

REPORT ON THE FINANCIAL AUDIT OF POLITICAL PARTIES, INDEPENDENT REPRESENTATIVES AND MEMBERS OF REPRESENTATIVE BODIES OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS ELECTED FROM THE LIST OF A GROUP OF VOTERS FOR 2018.

(December 2019)

SUMMARY

The State Audit Office conducted a financial audit of 45 political parties and six independent representatives, which included the financial statements and operations for 2018.

Also, the submission of annual financial reports of political parties, independent representatives and members of representative bodies of local and regional self-government units elected from the list of a group of voters (whose mandate is underway) was checked, as well as the publishing of financial reports of political parties and independent representatives.

In addition, the insight to financial statements of 43 non-parliamentary political parties and 59 members of representative bodies of local and regional self-government units elected from the list of a group of voters (who did not submit annual financial reports to the State Audit Office by 3 June 2019, annual work program and financial plan and report on received donations, for 2018) was done.

Considering that the total revenues of political parties for 2018 amounted to HRK 112.524.051,00, and the total expenditures to HRK 89.030.795,00, the surplus of revenues at the end of 2018 amounted to HRK 23.493.256,00 (36 political parties stated surplus of revenues over expenditures in the amount of HRK 24.060.955,00, and nine stated deficits in the amount of HRK 567.699,00). There was 27 unqualified and 18 qualified opinions were given on the financial reports of political parties for 2018, and 37 unqualified and eight qualified opinions were given on the compliance of operations. The audit identified irregularities and omissions that affected the expression of opinion, related to planning, financial statements, accounting, income, expenses, assets and liabilities and own resources.

Revenues of independent representatives amounted to HRK 2.136.723,00, and expenses to HRK 1.848.545,00 and the surplus of revenues at the end of 2018 amounted to HRK 288.178,00. Unqualified opinions have been given on the financial statements and compliance of independent representatives. The audit of independent representatives did not identify any irregularities or omissions that would affect the truthfulness and reality of the financial statements and the compliance of operations.

The criteria for expressing opinions were laws and other provisions and internal acts governing the financial reporting framework and the operations of political parties and independent representatives.

The audit found, inter alia:

- The annual work program and financial plan were not adopted in time. The financial plan does not realistically plan revenues and expenditures, nor are they planned according to the accounts prescribed by the chart of accounts, which is why, monitoring of the execution of the financial plan is not ensured, and in case of significant deviations no amendments were made to the financial plan and no explanation of the financial plan was prepared. The annual work program contains activities but not objectives, planned expenditures by types and amounts and sources of

financing, and the realization of expenditures is not monitored by activities determined by the annual work program.

- The basic financial statements have not been prepared in the prescribed manner, i.e. the data presented in the financial statements are not accurate and true, nor identical to the data recorded in the financial records, which is why they do not provide an objective and realistic picture of financial position. The notes to the financial statements are incomplete.

- Within the accounting operations, omissions and irregularities have been identified in the part related to financial records and recording of business events, as well as the list of assets and liabilities.

Some auxiliary books are not organized and/or business books are not bound, signed or protected by electronic signature. Some political parties did not record expenditures according to the schedule of accounts for non-profit organizations or expenditures were not recorded in the reporting period to which they relate or were recorded on the basis of payment through a giro account statement. Business events in some cases are recorded without credible documentation, the responsible person has not previously certified and controlled the bookkeeping documents on the basis of which business events are recorded or business events are recorded on the basis of bookkeeping documents from which the type of business event or service provided cannot be determined, as well as they cannot confirm that the funds were used exclusively to achieve the goals set by the annual work program, in accordance with the provisions of the Law on Financing Political Activities and Election Campaigns, which was in force until March 24, 2019. Cash operations were not conducted properly, and the inventory of assets and liabilities was not conducted in accordance with provisions.

- Revenues and/or receivables from the local and regional self-government unit for regular annual financing of the work of a political party and from membership fees are not recorded in the financial records, nor are they stated in the financial statements. Records of received membership fees were not kept, nor were receipts issued.

- The individual accounts of suppliers (on the basis of which the expenses for representation were realized) do not state the activity for which the invoice was compiled, i.e. the activity to which the business event refers to is not stated and it cannot be confirmed whether the funds were used to achieve the goals set by the annual work program and financial plan. Omissions and irregularities in the calculation of travel orders for business trips have been identified (some travel orders do not contain the purpose of the trip, do not indicate the initial and final state of the meter or the difference between the initial and final stat does not correspond to the specified number of kilometres travelled, and reports on business trip were not made).

For all identified irregularities and omissions in the operations of political parties and independent representatives, the State Audit Office issued orders and recommendations, the implementation of which would contribute to the truthful, reliable and accurate presentation of funds, sources of funds and revenues and expenditures in financial statements and increase the compliance with laws and other provisions and the efficiency of the usage of funds.