Accounting Balance with the Actual Balance.



NO RECONCILIATION OF ACCOUNTS RECEIVABLES AND ACCOUNTS PAYABLES HAS BEEN CONDUCTED

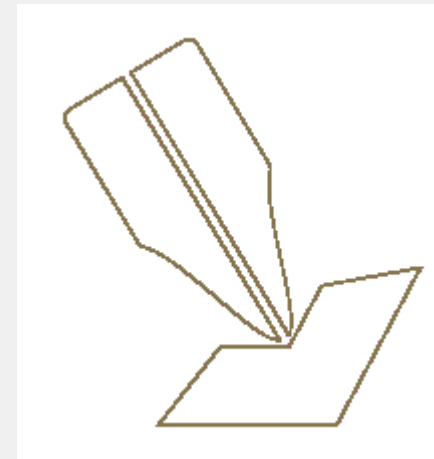
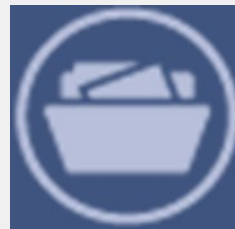
Article 22 of the Law on Accounting prescribes that legal entities and entrepreneurs are obliged to reconcile mutual receivables and payables before preparation of financial statements, which is proven by an appropriate document.



FINANCIAL MANAGEMENT AND CONTROL

In the course of pursuing the audits, weaknesses in the functioning of financial management and control system have been found and they refer to:

1. Absence or incomplete internal acts - a general act regulating the organization of accounting has not been adopted, as well as other internal acts, internal accounting control procedures, accounting policies and other elements, financial plan etc.



FINANCIAL MANAGEMENT AND CONTROL

2. Not determined the body with a competence for the approval of financial statements.



3. An adequate internal control system has not been established and the organization of accounting has not been organized in a way that allows for comprehensive recording, as well as the prevention and detection of incorrectly recorded transactions, which leads to an increase in risk of inaccurate disclosure in the financial statements.



UNRELIABLE ACCOUNTING RECORDS

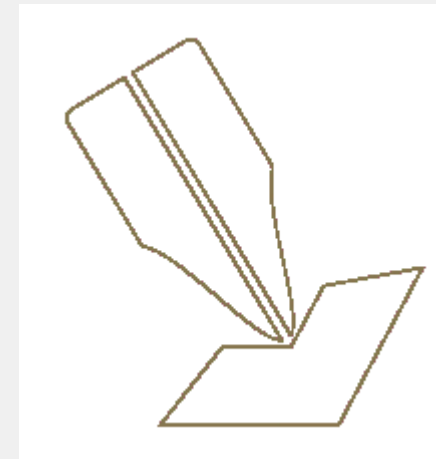
- Recording business changes on the basis of unreliable accounting documentation.
- Recording transactions without having any accounting documents.



- Cash payments and withdrawals weren't recorded in the banking account.

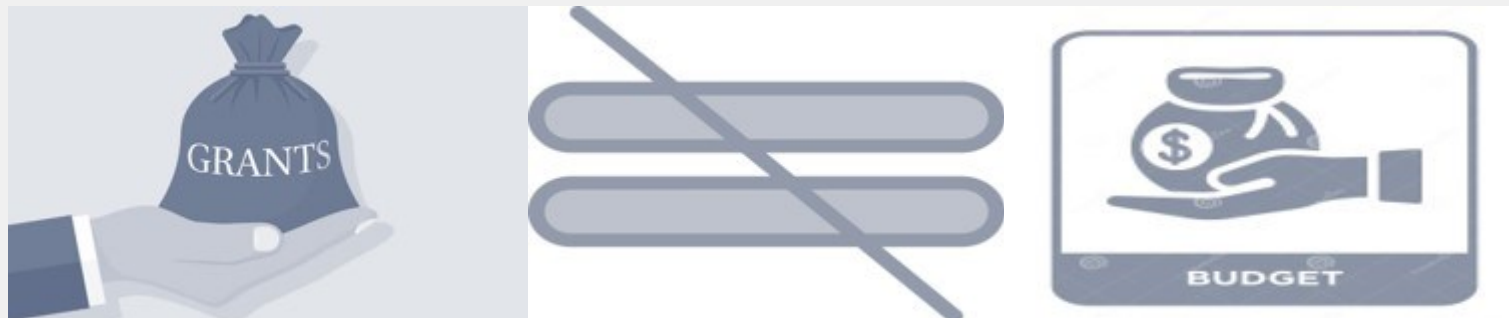


- Financial contribution wasn't recorded.

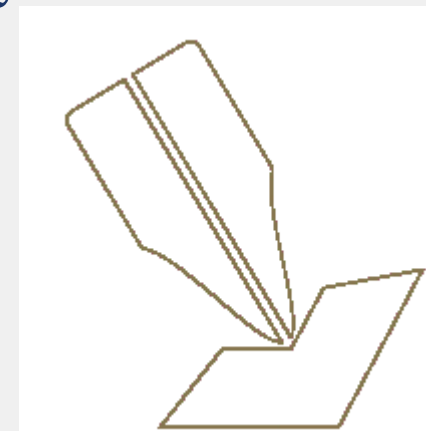


INCORRECT RECORDING OF TRANSACTIONS

- Misclassification of accounts in financial statements - revenues from public sources generated on the basis of the Law on Financing Political Activities are recorded in the account Revenues from donations, grants, subsidies etc. instead of in the account Revenues from the budget and other sources obtained under particular regulations.

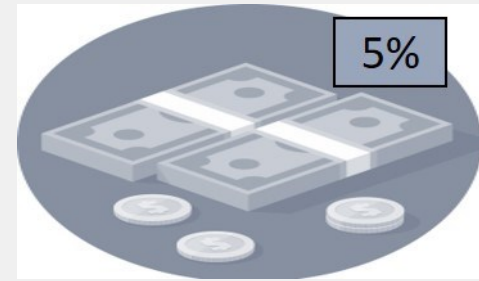


- Recording transactions in accounts contrary to the Rulebook on the Chart of Accounts, with regard to the Law on Accounting which states that transactions are recorded in the accounts set by the chart of accounts.



LAW ON FINANCING POLITICAL ACTIVITIES

- Not provided evidence that political entity used funds received from public sources in the amount not less than 5% of aggregate funds received for regular work at annual level for professional upgrading and training, acquiring practical skills, international cooperation and work with the membership.



- Receiving payment of membership fees from legal entity banking account instead from private persons banking account.

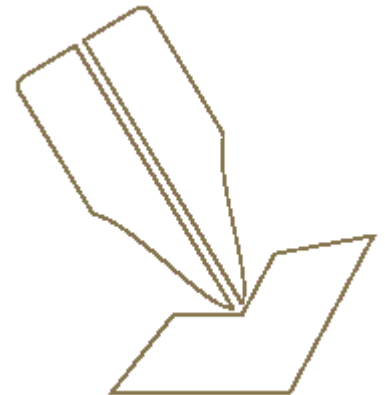


- Not submitted report on election campaign expenditure to the Agency for prevention of corruption.



Audit effects

Enhancing reports
objectivity, internal
controls functioning
and compliance
with regulatory
framework



Thank you for
your attention!

www.dri.rs
kancelarija@dri.rs

