



STATE AUDIT OFFICE

ANNUAL REPORT

ON PERFORMED AUDITS
AND OPERATION

IN 2019

CONTENTS



INTRODUCTORY ADDRESS
BY
AUDITOR GENERAL

3

ABOUT
THE
STATE AUDIT OFFICE

4

MISSION
VISION
OBJECTIVES

5

EMPLOYEES AND
ORGANIZATIONAL
STRUCTURE

6

INFORMATION
TECHNOLOGY

8

PROFESSIONAL DEVELOPMENT
OF KNOWLEDGE AND SKILLS
OF STATE AUDITORS

9

STRATEGIC AND
METHODOLOGY
DOCUMENTS

10

FINANCIAL
RESOURCES

15

AUDIT
ACTIVITIES
THROUGH FIGURES

16



AUDITS, AUDITEES,
FINDINGS, OPINIONS

17

PUBLIC PROCUREMENT

AUDIT OPINION

20

REVENUE
AND
EXPENDITURE

22

RECOMMENDATIONS
AND THEIR
IMPLEMENTATION

23

EXECUTED
AUDITS

25

REPORTING
ON THE FINANCING
OF POLITICAL PARTIES
AND ELECTION CAMPAIGNS

66

PRESIDENTIAL
ELECTIONS
2019

67

REFERENDUM
2019

68

INTERNATIONAL
COOPERATION

69

COMMUNICATION,
TRANSPARENCY AND
ACCOUNTABILITY

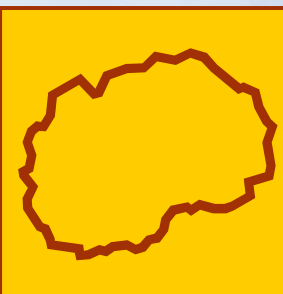
72

COOPERATION
WITH
COMPETENT INSTITUTIONS

74

SYSTEMIC
WEAKNESSES

76



INTRODUCTORY ADDRESS BY AUDITOR GENERAL

We present to you the Annual Report on performed audits and operation of the State Audit Office for 2019 with the results of our work and the audits conducted in 2019.

We can contentedly say that the Annual Work Program of the State Audit Office for 2019 has been fully implemented despite the challenges faced in the last quarter of the year.



In 2019, we focused our activities on further development of the institution and improvement of audit processes in line with international standards and best practice of EU member states through the implementation of a twinning project financed by EU funds.

In cooperation with our twinning partners and many EU experts, we received important recommendations for improving our strategic and methodology acts; we organized numerous trainings, internships and study visits to advance professional skills of our auditors and to absorb EU experience; we established excellent cooperation with the Assembly of the Republic of North Macedonia to set up good practice of regular reviewing of audit reports at parliamentary sessions and to receive support in the implementation of audit recommendations.

We are particularly proud to open our institution to the media and the public by taking strategic approach and drafting SAO Communication Strategy with a support of a project funded by the British Government. Thus, the media and the citizens become our allies in achieving our strategic goals for increasing transparency, accountability and responsibility in the use of public funds, i.e. the use of taxpayers' funds.

Regarding indicators for our operation, with the audits in 2019 we increased the scope of audited expenditures in relation to the total budget funds. The indicators for implementation of audit recommendations have significantly improved which points to the fact that the contribution of the State Audit Office for strengthening institutions and managerial responsibility is becoming increasingly important in our society.

In our audit reports, regardless of the type and objectives of the audit, in addition to the shortcomings identified in auditees, we also point to systemic weaknesses, i.e. weaknesses and ambiguities in legal acts in certain areas. With the competent authorities acting upon audit recommendations and taking action to overcome ascertained shortcomings, the State Audit Office contributes to strengthening the legal system and creating favorable environment for further development of the institutions.

The State Audit Office, as the supreme audit institution of the Republic of North Macedonia, is a member of EUROSAI and INTOSAI organizations of supreme audit institutions, and also cooperates with other important international organizations. Hence, a significant volume of international activities were realized in 2019.

In the coming period, we will continue with our endeavors to obtain constitutional and full financial and operational independence of the State Audit Office, to strengthen our capacities and implement required ethical values, to be transparent and cooperate with competent institutions aimed at protecting public funds and developing our institution into a modern European supreme audit institution.

Auditor General

Maksim Acevski, MSc

ABOUT THE STATE AUDIT OFFICE

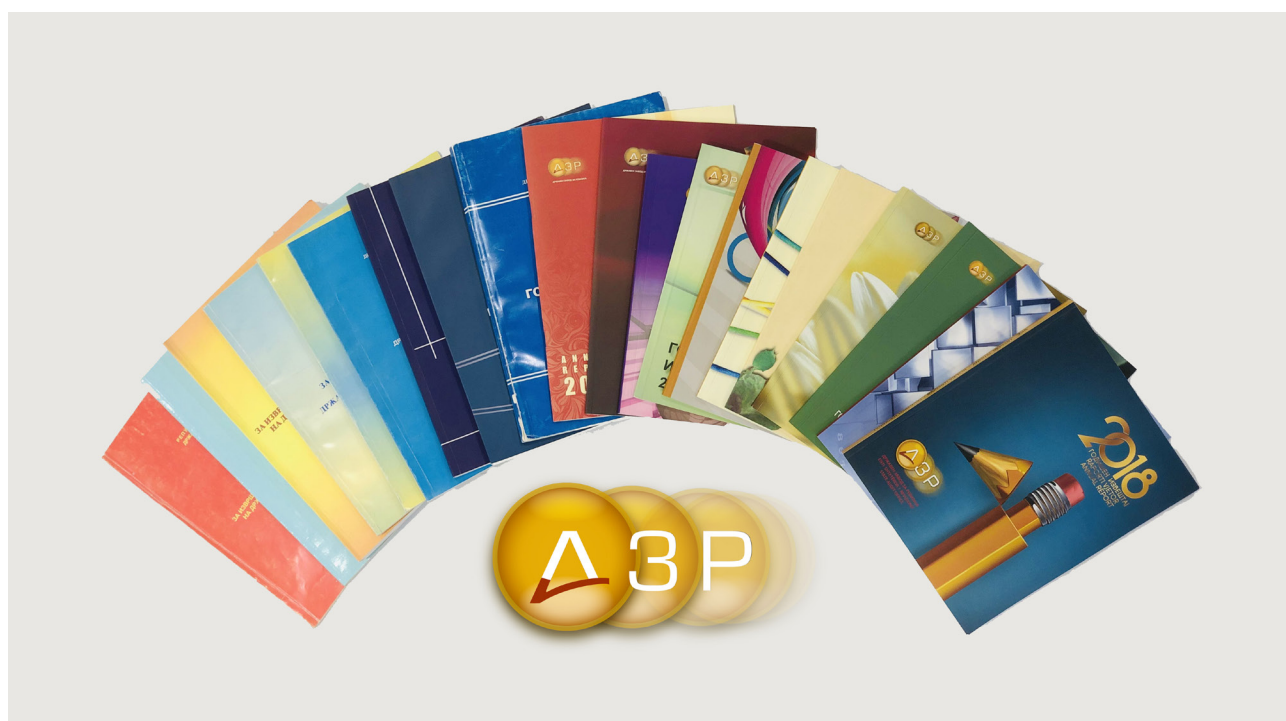
The State Audit Office (SAO) is an independent supreme audit institution in the Republic of North Macedonia, which transparently, timely and objectively informs the public about the audit findings from conducted audits for more than 20 years.

As an independent external auditor SAO is conducting audit in accordance with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) by applying high professional qualifications and continuous training of employees, who are the core value in our work.

The independence of the institution is determined by the State Audit Law, which regulates SAO competencies, the broad mandate for conducting regularity and performance audits, with unlimited access to all necessary information, documentation and records for conducting state audit. SAO independently defines the Annual Work Program, independently decides on the topics and the entities to be subject to audit as well as on the audit method, the contents of the reports on performed audits, without bias and free from external influences.

In this Annual Report we primarily point to important audit findings, shortcomings in the work of the auditees, identified weaknesses in the legislation, current state of affairs of the application of information systems, as well as relevant audit recommendations with added value, aiming to create improvements to the appropriate level of operation of auditees. The Annual Report also informs about other activities and initiatives from SAO operation, our strategic goals, cooperation with other audit institutions at international level, cooperation with the media and informing the public.

Hence, SAO is recognized as an institution of high values and will continue to encourage and develop the same - professional skills, responsible performance of work tasks, teamwork, reliability and professional ethics, as well as professional and personal integrity of authorized state auditors and state auditors in carrying out their state audit tasks.



MISSION, VISION AND OBJECTIVES

Mission

The State Audit Office is the Supreme Audit Institution of the Republic of North Macedonia whose objective is to communicate audit findings timely and objectively to the Parliament, the Government, other public office holders as well as the public. The State Audit Office provides support to the Parliament in meeting its responsibilities by identifying and disclosing irregularities, cases of illegal operation and potential cases of corruption and abuse of office. With clear and effective recommendations SAO provides support to the state institutions and the beneficiaries of public funds for improving the management thereof. Thus SAO contributes to the improvement of the lives of the citizens of the Republic of Macedonia.

Vision

Aiming to successfully meet our objective – to take care of public funds and to contribute to improved management thereof, our vision is to continuously ensure quality of operations, thus retaining the epithet of an independent and professional partner with high integrity, which is also the bearer of progress in public funds management, accountability and transparency.

Constantly striving to fulfill our mission and vision, we have set ourselves several objectives that will be our imperative in the period 2018 – 2022, as follows:

Objectives 2018 - 2022

Increasing
transparency
in the use
of public funds

Improving
operation
of the
public funds users

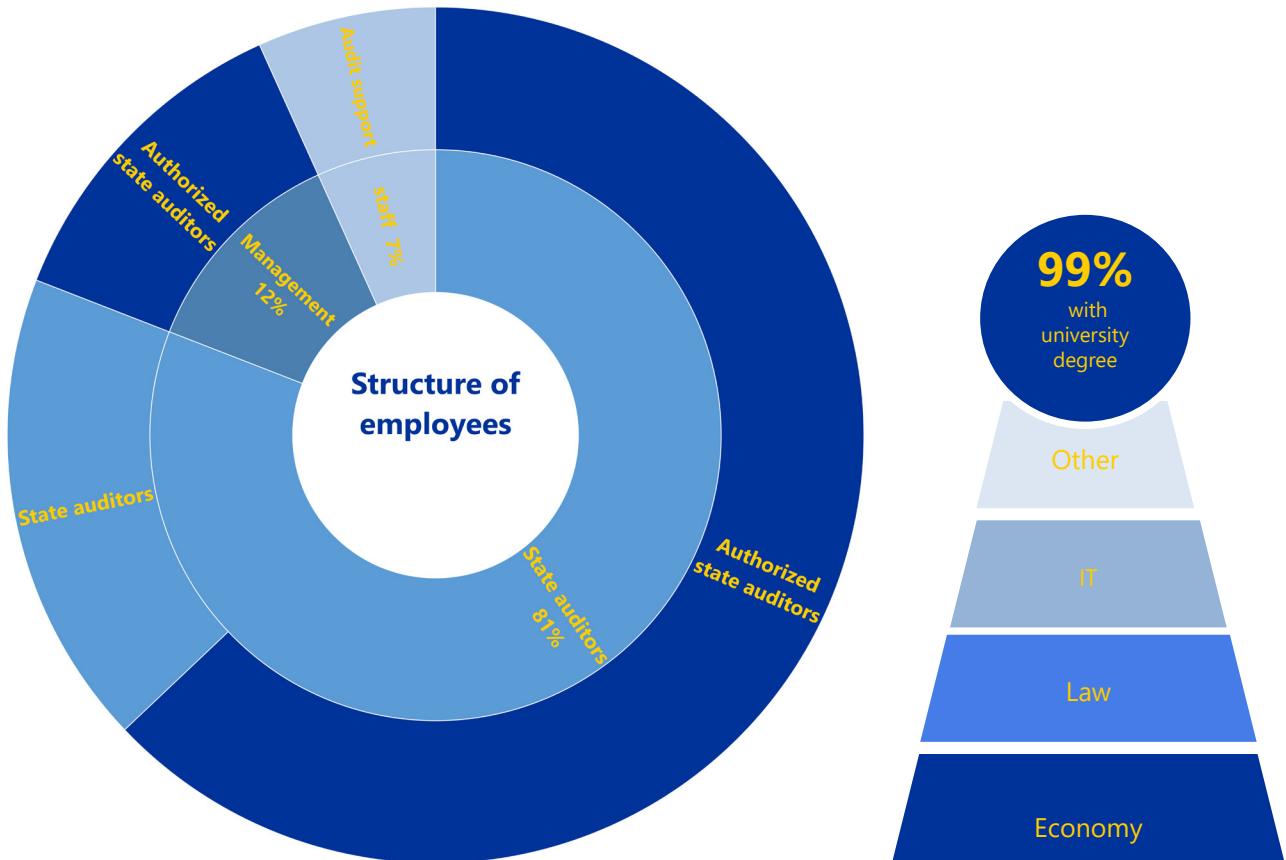
Providing
a stimulating
working environment

Improving quality
of SAO operation
through continuous
professional development
of employees

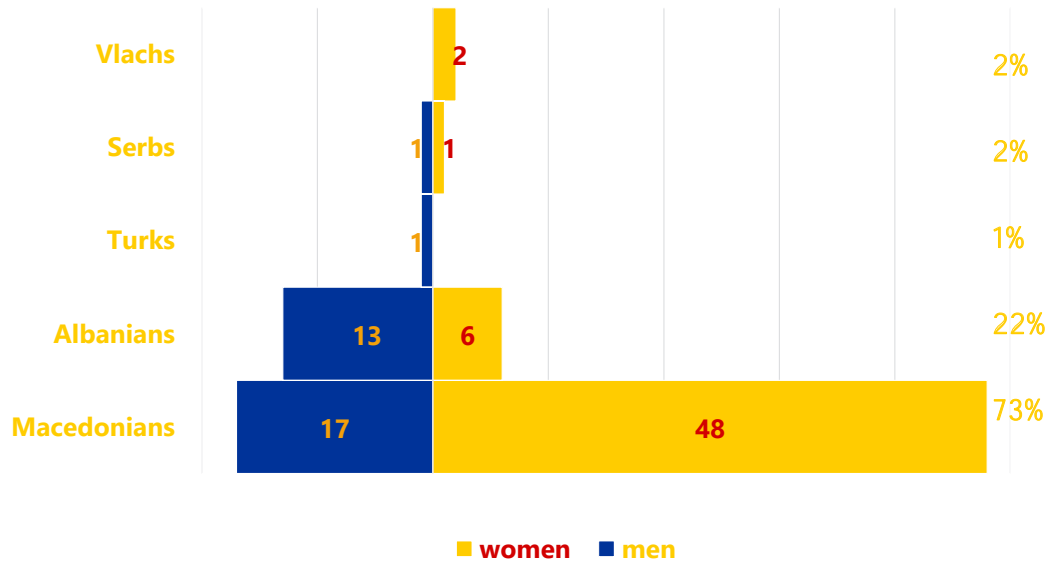
Improving
operation results by
strengthening communication
and cooperation
between auditors
and institutions

EMPLOYEES AND ORGANIZATIONAL STRUCTURE

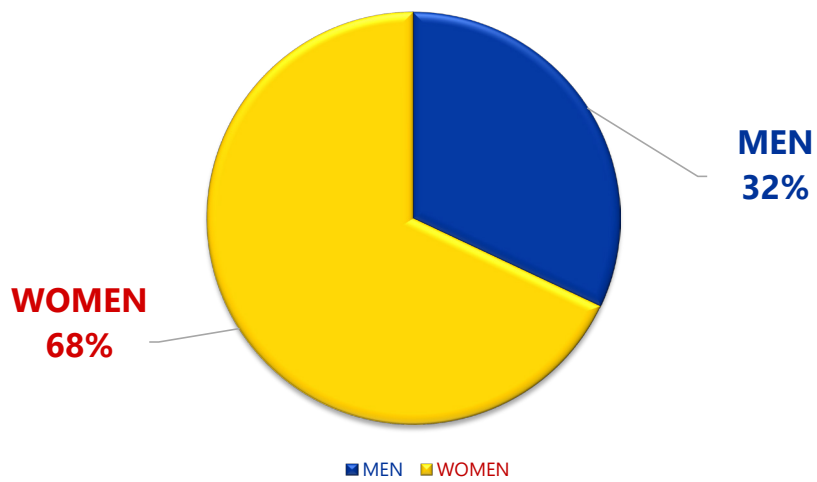
➤ Organizational setup and structure of employees



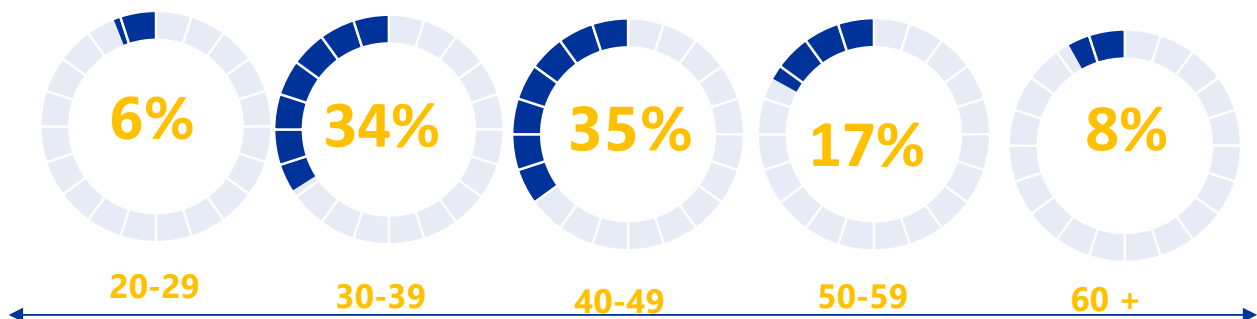
➤ Ethnic representation



➤ Gender representation



➤ Age structure of employees



INFORMATION TECHNOLOGY

Development and rational and efficient application of information technology in auditing is embedded in SAO strategic objectives. Therefore, SAO continuously monitors development of information technology and, based on current analysis and previous experience, regularly invests in upgrading information technology used in the audit.

SAO has ensured unimpeded functioning of the information system infrastructure, as well as of the implemented systems for centralized storage and data exchange, electronic mail, archive system, integrated financial information system, the system for data analysis of audit reports and the audit management system (AMS). Systems and applications were developed with due consideration of the principles and rules for data availability for authorized users, confidentiality, integrity, secure data storage on central location, compliance with laws, regular backup, as well as physical and logical data access security.



In line with the IT Strategy, in 2019 SAO carried out procurements of specialized software for antivirus and backup protection, based on previously conducted analyses on the need of appropriate software solutions and for clear definition of their technical characteristics, and checked and unified the operating system of all workstations of the employees.

For unimpeded execution of audit activities, each audit team is provided with mobile internet access, portable scanners and uninterrupted and reliable VPN access to SAO information system. Auditors use computer-assisted audit techniques (CAATs) in the audit process, while auditors in the IT audit department also use IDEA software to analyze data generated from financial statements as well as for audit sampling.

The use of information technology in state auditing is in full compliance with SAO Information System Security Policy, as well as the implemented IT security procedures and IT procedures for implementation of the audit management system (AMS). These policies are subject to annual analysis, so as to be up to date with the new solutions in the field.

PROFESSIONAL DEVELOPMENT OF KNOWLEDGE AND SKILLS OF STATE AUDITORS

Embedded in the strategic priorities of SAO as the supreme audit institution in the Republic of North Macedonia, are the capacities of state auditors and their professional development.

In line with 2019 Annual Plan for continuous professional development, training was held on the topic "Introduction to state audit as a profession in the Republic of Macedonia, legislation, development of state audit, subject to state audit, introduction to INTOSAI professional requirements, work standards and the Code of Ethics and types of audit. The training was intended for junior state auditors, a target group of 21 employees and employees in the administrative support departments who received certificates for successfully completed basic level of training.

In 2019, we continued to implement several new topics to accomplish SAO 2019 Annual Plan for continuous professional development and training: The basis of INTOSAI concept and the Code of Ethics, introduction to the concept of quality control and quality assurance - how to improve writing, i.e. preparing audit report, in terms of concept, contents, use of language and writing style, with the sole purpose of how to convey clear and unambiguous message to the auditees and to the general public on the identified conditions of the audited legal entities. This topic covered all types of audits conducted by SAO in accordance with the legislation. The training also covered innovations in terms of advanced tools for 3E (efficiency, economy and effectiveness) in the audit. The training was realized and intended for SAO employees of different levels and titles and was attended by 65 people.

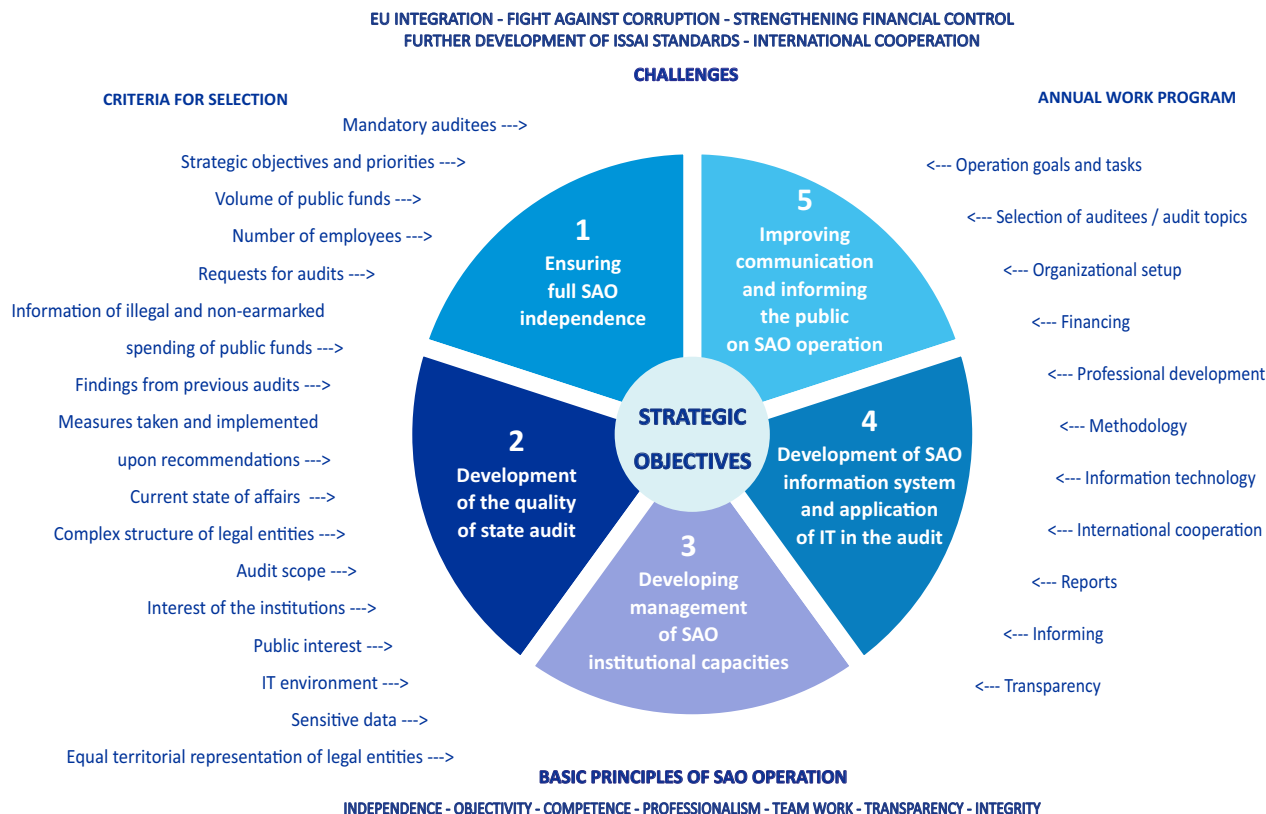
In 2019, two-day training was held for SAO employees and employees of the Audit Authority for audit of the European Union pre-accession assistance in the Republic of North Macedonia. The target group from SAO included junior state auditors and auditors. The training was realized with an interactive approach to the following topics: types of audits, audit phases by types of audit, and specifics of the types of audit. The training covered presentation and discussion on the types of audits in line with INTOSAI standards, as well as the types of audits in line with SAO mandate and the law. Audit phases were presented and processed in detail according to the types of audits, and comparative analysis of the specifics, similarities and differences between different types of audits from methodological and applicable aspects was discussed. Several exercises were performed individually and in groups, with examples from the experience gained through practical work.

The trainings in 2019 were designed and implemented with joint participation and contribution of internal trainers, who are authorized state auditors, including one MSc in audit and certified INTOSAI trainer, one certified public accountant and one MSc in the field of IT audit.

Aside from the internal trainings, development of knowledge, skills and capacities of SAO employees was tackled simultaneously with the implementation of:

- EU Twinning Project - Further improvement of administrative capacities and external audit efficiency of the State Audit Office;
- Project with the British Government - Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations, elaborated in detail in point Audit methodology and project activities in this report.

STRATEGIC AND METHODOLOGY DOCUMENTS



SAO Development Strategy 2018 – 2022

SAO Development Strategy 2018 - 2022, adopted in December 2017, includes efforts to promote and improve the implementation of International Standards of Supreme Audit Institutions (ISSAIs) to strengthen independence and integrity as preconditions for achieving professionalism and credibility in the operation, as well as for continuous monitoring of the effects of performed audits and the degree of fulfillment of audit recommendations by the audited entities. These strategic objectives were taken into account while drafting SAO Annual Work Program for 2019, and we report on its accomplishment in this Annual Report.

Audit methodology and project activities

SAO project activities refer to the realization of two important projects:

- EU Twinning Project - Further improvement of administrative capacities and external audit efficiency of the State Audit Office; and
- Project with the British Government - Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations.

EU Twinning Project

By 14 September 2019 SAO completed the implementation of EU funded twinning project entitled «Further improvement of administrative capacities and external audit efficiency of the State Audit Office», which started in December 2017 and lasted 21 months.

Our twinning partners in the project implementation were the National Audit Office of the Republic of Bulgaria and the State Audit Office of the Republic of Croatia. Experts from other EU countries and the European Court of Auditors were also engaged in the project.

The twinning project was realized in 4 components. All activities and expected results from the twinning project were successfully achieved. By accomplishing 25 mandatory project results in accordance with the project work plan as well as additional outcomes, the project goals were completed.

The implementation of project results will help increase the project effects to improve SAO audit work in the coming years. To implement the project results, SAO has planned activities within the new EU-funded twinning project, which is expected to start in September 2020.

Recommendations for improving audit processes in line with ISSAIs

Recommendations for introduction of strategic audit planning in SAO

Training on strategic planning (80% of employees)

Recommendations for improving legal and institutional framework for supervision over financing political parties and election campaigns

Roundtable on audit on political parties and election campaigns

Two pilot regularity audits

Internships and study visits



K 1

IMPROVING AUDIT PROCESSES IN LINE WITH ISSAIs



Recommendations for improving SAO institutional and human resources capacities

Assessment of training needs and Plan for training of employees

Trainings on performance audit and EU audit (50% of employees) and 4 pilot performance audits

Conference on presenting results from pilot audits

Training on disclosing fraud and misuse

Recommendations for improving audit quality control and quality assurance

Internships and study visits



K 2

STRENGTHENING SAO AUDIT CAPACITIES



FURTHER IMPROVEMENT OF ADMINISTRATIVE CAPACITIES AND EXTERNAL AUDIT EFFICIENCY OF THE STATE AUDIT OFFICE



K 3

STRENGTHENING COOPERATION OF SAO AND THE ASSEMBLY



Recommendations for developing quality parliamentary discussion on audit reports

Assessment of needs for raising awareness of MPs on audit reports

Roundtable on the cooperation of SAO and the Assembly

Internships and study visits



K 4

IMPROVING IT MANAGEMENT, COMMUNICATIONS AND HUMAN RESOURCES



Recommendations from implemented IT self-assessment (ITSA) on SAO IT systems

Recommendations from implemented IT audit self-assessment (ITASA)

Recommendations for improving SAO web page

Recommendations for improving SAO communication

Project with the British Government

Within the frames of the support of the reforms in the Republic of North Macedonia, the Government of the United Kingdom, through the United Kingdom Good Governance Fund (GGF of UK), provided support to the State Audit Office for implementation of the project “Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations”.

The project lasted from July 2018 to March 2019 and was implemented with the help of PricewaterhouseCoopers Macedonia (PwC), Westminster Foundation for Democracy (WFD) in cooperation with the Center for Economic Analysis (CEA) and RESIS. The project aimed to improve implementation of SAO recommendations by assessing and strengthening the institutional mechanisms for their monitoring. This would be achieved through greater public presence and greater involvement of the wider public and other stakeholders in the work of SAO.

The project focused on three main outcomes:

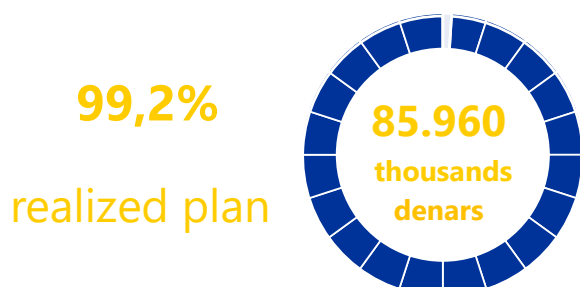


During the project, a series of interviews, workshops and meetings were conducted with SAO staff, representatives of the Assembly, the Public Prosecutor's Office and the Ministry of Finance, media representatives and civil society organizations, to strengthen the process of implementing the recommendations of the State Audit Office. Several important analysis documents and recommendations for improving the audit process were made, using the good practice obtained by comparative analysis with other SAIs; SAO communication strategy with the involvement of all segments and the wider public/ the citizens; Strategy for presenting simplified audit reports to other stakeholders.

The project also included five journalists from different media who, with the support of our institution, successfully conducted research stories based on the findings in the audit reports of the State Audit Office and published them through the media.

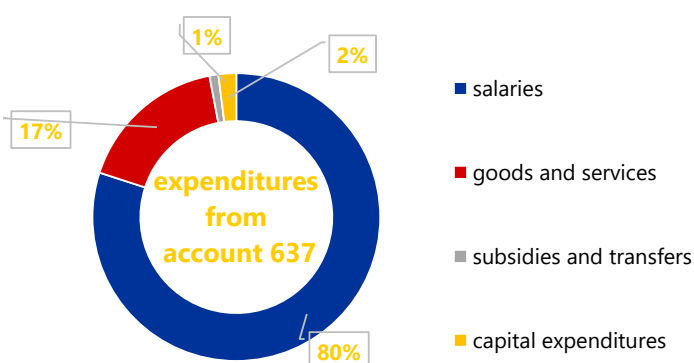
FINANCIAL RESOURCES

In line with the State Audit Law, SAO operation is financed by the Budget of the Republic of North Macedonia. The necessary funding is proposed by SAO and approved by the Assembly of the Republic of Macedonia. Pursuant to the Law passed in 2010, the funds for operation of the State Audit Office are provided entirely from the Budget of the Republic of North Macedonia.



The total budget in 2019 was 99.757.000 denars. Of these, 93.99% or 93.757.000 denars are funds provided from the core budget account (637) and 6.01% or 6.000.000 denars from the core budget account (631) which refer to collected revenues from bodies on the basis of performed audits before the amendments to the State Audit Law in 2010. The approved financial plan of the core budget account (637) amounted to 86.633.000 denars.

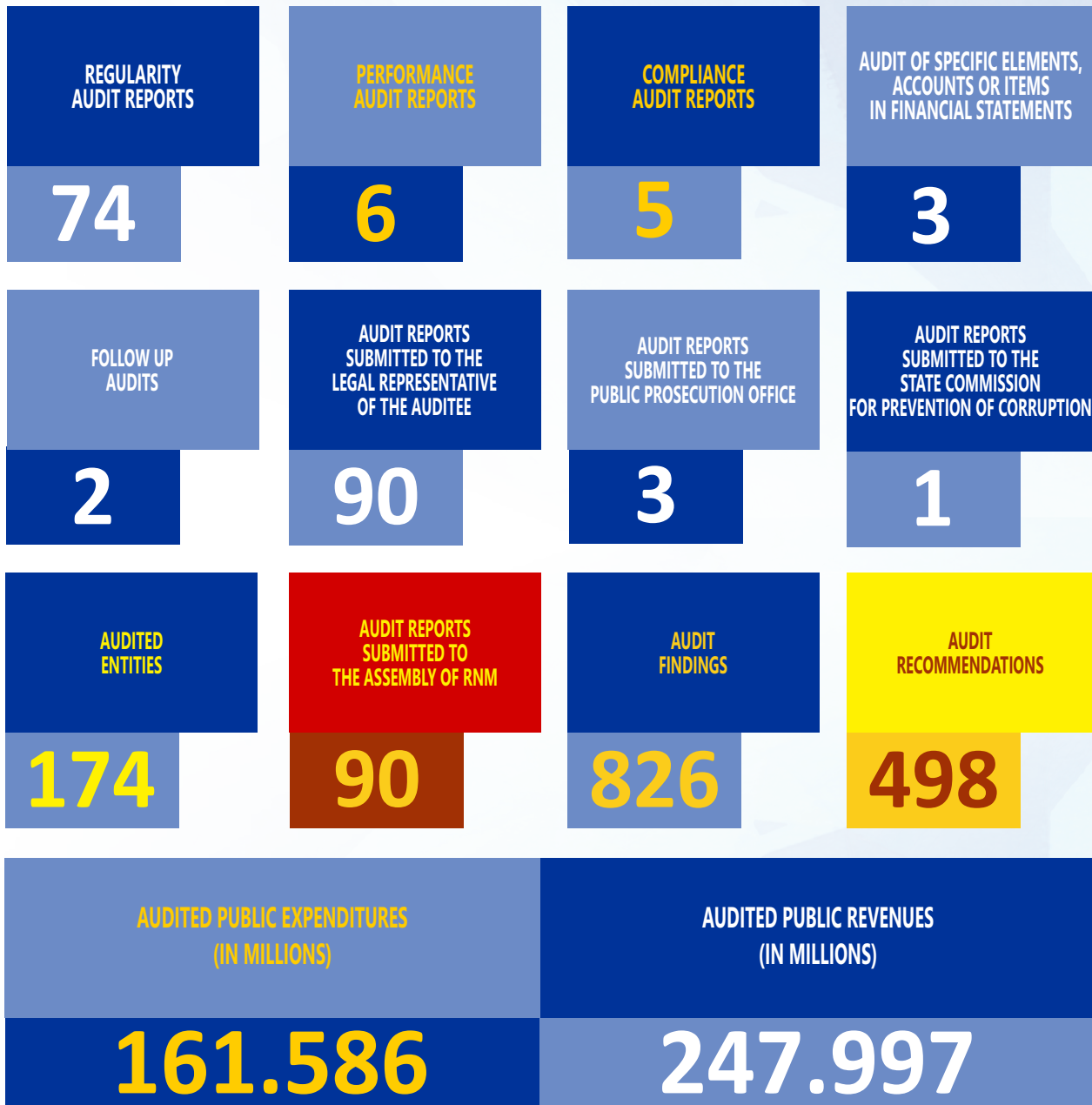
In the reporting period, expenditures were made from the core budget account (637) in the amount of 85.960.000 denars. 80% of these expenditures i.e. 69.011.000 denars relate to salaries and allowances for employees and selected and appointed persons; 14.806.000 denars or 17% relate to goods and services; funds in the amount of 989.000 denars or 1% were paid for subsidies and transfers; and 1.154.000 denars or 1.35% for capital expenditures.



In 2019, the largest expenditures in the structure of goods and services are travel and daily expenditures in the amount of 4.339.000 denars, expenditures for utilities, heating, communication and transport are in the amount of 5.100.000 denars, for materials and small inventory in the amount of 764.000 denars, for repairs and current maintenance in the amount of 1.862.000 denars, contractual services in the amount of 1.654.000 denars and other current expenditures in the amount of 1.087.000 denars. Regarding expenditures for subsidies and transfers, most of the payments refer to various transfers in the amount of 311.000 denars and payments of executive documents in the amount of 678.000 denars. In capital expenditures the expressed expenditures refer to the procurement of IT equipment and investments in non-financial assets.

In the reporting period, a total of 6.000.000 denars were spent from the core budget account (631) for payment of executive documents for salaries to employees for the month October 2019. As for the revenues on this account amounting to 6.237.000 denars, they are transferred surplus of revenues over expenditures from the previous year, while 313.000 denars are from collected revenues from previous years by bodies for performed audits before the amendments to the State Audit Law in 2010. The transferred surplus of revenues and expenditures at the end of the reporting period amounted to 550.000 denars.

ANNUAL WORK PROGRAM AUDIT ACTIVITIES THROUGH FIGURES



AUDITS, AUDITEES, FINDINGS, OPINIONS

Within the Annual Work Program, in accordance with the established criteria for selection of auditees and audit topics, SAO defines the entities and the areas that will be subject to audit.

The scope of state audit, in terms of the number of audited entities, also includes the entities that must be audited every year, in accordance with the Law.

In accordance with the legal competencies and available capacities, the State Audit Office has planned 56 audits in its Annual Work Program for 2019.

In 2019, 54 audits were completed (66 audits in 2018), of which 38 regularity audits, 5 compliance audits as a separate type of audit, 6 performance audits, 2 audits to monitor the implementation of recommendations (follow up audits) and 3 audits of specific elements, accounts or items in the financial statements. Of the six performance audits completed in 2019, 4 were pilot performance audits conducted within the twinning project on the following topics: audit of EU funds, audit of information technology, realization of highly educated persons on the labor market in RNM and audit of public procurement. These audits ended in 2019 and significantly contributed to the improvement of SAO capacities for conducting performance audits. At the same time in 2019, other two performance audits started - international parallel performance audit in the field of labor and IT audit, which will be completed with the implementation of the Annual Work Program for 2020.

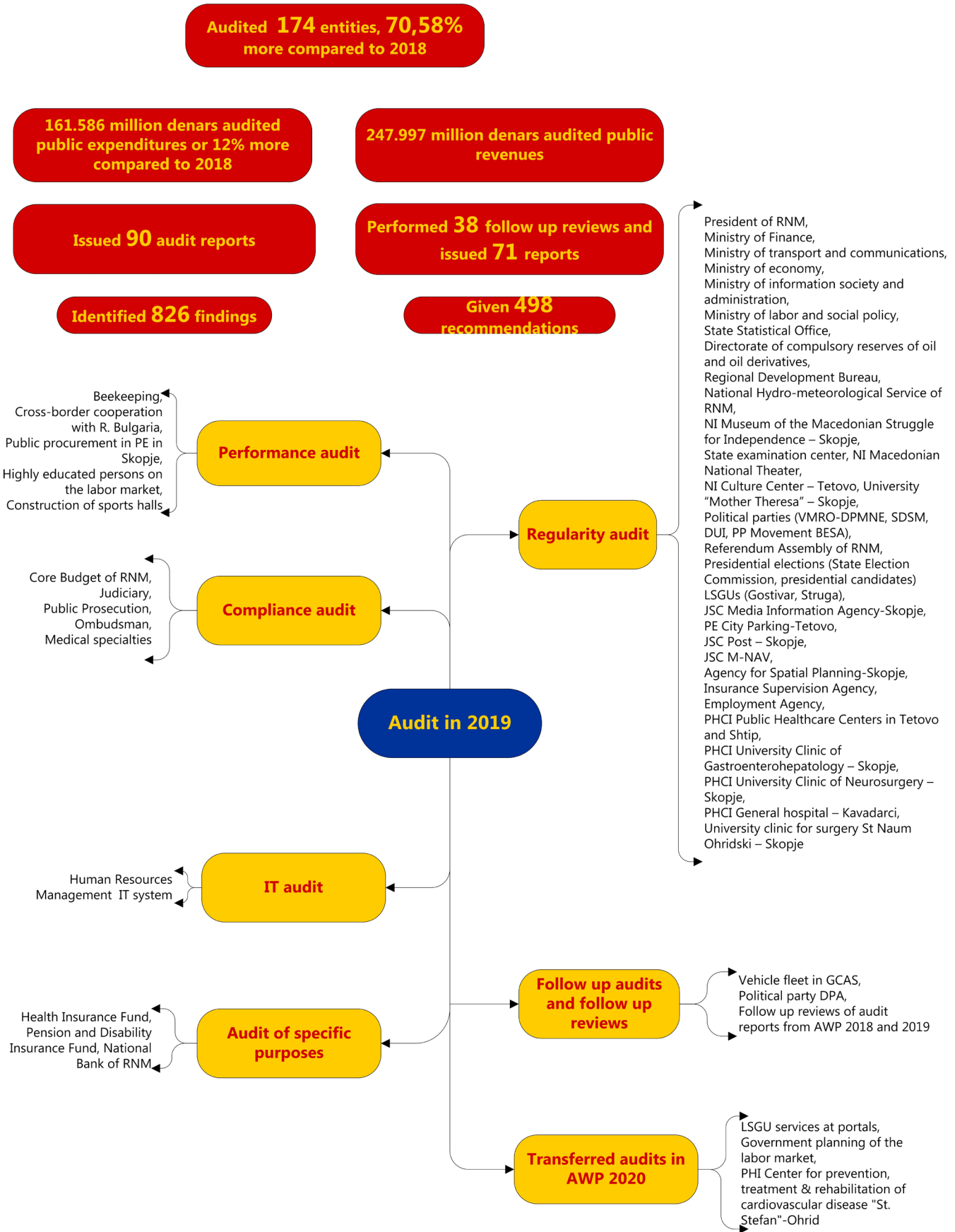
SAO issued 90 audit reports on the performed audits (117 audit reports in 2018), of which 74 regularity audit reports, 5 compliance audit reports, 6 performance reports, 2 follow up audit reports and 3 reports on performed audits of specific elements, accounts or items in the financial statements.

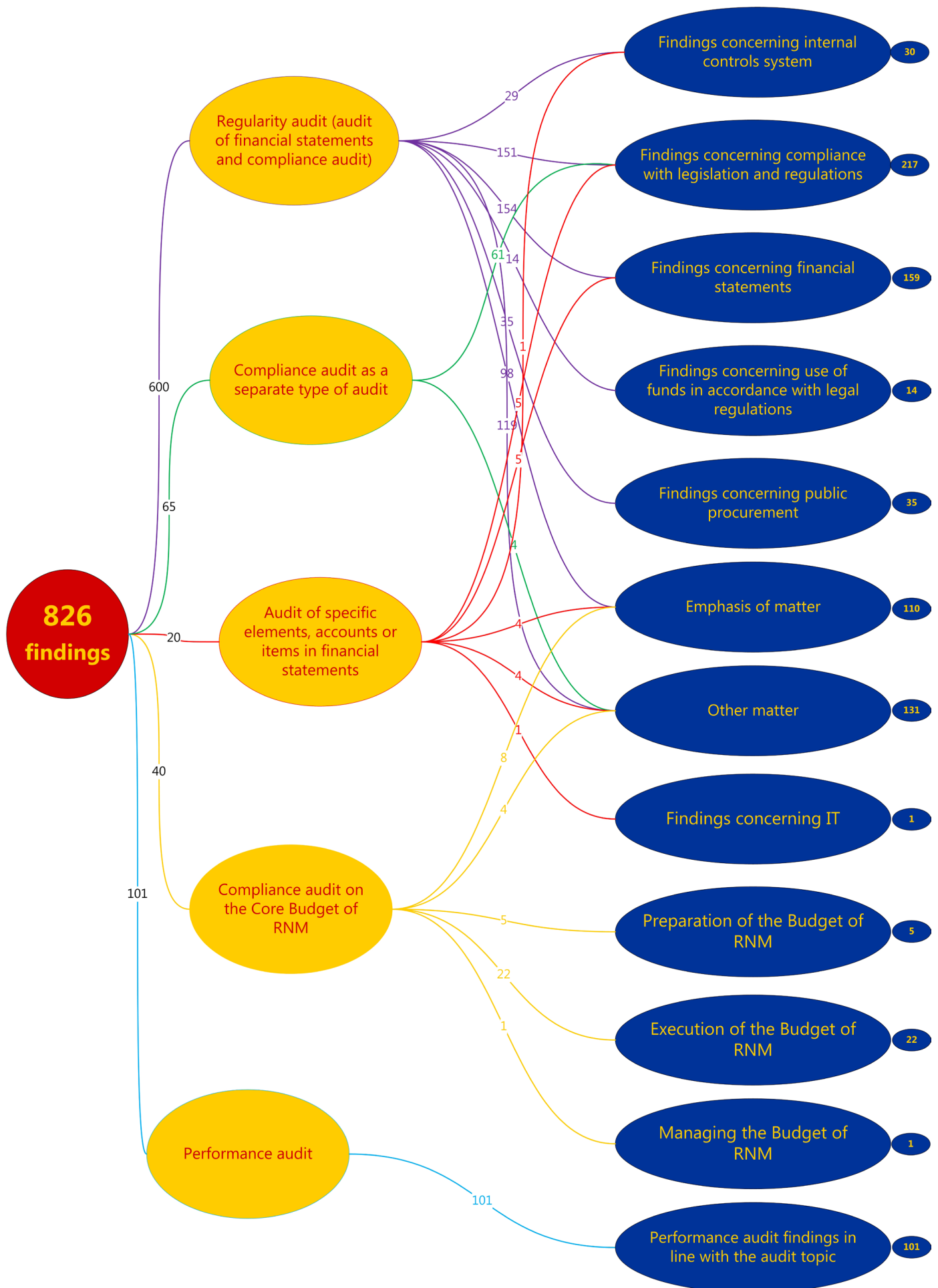
In order to achieve the audit objectives, whether by regularity or performance audit, during 2019 the audit covered 174 entities with all performed audits, which is 70.58% more than the previous year.

In 2019, the State Audit Office conducted 38 follow up reviews to determine the status and degree of implementation of recommendations given in final audit reports of 2018 and 2019, and issued 71 reports.

During the implementation of the Annual Work Program for 2019, authorized state auditors and state auditors identified 826 findings / shortcomings, as follows:

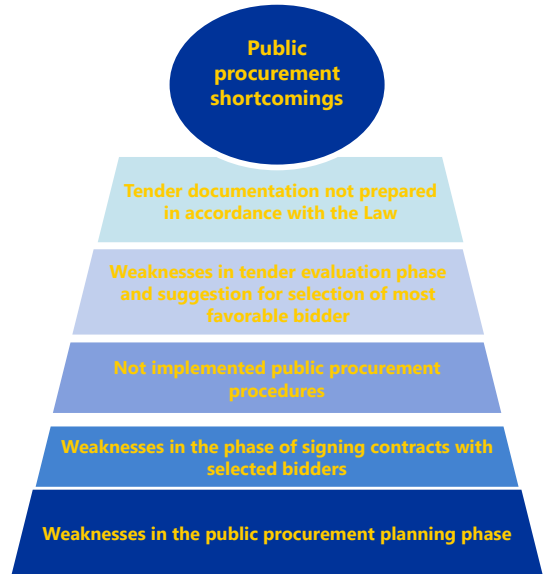
- 40 findings with the audit on the Core Budget;
- 600 findings with the audits on financial statements together with compliance audits;
- 101 findings with the performance audits;
- 65 findings with compliance audits; and
- 20 findings with the audits on specific elements, accounts or items in the financial statements.





PUBLIC PROCUREMENT

SAO performs audit on the use and spending of public procurement funds by the contracting authorities in accordance with the Law on Public Procurement. During 2019, within the frames of the planned audits, SAO also audited public procurements in the auditees and identified 35 findings in the final audit reports. Five most frequently repeated irregularities are given in the following illustration.

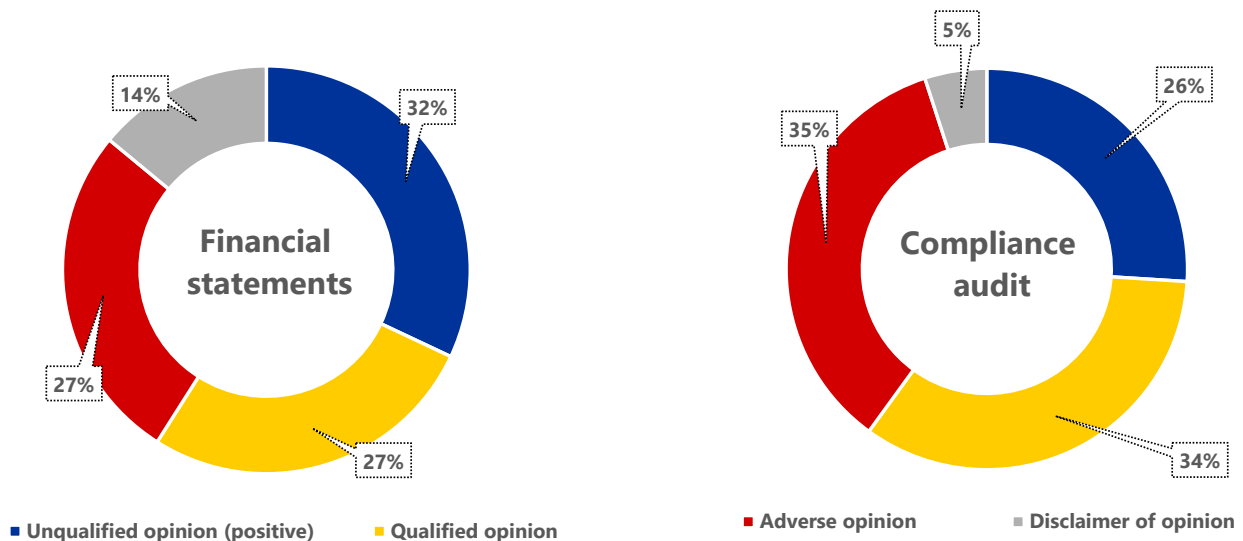


AUDIT OPINION

The main goal in the regularity audit process is to enable the auditor to express an opinion on whether:

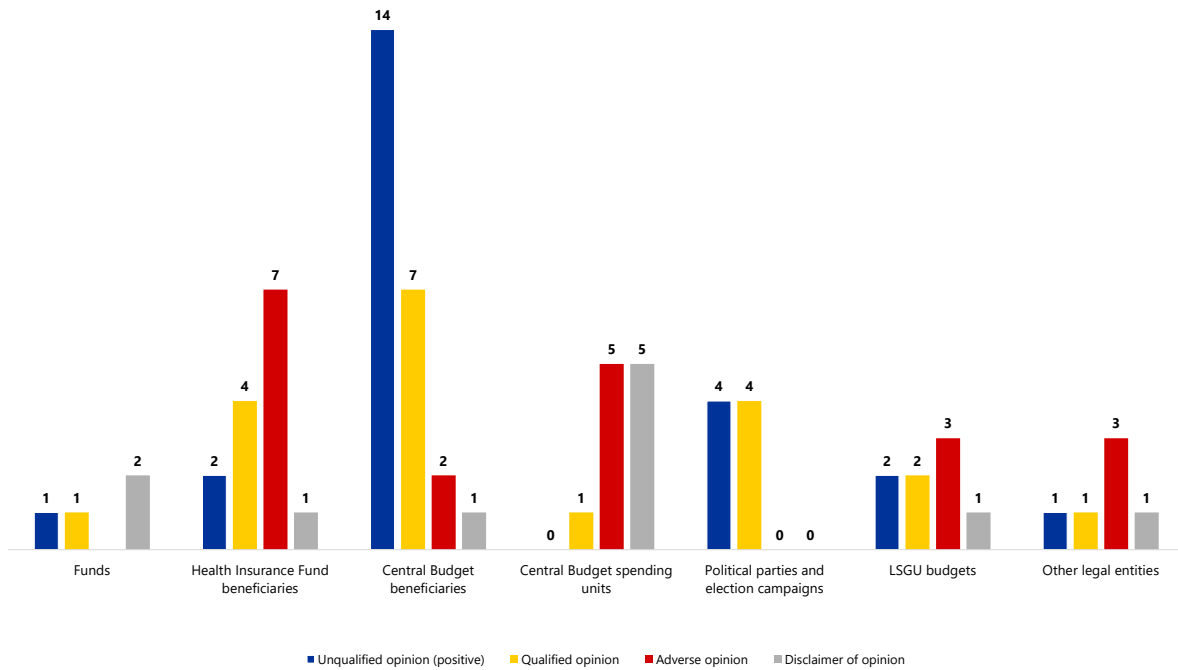
- financial statements accurately and objectively express the financial position and the result of the financial activities, and
- the activities, financial transactions and information reflected in the financial statements are in accordance with the relevant legislation, guidelines and policies in place.

According to the goals set in the audit reports, opinions were expressed on the financial statements and on the compliance with laws and regulations, as presented below.

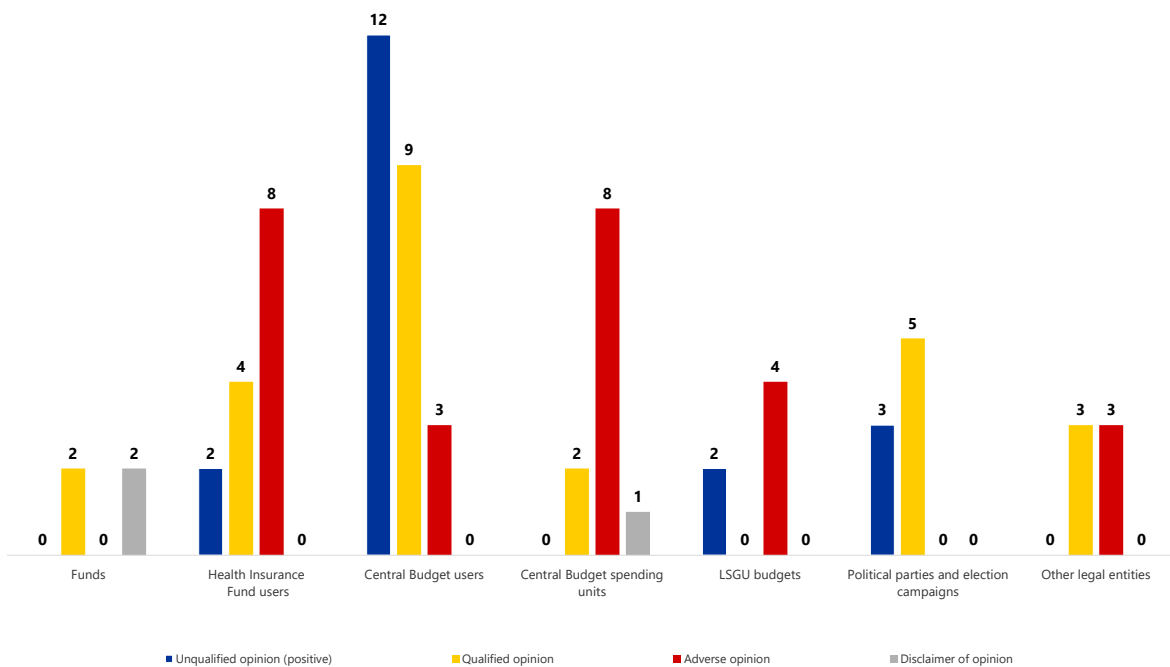


The structure of issued opinions on the financial statements and on the compliance with laws and regulations for 2018, by users is presented in the next two graphs.

Opinions on financial statements

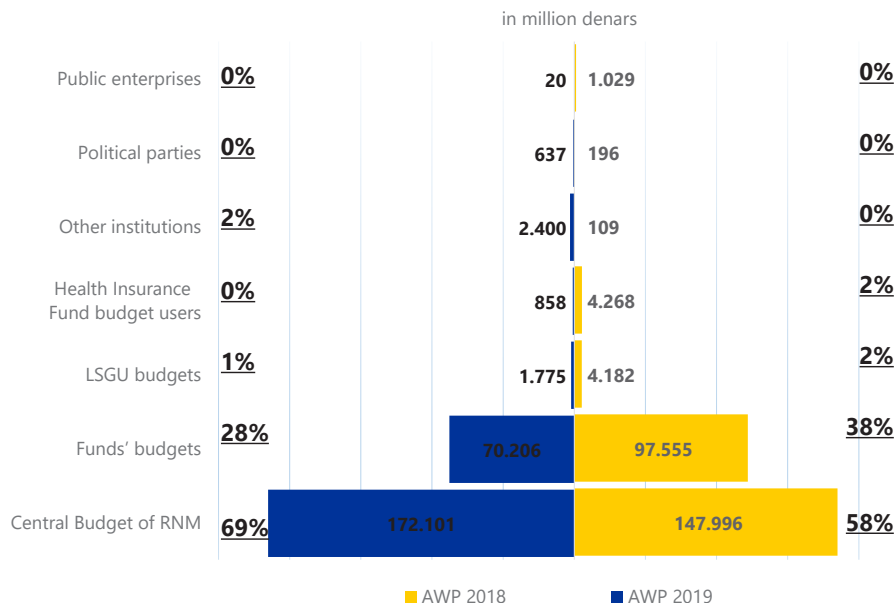


Opinions on compliance with laws and regulations

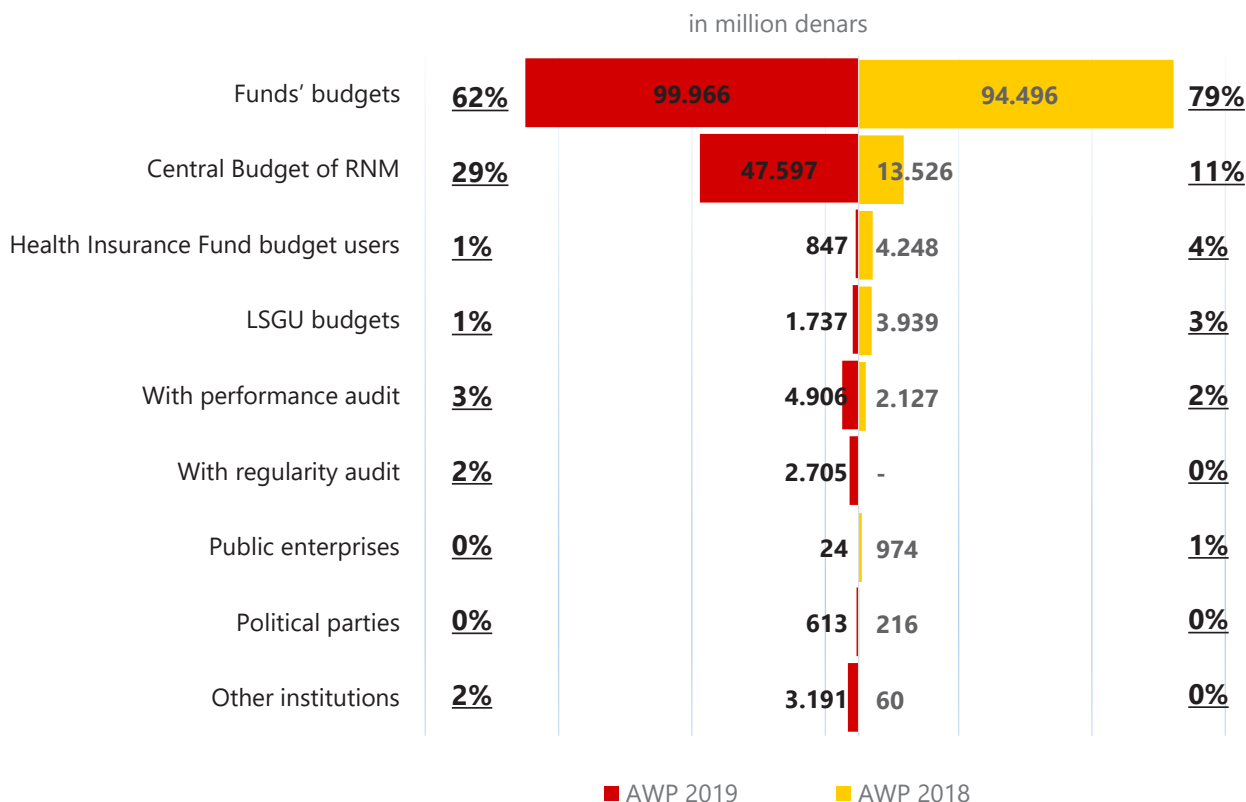


REVENUE AND EXPENDITURE

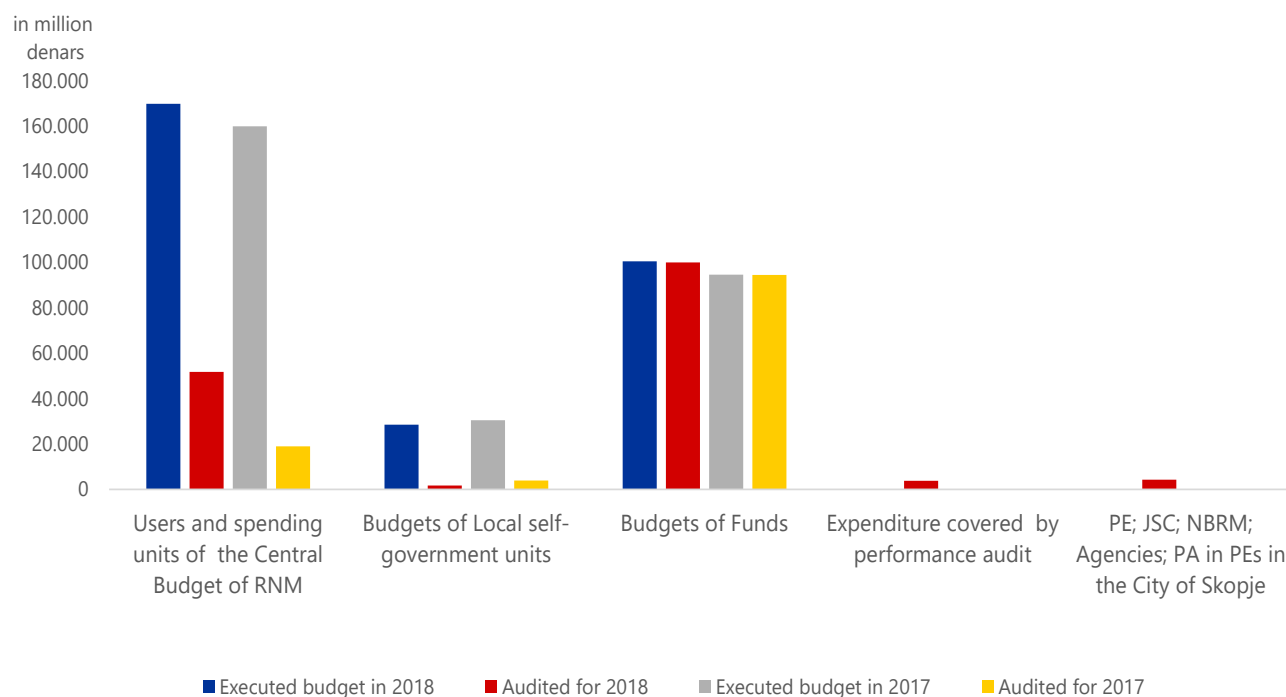
The total amount of audited public revenue covered by the audits of financial statements with the Annual Work Program in 2019 is 247.997 million denars, while the total audited public revenues with the Annual Program in 2018 amounted to 255.335 million denars. The structure of audited public revenues in 2019 and 2018 by groups of users is shown in the following graph.



The total amount of audited public expenditure covered by the audits of financial statements with the Annual Work Program 2019 is 161.586 million denars, while the total audited expenditure for the previous year amounted to 119.586 million denars, which is an increase of 35% of the scope of audited public expenditure. The structure of audited public expenditure in 2019 and 2018, by types of users is shown in the following graph.



The total budget executed in 2018 is 298.792.000 denars, while the audited budget in 2018 is 161.586.000 denars, which is 54% of the total budget. Compared to previous year data, we have increased the scope of audited expenditures for 12% compared to the executed budget from the previous year.



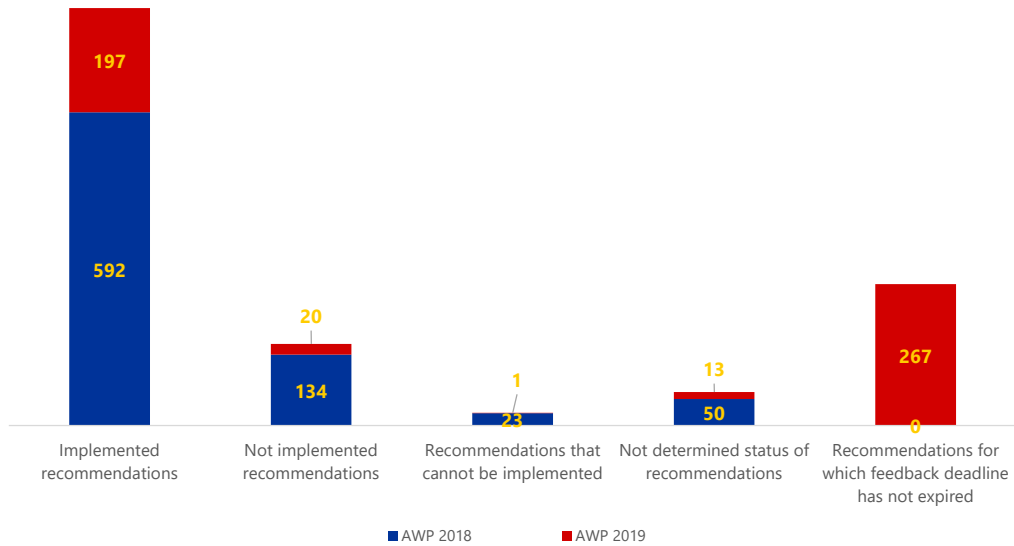
RECOMMENDATIONS AND THEIR IMPLEMENTATION

Along with the focal mission of the State Audit Office as the Supreme Audit Institution to communicate audit findings timely and objectively to the public office holders as well as the public, the audit objective is to provide clear and effective recommendations and support state institutions and users of public funds for improving the management thereof.

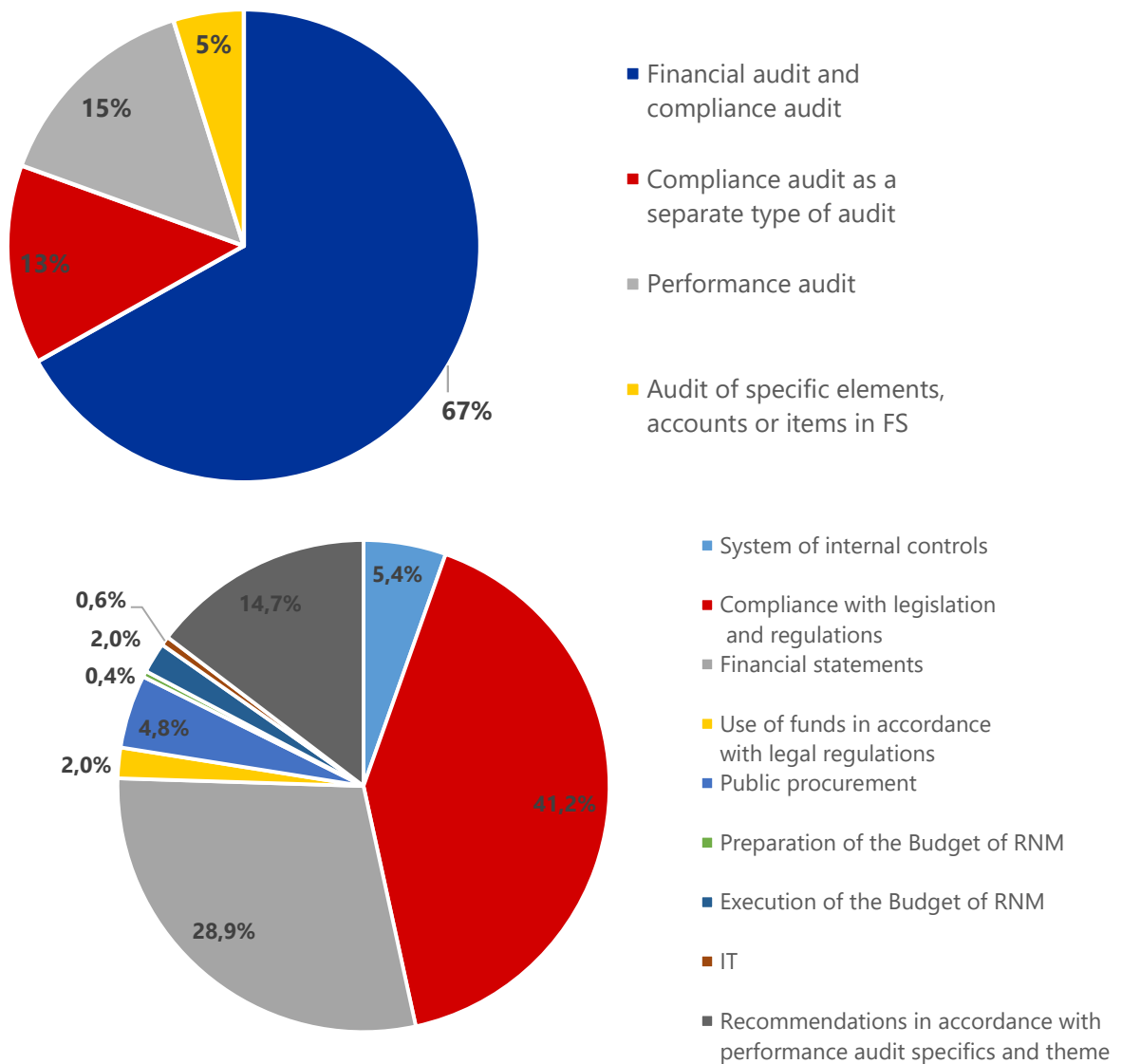
According to the State Audit Law, the legal representative of the entity is obliged to inform the State Audit Office and the body responsible for supervision and control, for the measures taken upon findings and recommendations in the audit reports, within 90 days from the receipt of the final report.

The State Audit Office monitors the implementation of given recommendations in audit reports within the frames of the regular audits, special audits and reviews on the implementation of recommendations, as well as by received information from the entities. The following graph provides data on the status categories of measures taken upon audit recommendations for Annual Work Programs for 2018 and 2019.

With the performed audits of the Annual Work Programs for 2018 and 2019, a total of 1030 recommendations were given, for which feedback deadline of 90 days has expired and measures have been taken upon 789 recommendations i.e. the implementation of audit recommendations is 76.6%.



Structure of recommendations by types of audits and by types of findings



EXECUTED AUDITS

CORE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

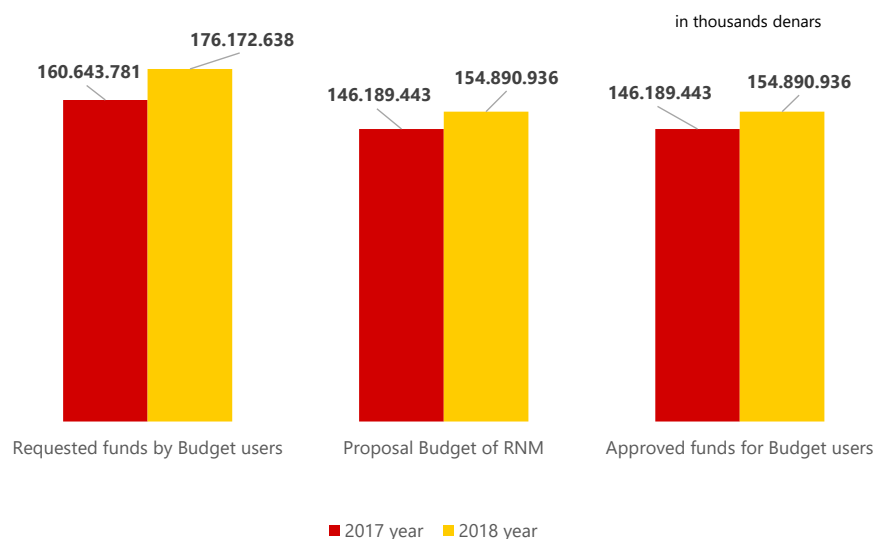


The Budget of the Republic of North Macedonia reflects the expected fiscal movements, the public revenue for financing priority policies and objectives to maintain economic growth and social protection. The strategic priorities of the Government of RNM, the fiscal strategy, the proposal for strategic plans of the budget users and the priorities of the municipalities are the basis for preparing the Budget of RNM.

During the preparation of 2018 RNM Budget, the prescribed deadlines for key activities in the strategic planning process have not been met, i.e. the Decision on Strategic Priorities of the Government has been adopted with a 3 months delay, while the Fiscal Strategy for 2018- 2020 with a delay of 5 months. This is due to the fact that after the early parliamentary elections in December 2016, the Government of RNM was formed and started working with a six-month delay.

In the absence of a fiscal strategy, the Ministry of Finance submitted notification to the budget users, to prepare budget proposals within the maximum amounts of expenditures determined by the Budget of RNM for 2017. The audit concluded that some budget users have submitted incomplete budget requests, without plan for systematized and filled job posts, without public procurement plan and three-year strategic plans, which are the basis for preparing their budgets.

Requested funds, proposal Budget, approved funds of Budget users



The budget of RNM for 2018 was adopted in the amount of 154.890.936.000 denars, which is 21.281.702.000 denars less than the required funds from budget users. Compared to 2017, the budget is higher by 5.95%.

To overcome the difference between requested and approved funds, it is necessary to intensify the process of harmonization of the Ministry of Finance with the heads of the budget users.

In August 2018, amendments were made and the Budget of RNM was increased by 4.3%, due to the deviation of fiscal movements from the planned amounts on both the revenue and expenditure side of the Budget, as well as due to the need for providing funds for new policies and measures of the Government of RNM.

With the rebalance of expenditures, the most significant is the increase in repayment of principal (25.52%) and the increase in subsidies and transfers (24.57%), while capital expenditures were reduced by 18.44%.

The largest share in the revenues of the Core Budget is tax revenues with 65.70%, whose realization is principally in the competence of the Public Revenue Office and the Customs Administration. In 2018, tax revenues amounted to 111.427.122.000 denars and were increased slightly by 1% compared to 2017.

With the audit we concluded that the tax claims based on unpaid VAT, profit tax and personal tax from legal entities and natural persons, which are under the competence of the Public Revenue Office, amounted to 31.144.013 denars as of 31.12.2018, while the liabilities for VAT refund and profit tax amounted to 6.330.673.000 denars, indicating that the state has latent revenues that are expected to be collected in the next calendar year.

Having in mind the competencies of PRO related to the administration and control of tax revenues and public duties, we identified the need for strengthening HR and technical resources, as well as for improving PRO IT systems.

Regarding tax revenues, as a competence of the Customs Administration of RNM, we concluded that in 2018 excise duties were collected in the amount of 23.745.094.000 denars, which is 8.2% more than in 2017, partly based on the increase in the excise tax on mineral oils. In the structure of excise duties on excise goods, the largest share is excise duties on oil derivatives and tobacco products.

Import duties and fees were collected in the amount of 5.603.709.000 denars, which is 8.3% more than in 2017. The largest share is the collection of customs duties in the road traffic with 96.86% of the total processed customs declarations; air traffic participates with 2.61%, and railway traffic with 0.29%. Regarding completeness and accuracy in the administration of tax revenues, we gave recommendation for full implementation and use of the integrated system for collection of customs and customs duties and processing and collection of excise duties.

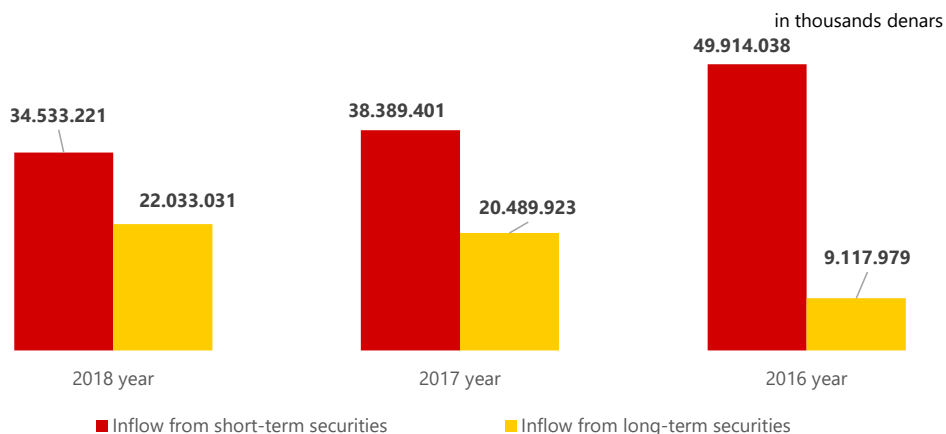
Revenues from compensation for use of water, discharge of water and extraction of sand, gravel and stone as part of tax revenues in 2018, were collected in the amount of 86.810.000 denars, which is 19% less than in 2017. The Ministry of Environment and Physical Planning, as a competent body for full and timely collection of these revenues needs to establish a water book and appropriate records of issued water rights permits with all necessary data.

With the audit on the state bodies responsible for revenues from construction and agricultural land owned by RNM, as well as for awarded concessions for detailed geological research and exploitation of mineral resources, we concluded that the Ministry of Transport and Communications and the Ministry of Agriculture, Forestry and Water Economy need to establish full and complete record of claims based on lease of construction land and agricultural land.

Domestic borrowing is done by issuing short-term or long-term securities, issued by RNM, in order to raise funds. RNM continuously issues securities, such as treasury bills as short-term and government bonds

as long-term securities. During 2018, 41 long-term securities i.e. government bonds and 28 short-term securities i.e. treasury bills were issued on the domestic capital market. Based on these securities, an inflow of 56.566.252.000 denars was realized, which compared to 2017, is reduced by 2.313.072.000 denars or 4%. The inflows of domestic borrowing for 2018, 2017 and 2016 are shown in the following graph:

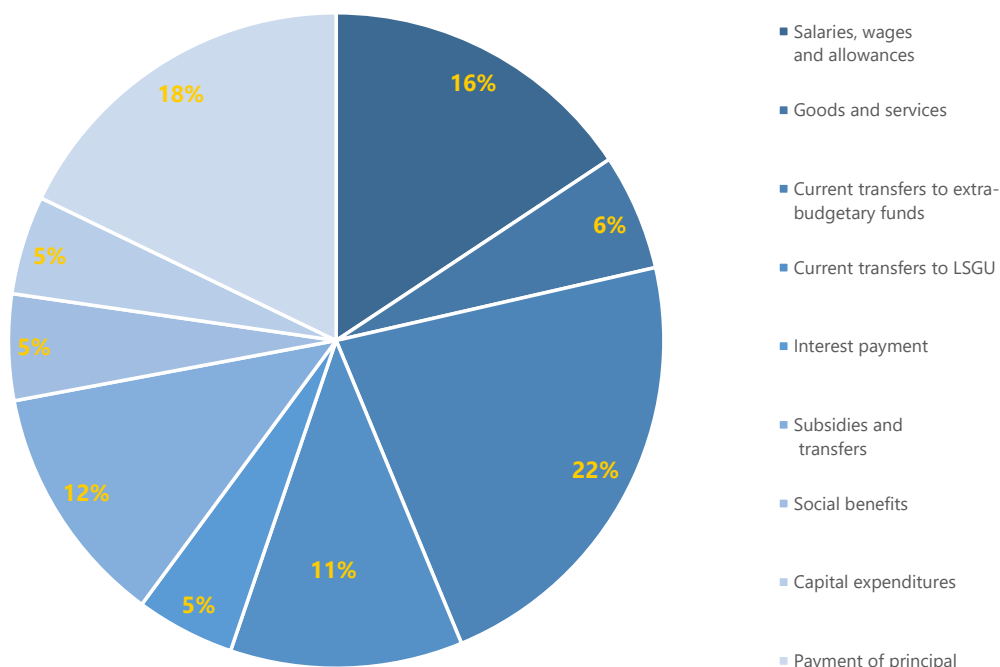
Inflow from domestic borrowing



In 2018, based on foreign borrowing, there was an inflow on the Core Budget account amounting to 30.290.546.000 denars, by issuing government securities on the international capital market - Eurobond of RNM.

Regarding the structure of the executed expenditures and other outflows, we concluded that expenditures for current transfers to extra-budgetary funds have the largest share of 22.32% in the total expenditures, as well as the expenditures for social benefits, which participate with 17.83%.

Structure of expenditures and outflows of the Core Budget in 2018



Realized expenditures and other outflows in 2018 compared to 2017, have increased by 12%. The most significant increase was found in the repayment of principal (60%), and subsidies and transfers (43%), while the most significant decrease was found in capital expenditures by 17%.

Regarding the planned amount for 2018, the total expenditures and outflows were realized in a smaller amount by 4.025.174.000 denars or 2%.

During 2018, funds from the Core Budget of RNM were transferred to the Pension and Disability Insurance Fund in the amount of 29.397.989.000 denars, i.e. 3.29% more than in 2017. The transferred funds were earmarked for covering liabilities based on pension and disability insurance, due to the fact that the Fund has lack of funds for payment of pensions.

The expenditures for subsidies and transfers in 2018 were realized in the amount of 18.809.305.000 denars and they accounted for 11.94% of total expenditures. Compared to 2017, these expenditures are higher by 5.629.639.000 denars or 43%. In 2018, part of these funds in the amount of 3.032.383.000 denars, were transferred for financial support to the municipalities in accordance with the Law on Financial Support of Local Self-Government Units and spending units established by local self-government units for financing overdue and unpaid obligations. The above law covers funding of 51% of the total reported amount of overdue and unpaid liabilities of municipalities and spending units in the Electronic System for reporting and recording of liabilities, as of September 2018.

In 2018, 281.102.000 denars from this Budget item were transferred to the political parties, i.e. 162.82% more than in 2017, due to the change in the legally established percentage of 0.06% to 0.15% from the total source revenues of the RNM Budget.

In order to ensure and maintain transparency and accountability and strengthen responsibility for managing public funds, the public authorities, LSGUs, institutions performing activities of public interest, public enterprises, companies, institutes, agencies, funds and other legal entities whose founder is RNM or LSGU, have the obligation to report on liabilities taken due to their registration in the Electronic System for reporting and recording liabilities, which is managed and maintained by the Ministry of Finance. Out of 1.371 entities, as of December 2018, the system reported liabilities of 1.108 entities, in the total amount of 18.740.493.000 denars. The completeness and timeliness of liabilities' data is one of the preconditions for preparation of strategic documents, necessary for the initiation of the procedure for planning and adoption of the Budget.

EMPLOYMENT AGENCY OF THE REPUBLIC OF NORTH MACEDONIA



The Employment Agency of the Republic of North Macedonia (EARNM) is a public institution that is responsible for regular payment of the rights based on unemployment - financial compensation, pension insurance contribution for unemployed

persons who have less than 15 years of service, health insurance for recipients of financial compensation and material security. Under EARNM jurisdiction is the implementation of the Operational Plan for active programs and measures for employment and services on the labor market (OP), which provide job creation and increase the employability of the unemployed, especially young people and users of the right to financial assistance. The holder of OP for 2018 is the Ministry of Labor and Social Policy, and its implementation is responsibility of the ESA and its regional offices - Employment Centers.

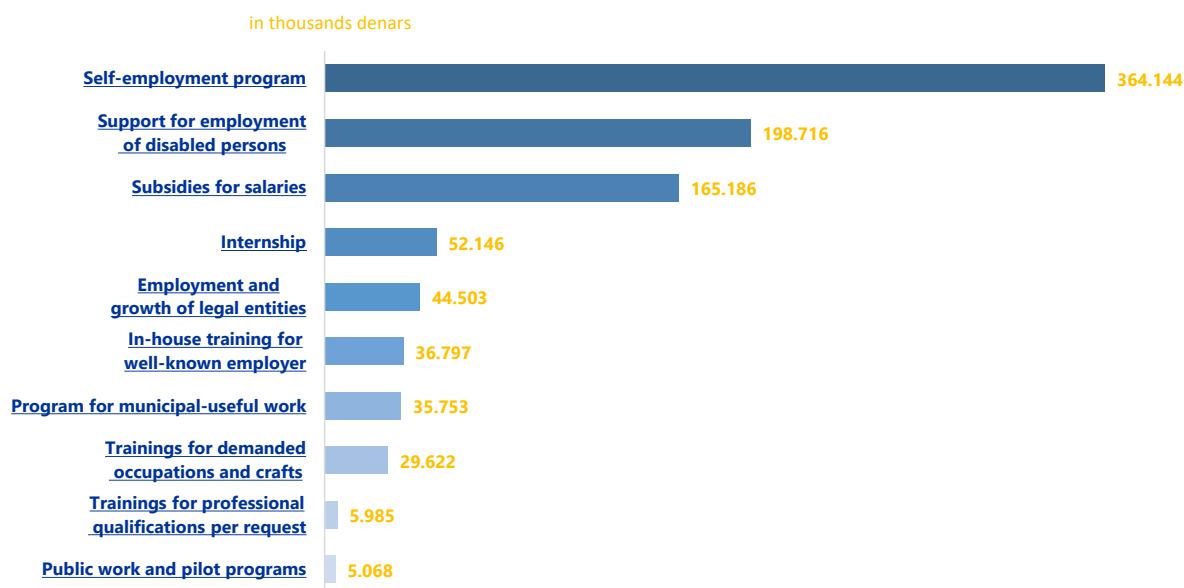
With the performed audit on the elements of 2018 financial statements of EARNM, covering: Salaries and allowances and Social benefits in the part of Payment of benefits from the Employment Agency, the audit identified weaknesses in the system of internal controls in the process of implementation and payment of funds for active programs and measures for employment and services in the labor market, which creates a risk of non-compliance with the regulations and the Operations Guidelines (OG) in relation to:

- not adopted policies on accounting operations with established control methods for payment of funds for active programs and employment measures at the Employment Centers and the Central Service, as well as on the method of recording and reporting thereof;

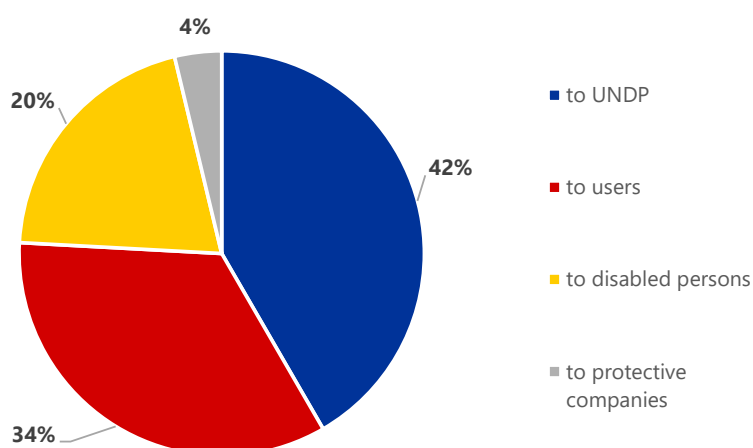
- not prepared comprehensive analysis of the sustainability and efficiency of active employment programs and measures and long-term analyses of the status of the users after the expiration of the envisaged deadlines and their employment;
- absence of a fully integrated data recording system for payment of unemployment benefits and records of active programs and measures with the database for financial accounting operations, which prevents monitoring and control over data entry and data archiving.

In 2018, 974.419.000 denars or 39% of the total expenditures were paid from the account of EARNM for realization of 10 programs and employment measures defined in the Operational plan for active programs and measures for employment and labor market services.

The distribution of expenditures by programs and measures is shown in the following graph:



The structure of expenditures for realization of active measures and policies in line with the purpose and the user is given in the next presentation.



In terms of implementation of active programs and employment measures, shortcomings were identified that may contribute to the occurrence of certain deviations, in terms of confirming achievement of objective of measures, as well as inability to establish documentation controls and earmarked payment for the measure as follows:

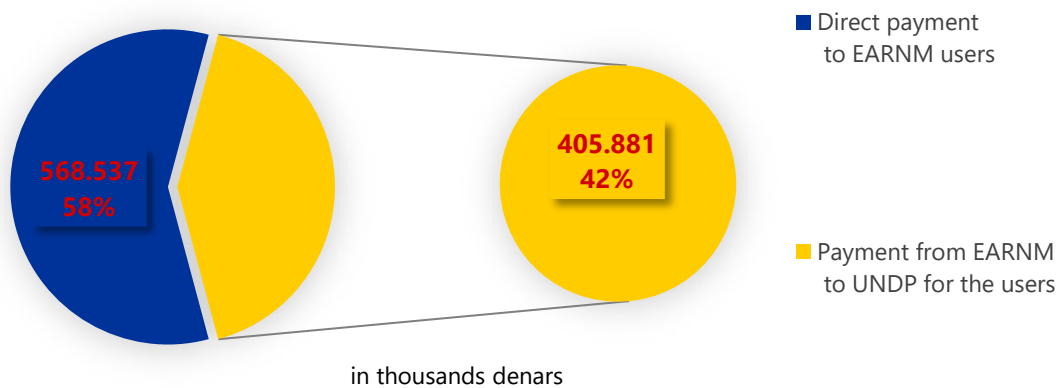
- inadequate and incomplete documentation on the case / file depending on the measure, and no evidence for monitoring with field controls of employers and beneficiaries of funds; inability to

establish documentation controls and earmarked payment for the measure, i.e. not fully adhering to the Operational Guidelines for 2018;

- unsecured documentation by the Department for Active Measures and Programs which, in accordance with the Operational Guidelines, would confirm the implementation of active employment programs and measures implemented with direct participation in the implementation by UNDP, such as business plan and specification attached to the signed agreements, financial documentation for procurement, documentation for conducting trainings and for monitoring activities by UNDP and the coordinators from EARNM;
- for realization of the project «Creating job opportunities for all III» in 2018 EARNM has made payment to UNDP an amount of 405.881.000 denars and there is no complete documentation to confirm the procurement by grant users. Due to the method of presenting expenses and obligations, as well as due to the savings by UNDP, the audit did not express opinion on the funds spent from the account of EARNM and the expressed expenses in the income statement for 2018.

In this way, secure financial management and execution of the budget is disabled and is not in accordance with effective and efficient internal control as a process that is applied at all levels of financial asset management, which is foreseen as one of the principles provided by the Law on Budgets.

During the audit, joint activities were initiated by the working group of EARNM and UNDP for capacity building of EARNM starting from 2020.



Recommendations were given for the ascertained shortcomings, and the Agency has submitted a written notice on the manner of action of the employment centers in implementing active employment programs and measures and providing necessary documentation, as well as regular field checks.

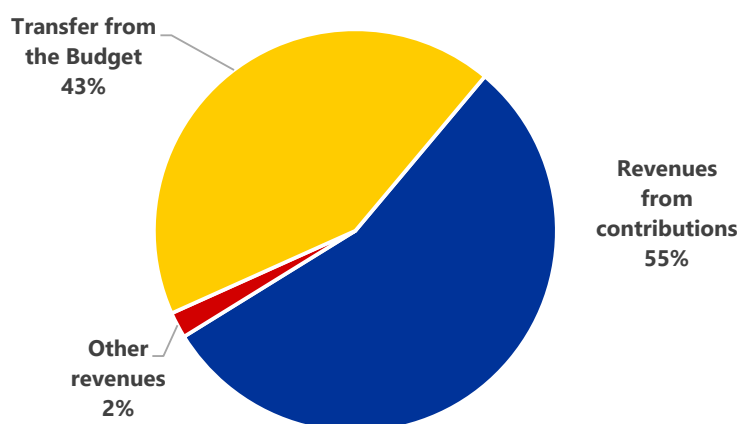
In March 2020, the Government of RNM instructed EARNM to prepare an action plan with precisely defined activities, deadlines and implementers of the given recommendations in the Final Reports of the authorized state auditor.

On 24.02.2020, the State Audit Office received Information on measures taken by the Employment Agency of RNM upon the Final Report stating that measures have been taken or are underway for most of the recommendations.

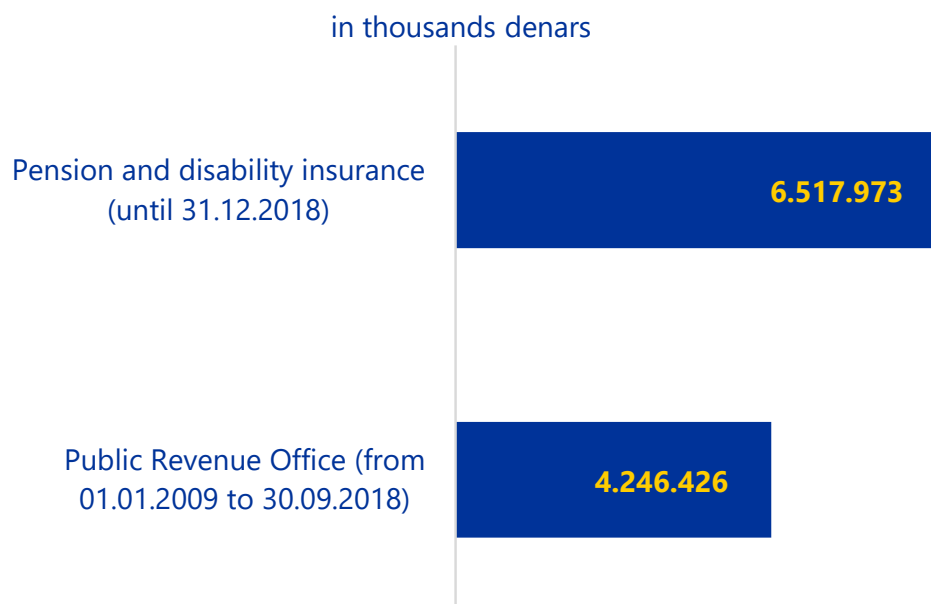
PENSION AND DISABILITY INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

The State Audit Office conducted regularity audit for 2018 on the items Claims, Tax revenues, Transfers and donations and Social benefits, which are part of the financial statements. The following shortcomings were ascertained:

- In the total revenues of the Fund in 2018 amounting to 68.645.000.000 denars, the share of revenues from collected contributions continuously decreases in relation to the funds allocated from the Core Budget of RNM, whereby the share of transferred funds in the total revenues ranges from 35.7% in 2011 to 43% in 2018. The increased share of transfers from the Core Budget is a result of the unemployment rate, amount of the contribution rate for compulsory pension and disability insurance, legal solutions for exemption and preferential payment of contribution, unfavorable ratio of the number of employees and pensioners.



- The established system for determining, controlling and collecting contributions is not based on up-to-date and complete integration and exchange of data from institutions, which affects the completeness of revenues, as well as the liquidity of the Fund and the sustainability of the pension system. Namely, institutions in the compulsory social insurance system - the Public Revenue Office, the Pension and Disability, the Health Insurance Fund and the Employment Agency have separate databases that operate in parallel and differ in the number and different treatment of payers and insured persons. The agreement between the institutions does not stipulate obligation for the Public Revenue Office to submit all legally determined data related to the contributions. In such conditions, the Public Revenue Office submits information only on the collected part of the liabilities.
- The World Bank-supported project analyzes the possibility for setting up a single common central registry system and database for all insured persons, to be used by all institutions.
- Due to incompatibility of databases and inadequate data exchange between the institutions, as well as the input errors, the account of the Fund continuously shows inconsistent payment of contributions, as well as invalid applications that caused some insurers not to be assigned to the second pension pillar for several years. The total amount of unidentified and non-earmarked payments on 31.12.2018 is 111.407.000 denars, the number of identified not assigned insured persons is 12.103, and the paid contribution for these insurers is 918.534.000 denars. In order to overcome ascertained shortcomings, legal amendments were implemented in 2019, and the Fund was enabled to make corrections ex officio in the system of the Public Revenue Office, which is expected to solve some of the problems and reduce inconsistent payments.
- Due to non-synchronization and incompleteness of data from the institutions that provide incoming information, the claims on the basis of unpaid contribution are unrealistically displayed and for some of these the collection is uncertain. These claims in the amount of 10.764.399.000 denars participate with 83% in the total receivables of the Fund and refer to receivables as of 31.12.2008, and the structure and competence for their collection are shown in the chart below.



- The Fund does not have sufficient mechanisms for collection of claims arising until 31.12.2008, and most of them are from payers in liquidation or bankruptcy or with blocked accounts, due to which in 2018 claims were written off in the amount of 1.203.999.000 denars. Data on unpaid contributions submitted by the Public Revenue Office to the Fund are incomplete and refer only to unpaid contribution of payers that submitted the calculation, which affects the completeness of expressed claims;
- The total amount of pensions paid in 2018 is 53.912.048.000 denars and participates with 79% in the item Social Benefits, which represent 99% of the total expenditures of the Fund. With the analysis of the legality of the procedures for determining the rights and payment of pension and the accuracy of displayed data, we identified several shortcomings:
 - The use of different types of technology in data entry and the weaknesses in the storage and archiving documentation in the registry in the past, make it impossible to verify the reliability and completeness of data required to exercise the rights;
 - The established system of exercising the rights and payment of pensions does not always provide accuracy and timeliness in the procedure and there are not enough controls to cover the risk of improper application of the provisions of the laws, bylaws and internal acts and
 - The competent institutions do not always submit necessary documentation in a timely and complete manner in conditions when control for termination of certain rights has not been established. For the identified cases of payment made after the expiration of the legally determined right, claims have been recorded, but the return of the same is with slowed dynamics.
 - Due to the slow communication and exchange of information with the pension funds abroad, decisions for realization of rights in accordance with international agreements for social insurance are adopted with a delay of several years.

The audit gave recommendations to the Fund to continue with the implementation of projects in cooperation with the competent ministry and to consider the possibilities for more active participation of the Fund in policy making and law enforcement, as well as to improve cooperation with institutions in the coming period to overcome identified shortcomings.

The audit indicates the need for the competent ministry to take action to review the legal solutions for determining the amounts of lowest and highest pensions, ensuring the social security of farmers, in order to consistently respect the principle of social justice.

Starting from 01.01.2020, increased rates of contributions for pension and disability insurance and health insurance came into force, and this will contribute to increasing the source revenues of the funds.

After submitting the Final Report to the competent authorities, the Ministry of Labor and Social Policy of the Republic of North Macedonia submitted to the Government of RNM an opinion reporting that the Ministry in cooperation with the Fund has defined action plan with necessary activities and deadlines for acting upon given recommendations.

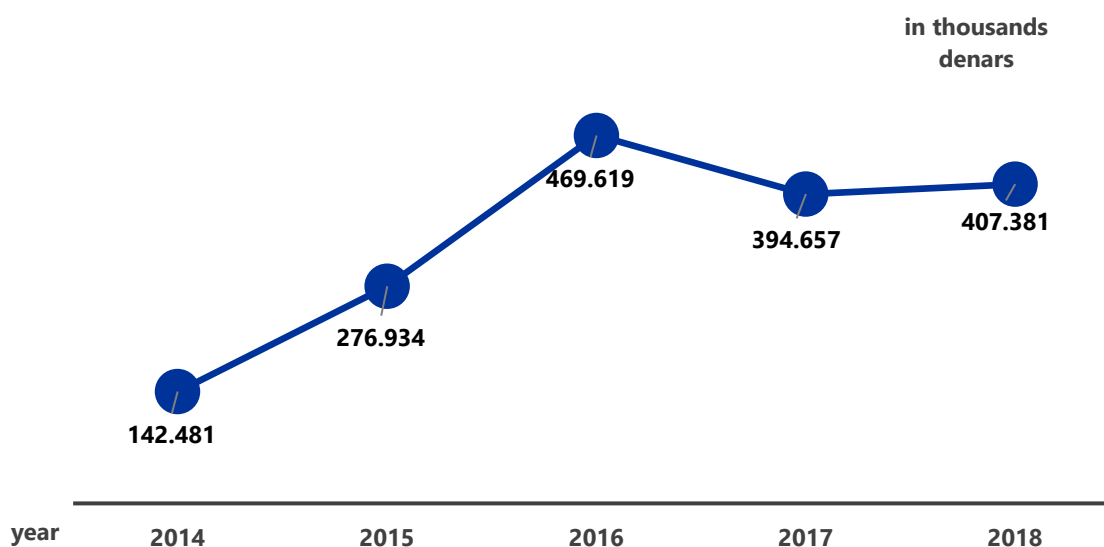
In March 2020, the Government of RNM instructed the Fund to prepare an action plan with precisely defined activities, deadlines and implementers for implementation of given recommendations in the Final Reports of the authorized state auditor.

HEALTH INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA



The State Audit Office conducted regularity audit on the item Contractual services of the account Health services and Social benefits, which is part of the income statement for 2018 in the amount of 28.947.155.000 denars, or 98.44% of total expenditures. With the performed audit, we identified weaknesses in the internal controls related to confirmation of reality and objectivity of the invoiced number and types of performed medical interventions by private healthcare institutions, which have signed agreement with the Fund.

The audit ascertained irregularities and weaknesses in the implementation of the procedures for medical treatment abroad. For these treatments in 2018 a total of 407.881.000 denars have been paid. The movement of the amount of funds paid for this purpose in the last 5 years is given in the chart below.

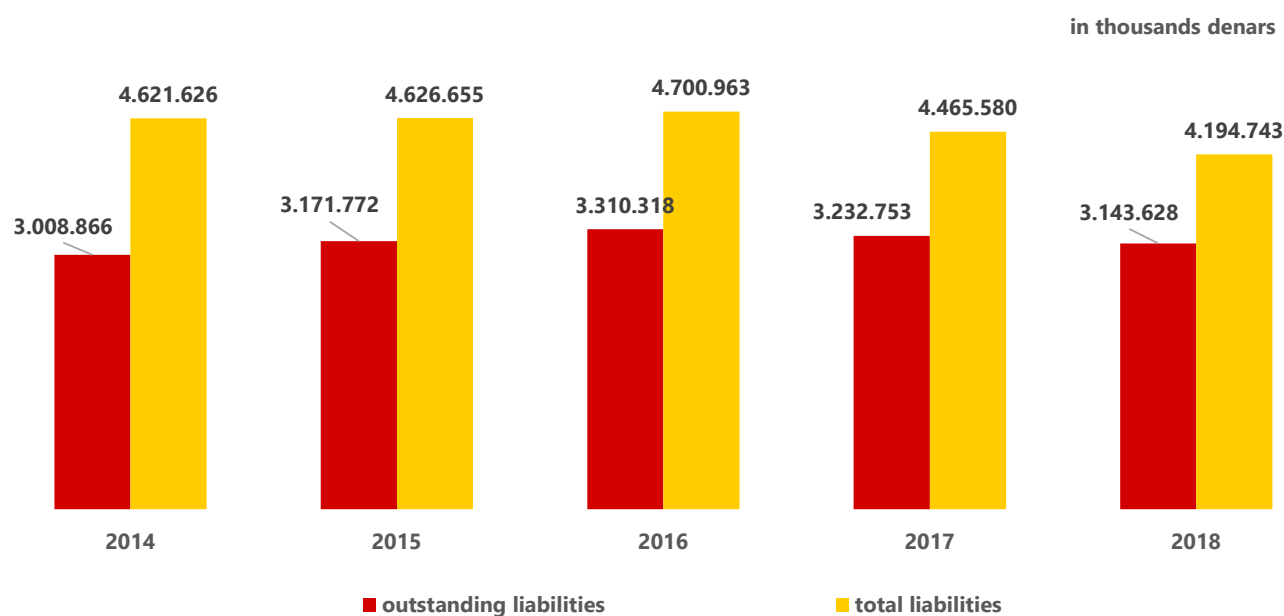


The procedure for treatment abroad is quite complex and long-lasting, it does not provide adequate legal protection to applicants and there is no organizational form with delegated competencies, monitoring and control of the activities of this process, especially in conditions when ex-post control is not established. For this procedure, there is no system for monitoring the status of treatment abroad and for providing orderly and reliable documents, and no analysis has been made of the success of the treatment in individual hospitals.

In the paragraph Emphasis of matter, we point out inconsistencies related to the manner of determining the annual budget of public healthcare institutions, and in relation to unsettled ratio between the level of performed services and their compensation by the Fund, which does not provide real purchase of services

from public healthcare institutions in the manner provided by the Law on Health Insurance. Namely, the Fund is forced to obtain funds for the complete functioning of those public healthcare institutions that are not able to achieve a sufficient volume of services or to fit into the existing system of evaluation of healthcare services, instead of compensating for the actually performed healthcare services. Consequently, public healthcare facilities are unable to fully and timely service liabilities to suppliers leading to creation of debt.

The movement of the amount of debts of the public healthcare institutions for the period 2014-2018 is shown in the graph below.



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Within the Annual Work Program of the State Audit Office for 2019, we conducted audit on the National Bank in the part of the Plan for investments in fixed assets and the Financial Plan of operating expenses for 2018 and their realization, together with compliance audit and issued unqualified opinion. In order to continuously and efficiently perform its activities, the National Bank adopts Plan for investment of fixed assets, which is an Annual Investment Plan and Analytical Investment Plan for a period of three years. The most significant investment is the construction of the new building of the National Bank premises in line with an agreement signed in October 2016 amounting to 1.477.332.000 denars. For this purpose in 2018 the National Bank invested 128.060.000 denars. The construction is still ongoing and according to the annex from 2019, the deadline for completion of works is scheduled for March 2021.



The National Bank also adopts an Annual Financial Plan which is a framework for financing the expenditures of the National Bank. The financial plan consists of revenue and expenditure plan arising from monetary activities, operations and other activities related to the achievement of legally prescribed goals.

The operating costs of the National Bank in 2018 were realized in the amount of 654.961.000 denars, which compared to 2017 is 17% less (792.792.000 denars).

The audit concluded that the implementation of activities from the Plan for investments in fixed assets and the Financial Plan, in terms of operating costs for 2018, are in accordance with the relevant regulations.

MINISTRY OF INFORMATION SOCIETY AND ADMINISTRATION

With the audit on the financial statements of the Ministry of Information Society and Administration for 2018, together with compliance audit, we identified certain shortcomings and gave recommendations as follows: to provide complete documentation for confirmation of the right to use all business facilities used by the Ministry, to insure the entire property of the Ministry, to have more effective internal audit, as well as to record liabilities to suppliers in a timely, complete and chronological manner.

In order to develop information and communication technologies and strengthen capacities of the public administration, the Ministry continuously implements projects financed within the Sub-Program NA-Development and implementation of information and communication technologies, from the development part of RNM Budget.

Regarding the Integrated Human Resource Management System, which aims at quality human resource management at both institutional and public sector levels, reduces costs related to employee management, planning their development and promotion, the audit found that institutions do not perform timely and complete data entry into the system, as well as update. Consequently, the Register of Public Sector Employees still does not offer timely and complete information to achieve its main objectives.

The system for interoperability, i.e. the Macedonian Information Highway - is a «road», i.e. a channel for exchange of information and data between the institutions that are connected to it. We found that 32 institutions are connected to the interoperability platform, but only half of them exchange data. We pointed out the need for the Ministry to reconsider the reasons for the incomplete use of the platform of some of the institutions that are already connected, their real need of the data and information it offers, as well as the possibility of connecting to other institutions that need such data exchange and information.



The document management system is a unified system that should enable document processing in state institutions to be completely electronic. The situation regarding utilization of the system in the institutions where it is implemented indicates the need to take on activities to increase the utilization of modules in all institutions where it is introduced, especially since the Ministry has an obligation for continuous maintenance that causes budget expenditures.

The Ministry uses Cloud Rental platform for hosting the systems, for which the Ministry has signed lease agreement in 2018 and its implementation is underway.

The Central Population Registry is a project that should enable setting up a single database to provide up-to-date information for the population in RNM. In September 2018, the first version of the Central Population Registry was established, but its full implementation is still ongoing.

The aim of the project One point of services is to provide for the citizens one place where they could obtain information and services from different state and public institutions. The project started in 2015. In February

2019 the first Service Center in Skopje was opened, which provides one place for services to citizens from 10 different institutions. The Ministry continues with activities aimed at developing and shaping the whole concept for establishing the principle of «one counter system», through Service Centers in larger towns in the country.

The State Audit Office pointed out the need to intensify measures and activities of the Ministry of Information Society and Administration for full implementation of launched projects, so as to harmonize the functioning of state administration bodies with international standards, to continuously develop IT infrastructure and strengthen security aspects, to improve the functioning of institutions and to set up effectiveness and efficiency of e-governance in the country.

MINISTRY OF ECONOMY

With the performed regularity audit on the Ministry of Economy for 2018, we concluded that the distribution of funds to 16 cluster associations for project implementation is not in accordance with the points set by the Commission for consideration of applications for allocation of funds for support and development of cluster association, whereby three cluster associations which received funds for realization of projects, did not complete the projects and did not return unused funds to the account of the Budget of the Republic of North Macedonia within the set deadline.

The Ministry of Economy uses passenger motor vehicles for official purposes, but in a situation when non-earmarked use of assets is ascertained, the Internal Procedure for the manner of use and maintenance of vehicles is not followed.

The treatment plant as part of the complex «Macedonian Village» is still kept in the business books of the Ministry, because no decision has been made to give permanent use of real estate and transfer the plant to the General and Common Affairs Service of the Government of the Republic of North Macedonia.

The complete transfer of geological documentation from the Ministry of Economy to the Geological Survey of the Republic of North Macedonia as a competent legal entity for archiving, managing and issuing geological documentation has not been performed.

In the paragraph Emphasis of matter, the audit reveals shortcomings that have been highlighted in several previous audits on this entity and relate to repayment of principal and payment of interest on a loan from the World Bank since 2005 for the Business and Institutional Strengthening Reform Project, in the amount of 8.8 million euros. Loan beneficiaries are several institutions, and the payment is made only from the funds provided in the budget of the Ministry of Economy, although according to the agreement, part of the loan should be repaid by the loan users, the National Bank of RNM and the Central Registry of RNM.

Based on the conclusion of the Government of the Republic of North Macedonia, the Ministry has prepared an action plan with precisely defined activities, deadlines and implementers for implementation of the recommendations in the Final Report of the authorized state auditor.

During 2020, the audit reviewed the measures taken in relation to the established shortcomings and the given recommendations contained in the final report, and concluded that measures have been taken by the responsible person of the Ministry and most of the identified weaknesses have been surpassed.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

We conducted audit on the financial statements together with compliance audit for 2018 on the account of the core budget used for implementation of several programs.

The audit identified the following shortcomings:

- In the financial statements, the item tangible assets in preparation, includes records of buildings financed by the Programs for construction of pedestrian paths and construction of beaches and other programs, which have been completed and in use for years, but they have not been handed over to the municipalities where they were built;
- Part of the business premises available to the ministry has been registered, but there is no title deed issued by the Agency for Real Estate Cadaster; on the other hand, business books do not have records for the premises of the Captaincy of the port of Ohrid for which they have provided title deed.

Having in mind the importance of realizing revenues from the sale of construction land owned by RNM, the Ministry needs to adopt a procedure for recording the stated revenues.

To overcome ascertained shortcomings, the audit gave recommendations for taking measures and activities.

In addition, the audit highlighted some circumstances that have an impact on the operation of the Ministry, as follows:

- in August 2018, with Decision of the Government of RNM for transfer of shares, due to ownership separation of the Electricity Transmission System Operator (AD MEPSO) from the Government of RNM, the Ministry became the owner of the Electricity Transmission System Operator (AD MEPSO);



- the funds provided in the Budget of RNM for subsidizing public service for transport of passengers by railway traffic are not sufficient to cover the costs for transport services of the state-owned carrier, which calls into question the provision of quality service of public interest - transport by railway traffic;
- National Railway Infrastructure Program for 2017-2019 has not been adopted, thus less funds are allocated for railway infrastructure than the foreseen legal right; and
- for the funds paid to the municipalities from the budget of the Ministry for realization of the project Support and implementation of the decade and the strategy of Roma people in line with Decision of the Government of RNM, no agreements have been signed with the municipalities for earmarked use of funds.

Based on the conclusion of the Government of the Republic of North Macedonia, the Ministry has prepared an action plan with precisely defined activities, deadlines and implementers for implementation of the recommendations in the Final Report of the authorized state auditor.

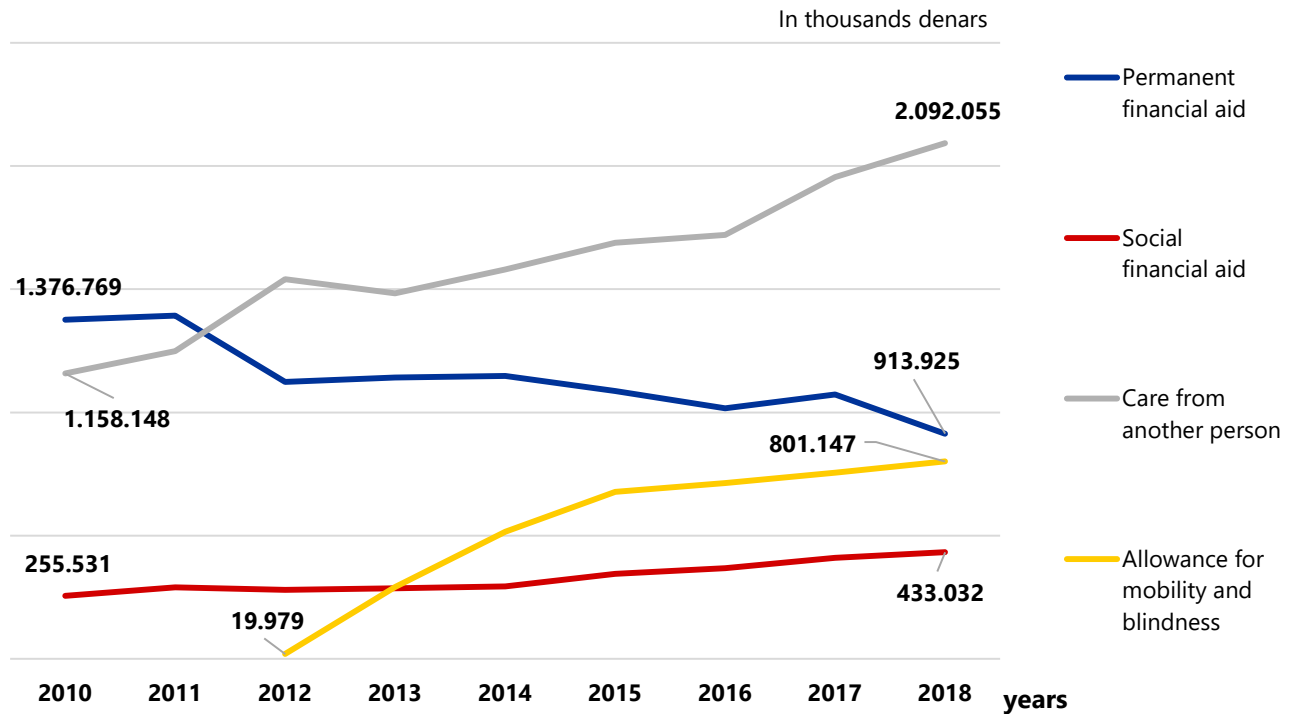
During 2020, the audit reviewed the measures taken in relation to the established shortcomings and the given recommendations contained in the final report, and concluded that measures have been taken by the responsible person of the Ministry and most of the identified weaknesses have been surpassed.

MINISTRY OF LABOUR AND SOCIAL POLICY

With the performed regularity audit on the Ministry of Labor and Social Policy for 2018, the following shortcomings were ascertained:

- Data in the accounting records and the gross balance are not harmonized with the annual account of the Ministry for 2018; therefore, data in the annual account unrealistically reflect the actual operating situation.
- Inconsistencies have been identified in the execution of inventory of assets, claims and liabilities, and the accounting value of assets was not harmonized with the actual value;
- Lack of accurate and up-to-date records of changes in the assets and liabilities of fixed assets, liabilities and receivables;
- Inconsistent observance of criteria in the distribution of block grants for social protection and child protection in municipalities, as well as absence of specific, clear and applicable criteria in the distribution of funds from the Law on Games of Chance and entertainment games to organizations and associations that perform activity in the field of social protection.

The structure of expenditures for payment of funds for social protection mostly refers to financial compensation for: support and care from another person, permanent financial aid, allowance for mobility and blindness and social financial aid. For further activities of competent authorities in planning and providing funds for payment of user rights, the audit presents a graphic of movement of payments for a period of nine years.



STATE STATISTICAL OFFICE

With the performed regularity audit on the State Statistical Office for 2018, we determined weaknesses in the internal controls in the non-cash payment system, in the treasury operations and in the monitoring of realization of concluded contracts. We made recommendations for adoption of internal acts that will prescribe and establish a system of internal controls, given that the State Statistical Office is organized as General Directorate with eight regional departments. Weaknesses were found in the inventory of books in the library, art paintings and supplies of materials, and we gave recommendations for improving the method for conducting inventory.



The State Statistical Office prescribes instruments for statistical research, prepares national statistical standards, collects and processes statistical data, analyzes these data, prepares statistical forecasts, trends and models. For these activities, the Office engages persons to perform intellectual work based on temporary service contract. In 2018, 227 people were hired for 12 surveys, without defined criteria for evaluation and selection of candidates, as a basis for their engagement for a specific survey. We recommended prescribing a procedure for selection of surveyors, in order to increase transparency and consistency in the procedures.

DIRECTORATE OF COMPULSORY RESERVES OF OIL AND OIL DERIVATIVES

We performed regularity audit on the Directorate for Mandatory Reserves of Oil and Oil Derivatives for 2018. We found that mandatory reserves of oil and oil derivatives are formed with procurements implemented by the Directorate, based on the dynamics of formation set up in a medium-term five-year program and an annual program for 2018. The dynamics of formation of required reserves is disturbed, due to the fact that during 2018 the planned procedures for procurement of required reserves have not been realized because no bid has been submitted.

The funds intended to cover the costs for regular operation of the Directorate are provided by the fee for mandatory reserves of oil and oil derivatives paid upon import of oil derivatives and in the production of oil derivatives.

During 2018, the Directorate generated revenues only on the basis of collection of the fee for mandatory reserves of oil and oil derivatives that is paid when importing petroleum products, in the amount of 584.482.000 denars. Revenue based on paid compensation for commissioning i.e. delivery of produced oil derivatives from manufacturer's warehouses has not been realized, due to the fact that since 2015 there is no production process of oil derivatives in RNM.

The audit concluded that the Directorate has not established records of total receivables from payers of compensation for mandatory reserves of oil and oil derivatives, and there is no quarterly data adjustment between the Directorate and the Customs for the fee paid by the payers.

To fulfill the legal obligation for storing and renewing required reserves, the Directorate has concluded an agreement with 3 trade companies - warehouses, which have the obligation to renew the reserves by replacing permanent supplies of petroleum products with new quantities, in order to preserve their physical and chemical properties. In 2014, one of the trading companies gave up managing two warehouses. Consequently, starting from 2015, the responsibility for their storage and renewal remains with the Directorate. Despite the initiatives taken for renewal of the oil and oil derivatives in these two warehouses, it was not done until the day of the audit report.

In the past period, part of the mandatory reserves of oil and oil derivatives were issued on the basis of Decisions of the Government of RNM, in cases when there is an urgent need for oil derivatives for state bodies, public enterprises, public institutions and other legal entities and institutions established by the state that perform activities of public interest, and for the municipalities, for the purpose of smooth execution of their activities determined by law.

New Law on Mandatory Oil Reserves was adopted in 2014, in order to harmonize Macedonian legislation with Directive 2009/119/EU of the Council of the European Union on storing and maintaining a minimum supply of oil derivatives. The application of this law has been postponed several times and with the last amendment adopted in December 2019, the law will be applied from 01.01.2021. The provisions of this law do not allow use of mandatory reserves for other purposes, thus also preventing reduction of quantities of oil and oil derivatives that the Directorate should have at its disposal.

MEDIA INFORMATION AGENCY

SAO performed audit on the financial statements together with compliance audit for 2018 of the Joint Stock Company «Media Information Agency» – Skopje (MIA) in state ownership.

MIA operates without properly designed system of internal controls, primarily in the area of treasury operations and in the calculation and payment of salaries.



Weaknesses were found in the inventory of receivables due to undetermined legal basis for their existence and age structure of the same in order to initiate procedures for collection.

For unimpeded performance of journalistic and correspondence services from other cities in RNM and abroad and news processing, MIA hires external associates by signing copyright agreements through an agency, which calculates and pays the royalties. Upon request during the audit, a refund was made to the account of MIA based on higher calculated and paid personal income tax. We recommended checking and controlling the overall documentation on this basis.

MIA was established by a Decision of the Assembly of RNM in 1992, which provides for the financing to be done from the Budget of RNM in the amount of 50.000.000 denars and from own revenues from the sale of products and services. The current financing of MIA points to the need for systematic regulation of the manner of financing MIA operations as a journalistic-media service of state and public interest.

NATIONAL INSTITUTIONS IN THE AREA OF CULTURE

In 2019, in accordance with the Annual Work Program of the State Audit Office, we conducted regularity audit of three national institutions in the field of culture: «Macedonian National Theater», Museum of Macedonian struggle for independence in Skopje and the National Institution – Culture Center “Ivo Antevski Smok” in Tetovo. These national institutions were established to pursue national interests in the field of culture.



Some of the identified shortcomings are common to all three national institutions and they are important for each institution separately:

- lack of a system of controls and written procedures on movement of documentation for defining the competencies and responsibilities regarding confirmation of completeness and reliability of documentation;
- unrealistically estimated balance sheet items in the financial statements, and the inventory of assets, receivables and liabilities as of 31 December 2018 is incomplete; the factual and accounting situation has not been harmonized in circumstances when the institutions have not appointed responsible accountants;
- inefficient public procurement planning; public procurement not carried out based on real needs and historical costs; identified irregularities in the implementation of public procurement procedures;
- lack of appropriate supporting documentation on the reality and objectivity of part of recorded expenditures;
- in NI Macedonian National Theatre for the same job with the same degree of complexity, different executors are paid salaries with different complexity coefficients, which results in unequal position of employees;
- in previous years in NI Macedonian National Theatre financial obligations have been taken in amount larger than the funds provided by the Ministry of Culture and other sources, which calls into question their settlement as well as the full implementation of the Annual Program;
- NI Macedonian National Theatre has realized revenues from lease of its halls without adopted price list for the type of service and the fee for its execution;
- In NI Culture Center Ivo Antevski Smok - Tetovo, the Managing Board is not constituted and does not function in full composition; consequently, the draft annual program for 2018 has not been approved and the Annual Report on the work and the Final Account for 2018 of the institution have not been adopted;
- for the realized revenues from lease of office premises NI Culture Center Ivo Antevski Smok - Tetovo has not conducted procedure for public bidding in accordance with the Law on Sale and Lease of Business Buildings and Business Premises of RNM; consequently, the revenue was realized in a smaller amount because it was based on old contracts from 2004 and 2005 and at a price lower than the legally prescribed one;
- VAT-based liabilities that are transferred liabilities to the institution are not recorded in the accounting records, are not expressed in the tax return and are not paid. VAT liabilities arise from the capital investment - construction of the Theater and Library in Tetovo; from the start of this investment to the period of the audit funds were paid upon interim certificates in the amount of 750.139.000 denars;
- The Museum of Macedonian Independence Struggle has not revised museum objects in accordance with the Law on Museums, which stipulates that museums are required to revise museum objects at least once every 5 years to determine the condition of museum objects and the need to take on appropriate measures for their effective protection; and
- In the Museum we identified risks in the process of realizing and recording revenues from ticket sales that may affect the accuracy and completeness of the income.

We have given recommendations for overcoming identified shortcomings.

In 2019, the Ministry of Culture leveled the salaries of employees in the institutions in the field of culture at the level of activities, by concluding an Annex to the Collective Agreements for implementation of leveled coefficients.

REGIONAL DEVELOPMENT BUREAU

With the performed audit on the financial statements for 2018 together with compliance audit on the Bureau for Regional Development, we identified shortcomings related to the system of internal controls, compliance with laws and regulations as well as to the financial statements as follows:

- No internal control system has been established and no procedures have been adopted for the movement of documentation and there is no system for monitoring and control of accounting documentation;
- The Bureau does not have an internal procedure for the manner and procedure of project acceptance, preparation of Project proposal lists, proof of how they are forwarded to the Project Evaluation Commission, as well as for the manner of performing field control; consequently, it creates the risk of reliability, completeness and reality in the actions of the Bureau upon received projects;
- Advance payments were made based on two Programs for balanced regional development for 2018 with an Annex to the main agreements in December 2018; the funds were paid to the Centers for Regional Development with the obligation to remain on their account until they receive written consent from the Bureau to make payment to suppliers;
- In the financial statements are recorded long-term loans and domestic borrowings in the amount of 132.377.000 denars and the Bureau does not have evidence thereof; the situation originates from previous years and refers to funds inherited from the Republic Fund for crediting economically underdeveloped areas.



We identified certain conditions due to weaknesses in the legal solution for balanced regional development, as well as unimplemented legal provisions by other competent bodies, which have an impact on the operation of the audited entity. We hope that these conditions will be of interest to the competent authorities, in order to surpass and improve the situation and encourage balanced regional development. In that direction, we emphasize the following:

- The Government of RNM has adopted two programs for balanced regional development for 2018, for which funds are planned in the budgets of the Ministry of Local Self-Government and the Bureau for Regional Development for the same activities; the responsible person of the Bureau signs agreements on behalf of the Ministry and the Bureau monitors the implementation of projects from both programs, which leads to overlapping activities and risk of possible errors in the payment under the Programs for balanced regional development. The audit deems that the Government of RNM should consider the possibility of adopting only one Program for balanced regional development and the Bureau to be competent for realization of the program.
- For 2018, at least 1% of GDP as determined by the Law on Balanced Regional Development has not been allocated from RNM Budget for encouraging balanced regional development. The audit points out that if development funds provided in the sectorial programs of other budget users are taken into account, the percentage will be close to the legal limit, but it needs to be taken into account the fact that allocation of funds is not done in line with the Law on Balanced Regional Development, i.e. the principle of «equality» in the distribution of funds in all planning regions is not respected, and there is no insight into the manner of realization of the same. This way of allocating funds from the Budget of RNM does not enable realization of specific measures and instruments aimed at reducing regional disparities and achieving balanced and sustainable regional development in RNM.

NATIONAL HYDRO-METEOROLOGICAL SERVICE

We performed regularity audit for 2018 on the Hydro-meteorological Service and we identified certain shortcomings.

NHM Service operation is characterized by inconsistencies in the calculation and payment of salaries. As for the assets, claims and liabilities, incomplete inventory was conducted, which partially confirmed the status of the property. The provisions of the Law on Public Procurement were not completely followed in several procedures. The funds realized from services of meteorology, hydrological measurements, services for monitoring conditions of polluted environment are paid to the account of the Office, although according to the legislation they represent income of the Budget of RNM.

In March 2020, the Government of RNM instructed the Ministry of Agriculture, Forestry and Water Economy to ensure that the Hydro-meteorological Service proceeds with preparation of an Action Plan with precisely defined activities, deadlines and implementers of the recommendations in the Final Audit Reports of the Authorized State Auditor.

On 18 March 2020, the Hydro-meteorological Service submitted information to the State Audit Office that that measures have been taken for most of the recommendations or activities are underway in accordance with the recommendations.

HIGHER EDUCATION

Within the field of higher education, we audited the financial statements for 2018 together with compliance audit at the Mother Teresa University in Skopje.

On 25 December 2015, the Assembly of the Republic of North Macedonia adopted the Law on establishment of Mother Teresa University in Skopje as the highest autonomous higher education and scientific institution with 5 units in its composition: Faculty of Civil Engineering and Architecture, Faculty of Information Sciences, Faculty of Technical Sciences, Faculty of Technological Sciences and Faculty of Social Sciences.



Since the establishment of the University until the first half of 2019, the Rector of the University heads and presides over the University Senate, although according to the Law on Higher Education the Rector and the Vice-Rectors do not have the right to be elected President of the Senate. The failure to implement legal provisions for election of President of Senate impacts the legality and statutory operation of the Senate as well as its decision-making. University Council as a competent body in supervising the performance of the activities of the University has not been established.

Three faculties within the University do not meet the condition for at least 10 persons with teaching scientific titles to be employed full-time for the accredited study programs. This situation has an impact on the overall functioning of the teaching process and the realization of the development plan for teaching.

With the inspection of some of the personal files of the teaching staff, the audit found that these do not contain complete and reliable documentation to prove fulfillment of conditions and criteria for selection in teaching scientific titles.

Some of the decisions for selection of teaching-scientific title do not specify deadline for selection provided by the Law on Higher Education, which regulates that assistant professor, associate and full time professor are elected for a period of 5 years. After the selection, the employment contracts are signed with the persons for an indefinite period of time.

Regarding the use of funds, payments for activities performed outside the usual work obligations were ascertained, based on decisions made by the Rector in lump sums, without precise criteria / points for allocation of funds depending on the scope and degree of complexity of work performed and the work tasks.

Distribution of funds based on co-payment and co-financing for studying is done without a Rulebook on internal distribution of finances.

The inventory of assets and liabilities as of 31 December 2018 has not been performed in the manner provided by the legislation.

A building has been obtained with a Decision for granting permanent use of real estate, but it has not been accounted for, which has an impact on the reality and objectivity of expressed assets in the business books.

To overcome identified shortcomings, we gave recommendations to the competent institutions and bodies.

PUBLIC HEALTHCARE INSTITUTIONS

Healthcare includes a system of social and individual measures, activities and procedures for: preserving and promoting health, prevention, early detection and control of diseases, injuries and other health disorders, timely and effective treatment and healthcare and rehabilitation. The healthcare activity is of public interest and is performed at primary, secondary and tertiary level by public and private healthcare institutions.



With the conducted regularity audits on the healthcare system, we ascertained repeating shortcomings as in the previous reporting period, which among other things, refer to:

- non-compliant acts for internal organization and systematization of jobs with the relevant legislation;
- incomplete inventory of assets and liabilities;
- absence of complete and up-to-date records of medical equipment and not established efficient system for monitoring and maintaining records;
- irregularities in the manner of recording received funds through donation;
- inadequate records for receipt and consumption of stocks of medicines and medical supplies per organizational unit and per patient;
- unsecured completeness of revenues for performed healthcare services;
- lack of activities for timely collection of claims for performed healthcare services;
- selective and non-chronological settlement of overdue liabilities;
- incomplete electronic system for recording working hours and inconsistencies in the calculations and payments of salaries and salary allowances;
- Illegal payment of cash rewards to employees; and
- inconsistent application of provisions of the Law on Public Procurement in the procedures for awarding public procurement contracts and monitoring implementation of signed contracts.

Recommendations were given for the ascertained shortcomings.

The Government of the Republic of North Macedonia for all submitted audit reports adopted conclusions and the Ministry of Health should obligate the audited public healthcare institutions to prepare an action plan with precisely defined activities, deadlines and implementers for the recommendations in the Final Reports of the authorized state auditor.

LOCAL SELF-GOVERNMENT

We performed regularity audit for 2018 on two local self-government units - the Municipality of Struga and Municipality of Gostivar, where the following shortcomings were ascertained:

During the evaluation of the system of internal controls in certain processes it was determined that it is partially or not established or does not function in the process of revenue collection and execution of expenditures and in the process of planning the municipal budget; consequently, there is a risk of incompleteness and untimeliness of revenue realization in the area of property taxes and utility fees, as well as a risk of adopting a budget based on unrealistically planned revenues and expenditures.

In a situation of significant deviation between planned and realized revenues and expenditures of the budget, no action was taken in accordance with the legislation and no rebalance was adopted (amendments to the budget), or in conditions with adopted rebalance of the budget, the harmonization was not performed. This creates an opportunity to take on obligations with no real funds to be provided in the budget and their transfer in the next fiscal year. The State Audit Office has reported on this phenomenon of unrealistic budgeting in some local self-government units in the individual audit reports, as well as in the previous annual reports.

In the audited units of local self-government, the budget does not contain a development part, i.e. plans for development programs, no annual programs for arranging construction land owned by RNM, no annual reports have been prepared on the use of funds from compensation for determining legal status of the illegally constructed buildings, and the annual reports on the operation of the municipality for 2018 are not complete.

The real estate and movable property registers of taxpayers are not complete nor properly managed, the inventory of claims is incomplete (legal basis and age structure) and untimely adopted, claims on the basis of compensation for arranging construction land, property taxes and utility fees are not realistically displayed in business books and financial statements, no measures and activities are taken to collect receivables causing some of these to become obsolete and there is no possibility for their collection.



In the Municipality of Gostivar, determination and collection of property tax on construction and agricultural land is performed in accordance with the Decision on defining zones for determining market value of real estate - construction land, yard and agricultural land, which is not harmonized with the Methodology for determining market value of real estate, thus resulting in less revenue on this basis.

There is no supervision over the collection of the temporary residence tax for 2018, no revenues are realized from the fee for maintaining public cleanliness, and no revenues from utility fees for using music in public places, while the communal fee for using the square and other public space in towns and other settlements in order

to exhibit items, organize exhibitions and entertainment events for performing activities are not charged in accordance with the Decision on the amount of utility fees.

For the allocated construction land for lease of beaches by the Municipality of Struga, no measures have been taken for acting in accordance with the laws and bylaws, as well as for non-compliance with the provisions of the signed agreements with the lessees, creating an opportunity for illegal use of it, thus revenues on this basis are incompletely realized.

In the audited units of local self-government, cases of non-compliance with the legal regulations and internal acts have been ascertained, and they refer to the manner of keeping business books, accounting documents, inventory, presentation of data in financial statements, capital expenditures, payments by various grounds, unregistered property, unsecured title deeds for property obtained by divisional balances.



Due to insufficient communication between the Municipality and spending units of block subsidies and non-transparency in the distribution of block subsidies to the spending units, at the end of 2018 there are unused funds on the account of budget revenues of subsidies and at the same time, the spending units have outstanding liabilities.

During 2020, the audit carried out a review on the measures taken regarding determined shortcomings and given recommendations contained in the final reports. It was ascertained that the responsible person of the Municipality of Struga and the Municipality of Gostivar took measures and some of the identified weaknesses were surpassed.

PUBLIC ENTERPRISE CITY PARKING - TETOVO

During 2019, we conducted regularity audit for 2018 on the PE „City Parking - Tetovo“. PE „City Parking - Tetovo“ in 2018 did not have director selected in a public competition and the company was managed by acting director since its establishment in 2014. The number of members of the Managing Board elected by a Decision of the Council of the Municipality of Tetovo is bigger than the number prescribed by the Statute.

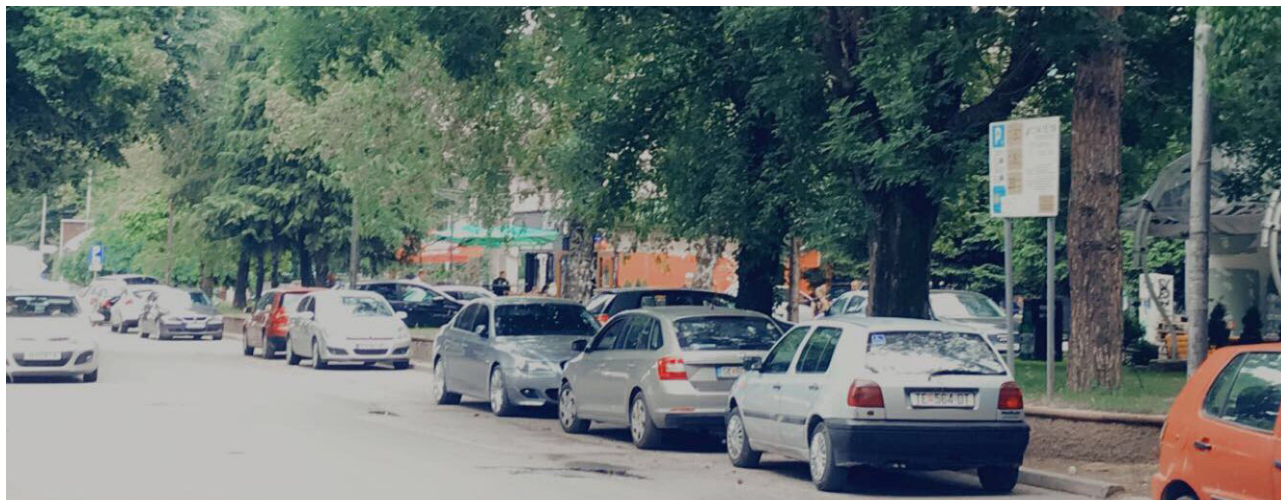
The PE performs its responsibilities without well-established system of internal controls, which increases the risk in the receipt and movement of documentation, salary calculation and full and timely collection of revenues.

During 2018, the public enterprise was indebted through loan agreements without an act adopted by the Management Board and the founder the Municipality of Tetovo.

Inventory was not performed on the real estate, stations, equipment, intangible assets, cash and other current assets and current liabilities, which increased the risk of complete and timely recording and earmarked use of funds and confirmation of unpaid receivables and outstanding liabilities.

The public enterprise operates with high control risk due to the fact that treasury operations were not established in accordance with the legislation, which caused differences between the funds expressed in the financial report - Balance sheet and the bank account.

With the implementation of the audit recommendations, the PE is expected to overcome the ascertained shortcomings in the upcoming period.



JOINT STOCK COMPANY IN STATE OWNERSHIP M-NAV AIR NAVIGATION SERVICE PROVIDER OF THE REPUBLIC OF NORTH MACEDONIA

We conducted regularity audit for 2018 on the state-owned joint stock company for providing services in the air navigation M-NAV AD Skopje, and the following shortcomings were identified:

- For financing the «Project for upgrading Macedonian air navigation system - second phase» in the amount of 11.150.000 Euro the joint stock company uses funds under the Loan Agreement with the EBRD. However, the deadlines for implementation of project components are continuously extended, with minimal use of loan funds within the stipulated period, and the required systems are not yet operational, which increases the risk of untimely provision of the required system upgrades.
- The employment criteria, the manner of redistribution of existing employees, the calculation and payment of overtime allowance are not in accordance with the legal regulations and internal acts of the company.
- For the constructed administrative building whose activities were completed in April 2017, where the company appears as a co-investor, irregularities were found regarding the actual area belonging to the company, no technical inspection of the construction was performed, no approval for its use was provided and its registration in the public real estate book.
- Financial statements do not disclose in real and objective terms the assets of the company. Namely, the land owned by the company is not recorded in the trade books, and the facilities that are used for its operations are still in the process of legalization and registration of the right of use. When calculating depreciation of intangible assets, the useful life is not taken into account, and the inventory of assets and liabilities for 2018 is not fully and correctly implemented.
- Regarding uncollected receivables, it was concluded that part of non-collectible receivables have not been written off, part have been written off without a Decision of the Board of Directors, and for part no measures have been taken for their collection and return of more paid taxes.
- Procurement of goods and services was not fully completed in accordance with the Law on Public Procurement, in terms of planning real needs.

With the implementation of the audit recommendations, JSC M-NAV AD Skopje is expected to overcome the ascertained shortcomings in the upcoming period.

In the paragraph Emphasis of Matter, we disclosed that the Supervisory Board of the company is incomplete since March 2018, which has an impact on the performance of its competencies, especially in the area of making legal and credible decisions.



JOINT STOCK COMPANY - NORTH MACEDONIA POST



According to the Law on Postal Services, JSC «North Macedonia Post» is the only entity that has received individual permission from the Postal Agency to provide Universal Postal Service, including reserved postal services and postal services performed on the free postal market.

The division of property between JSC Post and Makedonski Telekom that started in 2000 is not finished yet, which has an impact on data reported in the financial statements for 2018.

The revenues from postal services that are performed on the entire territory of the country, are organized in 15 subsidiaries with 326 units in the postal network and 502 counters, we did not obtain assurance that they are fully displayed in the financial statements and properly valued because for a complex system for which an appropriate application solution is not designed.

Starting from 2010, for performing reserved postal services related to shipments of up to 20 grams, for a large user with a volume of about 800.000 shipments, a discount of 50% of the regulated price has been approved, for which JSC Post has exclusivity and guaranteed price.

Financial statements acknowledge claims on the basis of shortfalls in treasury operations in units of the postal network that refer to shortfalls from employee embezzlement, theft or robbery. However, no proper assessment has been made, although there are indications that these assets are devalued, i.e. cannot be collected.

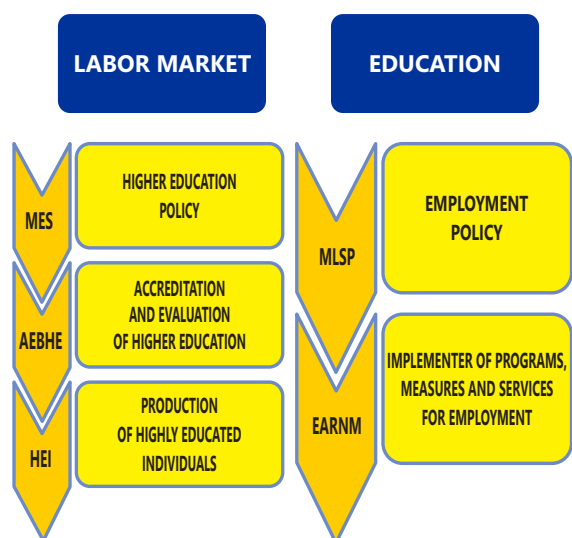
With the implementation of the audit recommendations, JSC Post is expected to overcome the ascertained shortcomings.

In Other Matter paragraph, we highlighted shortcomings that refer to the new agreement for business technical cooperation and the compensation agreement between JSC Post and a business bank, legal successor of Postenska Banka. The agreement is specific and complex, negotiations were conducted for two years, long-term cooperation of 15 years was defined and it has significant impact on the operation of JSC Post.

OCCUPATIONAL REALIZATION OF HIGHLY EDUCATED INDIVIDUALS ON THE LABOR MARKET IN THE REPUBLIC OF NORTH MACEDONIA

We conducted performance audit on the topic «Realization of highly educated people on the labor market in RNM» for the period 2016 to 2018, as a pilot audit within the twinning project, in cooperation with SAI of the Republic of Bulgaria.

The purpose of the audit was to answer the question whether activities of state bodies for implementation of the policy for higher education and promotion of employment, provide effectiveness in the employment of highly educated individuals on the labor market in RNM.



The main activities for realization of the policy for higher education and promotion of employment are implemented by the Ministry of Education and Science (MES) and the Ministry of Labor and Social Policy (MLSP). The Accreditation and Evaluation Board of Higher Education (AEBHE) is responsible for accreditation and evaluation of higher education, while the employment Agency of RNM (EARNM) is competent for activities in relation to employment mediation. For audit purposes, we analyzed information and data from public and private higher education institutions (HEI).

Regarding legislation and strategic documents, we determined the following:

- adopted national strategic documents of the Ministry of Education and Science and the Ministry of Labor and Social Policy envisage activities and measures that provide a vision for development of higher education and realization of highly educated individuals on the labor market in RNM;
- there is a need of additional regulation of competencies of the Ministry of Education and Science as a state body for implementing national policy for higher education and constituting important bodies and acts related to higher education;
- in accordance with the Law on employment and insurance in case of unemployment, operational plans for active measures and employment programs are adopted, such as support, assistance and services for the participants in the labor market.

In the area covering measures and activities of competent institutions for realization of highly educated individuals on the labor market in RNM, we found the following shortcomings:

Education

- There is lack of legal mechanisms and criteria for assessing the need for accreditation of HEI or study program in accordance with the needs of the labor market, and non-implementation of external evaluation by AEBHE, does not provide recommendations for improving the work of HEI;
- The number of students for enrollment in the first year - first cycle of studies is determined by the Government of RNM only for public HEI;
- The established mechanism for financing the higher education activity, without established real criteria for determining and distributing funds to HEI, does not provide sufficient transparency and objectivity for financing of HEI.

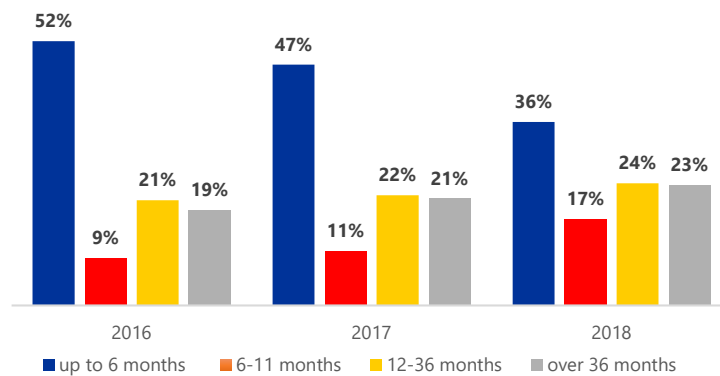
- Ministry of Education and Science has not yet established the legally prescribed database, as an information system that will offer integrated information for monitoring higher education activity and analysis in the field of higher education, for adapting study programs and easier employment of graduates.
- Project activities for design and implementation of an information system for higher education management are underway; with this system the Ministry of Education and Science is expected to effectively monitor and analyze data related to higher education in RNM, to monitor the processes and the results of HEI.

Labor market


- MLSP and EARNM collect information on the needs of skills that unemployed individuals should have at their disposal to be competitive on the labor market, and this information is also used in creating and implementing labor market policies;
- analyses have showed that the number of unemployed individuals with higher education is decreasing, but the percentage of participation of individuals with higher education that have been waiting for employment for over 36 months has increased slightly compared to the total number of unemployed with higher education.

Longer waiting period for employment can have negative consequences, i.e. marginalization and reduction of employment opportunities for unemployed individuals with higher education.

Structure of unemployed individuals with higher education active employment seekers after a waiting period for employment



Cooperation between competent authorities



Exchange of information - Communication, cooperation and exchange of information between competent institutions is important for decision making and for taking measures and activities aimed at harmonizing offer and demand of highly educated individuals in accordance with labor market requests at national level.

- The Law on higher education does not provide for a mechanism for cooperation, collection, exchange and analysis of information in the field of higher education and employment of graduates;
- Activities have started for setting up and developing Skills Observatory, whose results will be used in creating educational policies and employment policies;
- It is necessary to strengthen the link between Career Centers and Alumni Associations for collecting feedback from the labor market;
- Still not developed system for monitoring realization of students after the completion of studies.

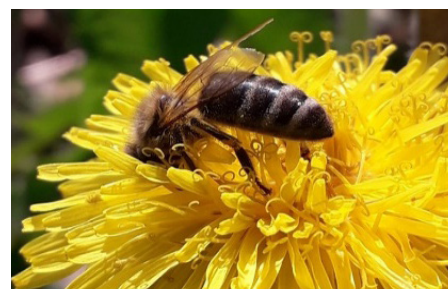
As a result of the audit, we concluded that the activities of state bodies responsible for implementing education policy and employment policy are not effective enough to ensure employment of highly educated individuals on the labor market in RNM. Sufficient regulatory mechanisms have not been established to strengthen the link between education and labor market needs and to monitor student realization after graduation, so as to provide complete information for more realistic creation of national education policies. There is a need for improvement and development of the system for financing higher education, as well as for continuous monitoring of the quality of higher education. Full implementation of activities for designing and implementing new model of higher education financing, model of information system for higher education management, as well as for setting up and developing of Skills Observatory, is expected to create conditions for ensuring employment of highly educated individuals on the labor market in RNM.

To overcome the above shortcomings, we gave recommendations for improving regulatory mechanisms and activities of state bodies for effective implementation of policies for realization of highly educated individuals on the labor market in RNM.

MEASURES, POLICIES AND PROJECTS FOR PROTECTION AND PROMOTION OF BEEKEEPING IN THE REPUBLIC OF NORTH MACEDONIA

To understand the state of affairs in the field of beekeeping in the Republic of North Macedonia, we conducted performance audit to answer the question whether measures and policies for beekeeping in the Republic of North Macedonia are effective and ensure its development and progress.»

The audit covered the period from 2016 to 2018 and for certain areas before 2016, until the day of reporting on this audit.



Regarding laws and bylaws and strategic documents in this field, we found the following:

- no strategic, planning and program documents have been adopted, as provided for in the legislation and the National Beekeeping Program,
- for the strategically determined measures and activities related to prevention and health care of bees, not enough measures are taken for their realization,
- cadaster of bee pastures has not been developed,
- the legislation stipulates an obligation for beekeepers themselves to make inventory of bee families, which may affect the accuracy of data on the number of bee families,
- the Food and Veterinary Agency does not perform mandatory inspection controls on beekeepers,
- there is a big difference between the number of bee families determined by the Food and Veterinary Agency compared to data provided by the State Statistical Office, which has an impact on proper creation of policies and measures by the competent institutions.

Regarding beekeeping measures contained in the Annual Programs for financial support in agriculture and the Annual Programs for financial support of rural development, we found the following:

- Frequent changes and additions to the annual programs for financial support in agriculture, with large differences in the planned funds, creates uncertainty among the users of the funds,

- In the annual programs, the share of unpaid liabilities of users from previous years is high, which results in reduction of funds paid in the current year.
- for Annual Programs for financial support of rural development for 2017 and 2018, no public calls for applications have been published, which has reduced transparency of users of the funds,
- untimely approval of financial support, as well as untimely payment of users, which affects the planning of funds for beekeepers and their functioning.

In the period 2016 - 2018, an amount of 403.180.000 denars was paid, but the payment of funds was slowed down, funds were not paid in full in the year when they were planned i.e. funds were realized in the following year, which reduces the effectiveness of beekeeping funding.

The audit also covered climate change, diseases and pesticides and their impact on bees and honey, which are of particular importance for the development of beekeeping. The following shortcomings were identified:

- The national list of approved products and active substances of the European Commission is not published in the Official Gazette of RNM,
- The Phyto-sanitary Administration does not exchange sufficient information with the relevant regional and international institutions for plant protection and active substances that are approved and those that are prohibited for use,
- inspections are not carried out on the manner of use of products that are harmful to the bees,
- National Reference Laboratory has not yet been established to conduct laboratory tests in the field of animal health, food safety and veterinary medicine.

In the Republic of North Macedonia, there is a need for coordinated action of the competent institutions, with active involvement of beekeepers, to increase the effectiveness of measures and policies adopted by competent institutions for development and progress of beekeeping as an important branch of agricultural production and its intensification at the level of professional activity.

INTERREG-IPA CROSS-BORDER COOPERATION PROGRAMME R. BULGARIA – R. NORTH MACEDONIA

Interreg - IPA Cross-Border Cooperation Program Republic of Bulgaria - Republic of North Macedonia 2014-2020 is a European cooperation program, whose main goal is to strengthen cross-border cooperation between nations and institutions in the region, cooperation in the field of common challenges and development of unused potential.

The Program covers regions at the level of NUTS III, as follows: 2 regions (Blagoevgrad and Kyustendil) in Bulgaria and 3 regions (Northeast, East and Southeast planning region) on the Macedonian side.

The total budget of the Program is 19.461.687 EUR, with EU participation in the amount of 16.542.434 EUR, distributed by priority axes:

1. PA 1 Environment, in the amount of 5.789.852 EUR (35%),
2. PA 2 Tourism, in the amount of 6.616.974 EUR (40%),
3. PA 3 Competitiveness, in the amount of 2.481.365 EUR (15%),
4. PA 4 Technical assistance, in the amount of 1.654.243 EUR (10%).



In order to accomplish the results and achieve the goals of the European Cohesion Policy, and in terms of the use of funds that is at the highest level, SAO conducted performance audit on the topic «Interreg - IPA Cross-Border Cooperation Program R. Bulgaria - R. North Macedonia 2014 - 2020». The audit was performed in accordance with SAO Annual Work Program for 2018 and 2019, within the Twinning Agreement with the SAs of the Republic of Bulgaria and the Republic of Croatia, funded by the European Union.

The audit covered the period from 2015 to 2018 and the bodies established by RNM, which participate in the management and control of the program: the Ministry of Local Self-Government, the regional unit of the Joint Secretariat in Strumica and the independent evaluators.

The purpose of the audit was to assess the effectiveness of the program management, i.e. to answer the main question:

„Is management of Interreg - IPA Program for cross-border cooperation R. Bulgaria - R. North Macedonia 2014-2020 effective“?

As a result of the ascertained state of affairs, the scope and evidence obtained with the implementation of appropriate audit techniques and methodology, the audit issued the following conclusion:

The structural placement of the bodies, the quality of selected projects, the transparency of the process and the established monitoring provide effective management of Interreg - IPA Cross-Border Cooperation Program R. Bulgaria - R. North Macedonia 2014-2020.

The principles of joint management, the structural placement of the bodies on the Macedonian side and the distribution of competencies, electronic monitoring, management and approval of operational activities provide sufficient conditions for the functioning, coordination and implementation of the program. Communication strategy, website and information campaigns provide timeliness, accuracy and availability of information to potential users. In the procedures for selection of evaluators and projects, the principle of transparent and objective evaluation is observed, which ensures selection of quality projects and achievement of specific Program goals. The established monitoring, the annual reports, the assessment by external experts, on-site visits, create conditions for effective monitoring of the level of realization of projects and the Program. The first call of the Program financed 48 projects in the amount of 10.336.443 EUR and they have high degree of realization of 95.8%.

In order to increase the effectiveness of program management, activities are needed to provide consistent policy for human resources management, strengthening administrative capacity of the regional unit in Strumica, internal procedure for moving documentation, proper distribution of applications among external evaluators according to their specialty and improvement of certain criteria in terms of their clarity, measurability and precision.

Based on the conclusion of the Government of the Republic of North Macedonia, the Ministry of Local Self Government has prepared an action plan with precisely defined activities, deadlines and implementers for implementation of recommendations in the Final Report of the authorized state auditor.

IMPROVING CONDITIONS FOR SPORTS FOR CHILDREN IN PRIMARY AND SECONDARY EDUCATION PROJECT FOR CONSTRUCTION OF SPORTS HALLS IN PRIMARY AND SECONDARY SCHOOLS

We conducted performance audit to answer the question: Does the implementation of the Project contribute to development and improvement of situation and conditions for sports for children in primary and secondary education, as well as to give an assessment of:

- Realization of the Project for construction of sports halls - we are building 145 sports halls, and
- Supervision and monitoring of the implementation of the Project for construction of sports halls and rehabilitation of halls in primary and secondary schools.

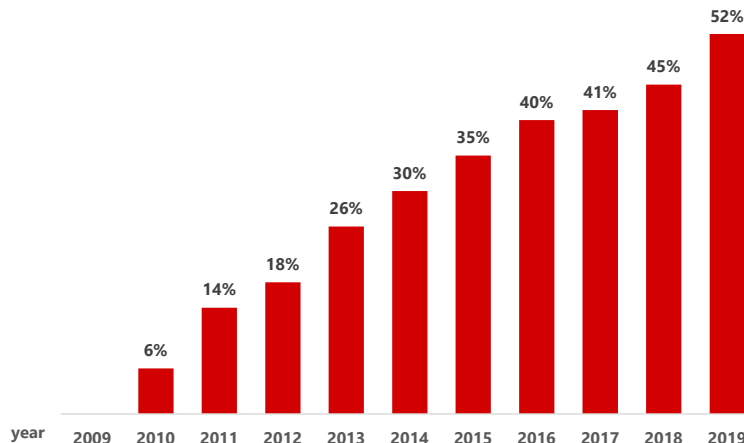


The performance audit activities aim to help the competent institutions to focus on the weaknesses related to the implementation, supervision and monitoring of the implementation of the Project for construction of sports halls in primary and secondary schools.

Concerning the question whether and how the implementation of the Project for construction of sports halls in primary and secondary schools is implemented, we identified the following shortcomings:

- there is a difference in the provisions of the contract for construction of buildings with the model of contract from the tender documentation;
- impeded process of dynamics of construction works, and the physical realization is only 51.72% for the from 2009-2019;
- extended deadlines for realization of construction works from 3 to 15 years due to weaknesses on both sides;
- the financial burden of the economic operator is reduced by decreasing the bank guarantee for completed constructions;
- there is no data on the fulfillment of obligations from agreements for regulation of mutual relations during construction of school sports hall between the parties in the agreements, which does not provide insight into the legal and earmarked use of constructed buildings;
- with defined sources of project financing, loan and budget funds, realization of the Agreement for constructing and equipping 145 school sports halls is about 60%; the first loan for a period of 12 years is 91% realized, while the second loan for a period out of 7 years, is only 56% realized.

The state of affairs for construction of sports halls over the years - the physical realization is shown in the following graph:



Regarding supervision and monitoring of the realization of the Project for construction of sports halls and rehabilitation of the halls in primary and secondary schools, we have identified the following shortcomings:

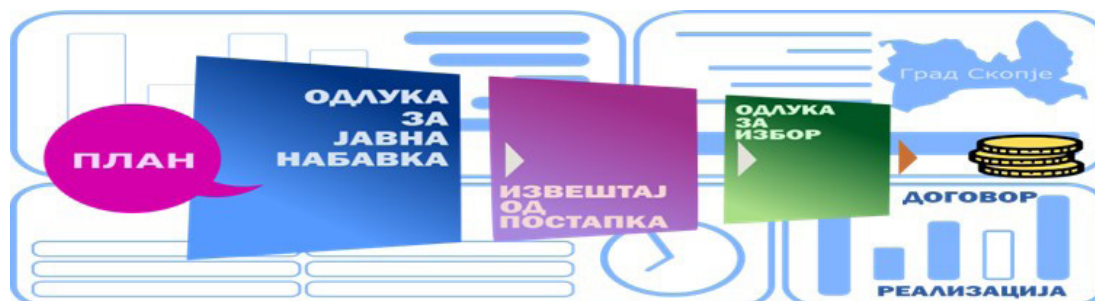
- no act has been adopted with criteria that will regulate the amount of fees of the Project team composed of persons engaged with temporary service contracts;
- lack of dynamic performance plans is recurrent in all monthly supervision reports;
- the coordination body in charge of monitoring project implementation does not function; and
- there are no indicators for project results to monitor the success of its implementation.

To overcome identified shortcomings, the audit gave the following recommendations: taking activities on the dynamics for performing other construction works in the shortest possible time in line with supervision indications; covering the warranty period with a bank guarantee under the main agreement; determining the manner and deadlines for performing control over the application of agreement provisions for regulation of mutual relations; adoption of Project budget in accordance with requirements of the competent authority; and introduction of real and measurable indicators for monitoring the Project realization.

EFFECTIVENESS OF POLICIES, MEASURES AND ACTIVITIES IN AWARDING PUBLIC PROCUREMENT CONTRACTS AT THE LEVEL OF PUBLIC ENTERPRISES IN THE CITY OF SKOPJE

Within the activities of the twinning agreement between the State Audit Office and the supreme audit institutions of the Republic of Bulgaria and Republic of Croatia, we conducted audit to answer the question:

„Do policies, measures and activities taken by competent institutions enable effective action in awarding public procurement contracts in public enterprises established by the City of Skopje?“



The audit covered the period from 2016 to 2018, and the audit activities were focused on examining the method of public procurement planning, organizational setup and human resources, manner of awarding contracts and implementation of procurements, as well as analysis of the legal protection system.

Concerning public procurement planning we identified the following shortcomings:

- annual public procurement plans contain unrealistic information about the needs, quantities and values of envisaged procedures;
- plans are prepared based on planned revenues for the current year, without thorough research of market movements;
- frequent changes and additions to the plans;
- negotiation procedures were carried out without publication of announcement due to urgency, in cases when they could have been planned in a timely manner;

- implementation of high-value procurement is initiated immediately before its realization by the City of Skopje, as the founder of the public enterprises, as well as procurement and storage of supplies that are not used.

The above affects successful functioning of public enterprises, quality performance of the activity of public interest and timely management of possible problems.

Regarding organizational setup and human resources, we found incomplete number of systematized jobs in the public procurement organizational unit in public enterprises, which impedes performance and organization of overall work. In addition, there is a need of additional training for members of public procurement commissions for quality implementation of awarding contracts in public procurement procedures.

Concerning the manner of awarding public procurement contracts and their realization we found the following:

- the lowest price as a single criterion for selecting most favorable bid and the mandatory announcement of estimated value do not allow competitiveness and efficient use of funds, especially in procedures with only one bid. Namely, in 2016 and 2017, the number of procedures with only one bid received was 54% of the total number of conducted procedures, while their number in 2018 decreased to 39% of the total number of conducted procedures;
- the possibility for implementation of group procurement among public enterprises and their founder, the City of Skopje, is insufficiently used;
- there are organizational and legal restrictions on mutual awarding of contracts in a way that would be simpler, more effective and more economical for public enterprises and the City of Skopje, that would also ensure consistent compliance with the main principles of public enterprises: security in providing services, continuity and quality of service, availability and universal service and rational and efficient use of funds;
- uncertainty with the contracting authorities and economic operators regarding proper determination and proving specific criteria for determining the ability to be proportionate to the subject of the public procurement contract, as well as proper definition of the technical specification.

As more significant individual procedures where the audit found irregularities are: unforeseen and additional works during construction works for the administrative building of PE Water and Sewerage, procurement of integrated software package conducted in four public enterprises and medical treatment of stray dogs.

Based on the conducted audit, the following conclusion emerged: The policies, measures and activities taken by competent institutions for awarding public procurement contracts at PE established by the City of Skopje, are effective in terms of transparency in awarding contracts, but in terms of setting competition, equal treatment, non-discrimination between economic operators and rational and efficient use of funds, they do not provide desired effects.

The audit made recommendations to ensure timely and analytical planning of procurement in order to meet the real needs of public enterprises, as well as to overcome weaknesses in the implementation of procedures and enabling greater competition and equal treatment of economic operators, rational, economical and efficient use of funds and delivering best value for invested funds.

In March 2020, the Government of RNM recommended to the City of Skopje and to the Public Enterprises of the City of Skopje to proceed with the preparation of an Action Plan with precisely defined activities, deadlines and implementers for the recommendations in Final Audit Reports of the authorized state auditor.

Part of the public enterprises of the City of Skopje have submitted to the State Audit Office completed IZPM form, informing on measures taken upon recommendations given in the Final Audit Report of the authorized state auditor.

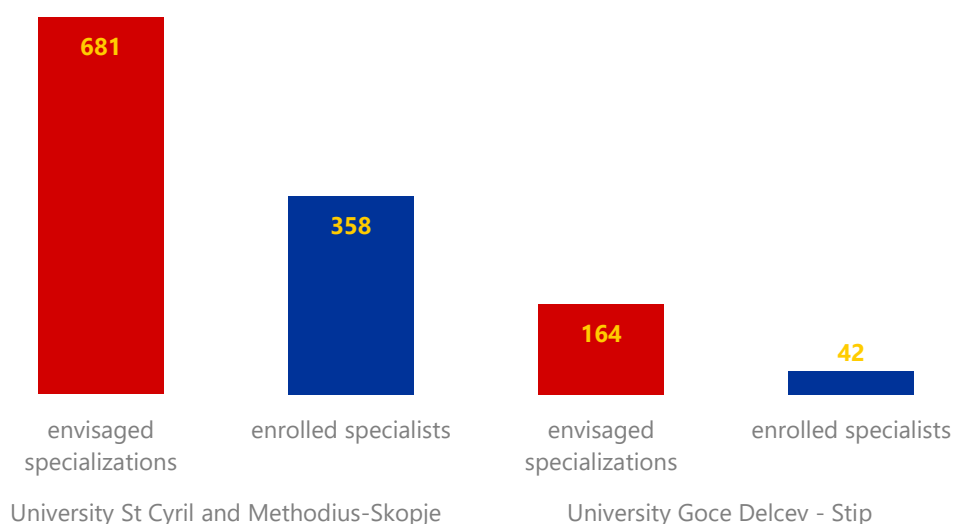
IMPLEMENTATION OF MEASURES, ACTIVITIES AND POLICIES ON SPECIALIZATION OF HEALTHCARE WORKERS IN PUBLIC HEALTH INSTITUTIONS IN THE PERIOD 2015-2018

Having in mind the lack of specialists in public healthcare and the great importance of this issue for the public, we conducted compliance audit on the implementation of measures, activities and policies for specialization of healthcare professionals in public healthcare institutions in the period from 2015 to 2018. We focused on answering the question whether involved institutions take necessary activities that ensure legality in planning and preparation of the Specialization Program, monitoring the implementation of activities for specialization of healthcare professionals, as well as payment and distribution of funds from the specialization fee. The audit covered the Ministry of Health, the medical faculties and the public healthcare institutions that have competencies in this process.



With the performed audit, we identified the following:

- the numerous amendments to the Law on Health Care have made its application more difficult and not enough action has been taken to create proper institutional capacities for implementation of the provisions, thus none of the registered specialists under the Specialization Program from 2015 have taken the specialist exam. During 2019, Law for Amending the Law on Health Care was adopted, which provides solutions for overcoming these shortcomings;
- data from the register of healthcare workers, kept by the Institute of Public Health, are not used for long-term analysis and policy making. On the other hand, data in the electronic register kept by the E-Health Directorate – Skopje are partial and incomplete and the exact data on the situation and changes in the structure of the staff in public healthcare institutions cannot be obtained. Consequently, continuous monitoring and planning of staff is disabled;
- preparation of the Specialization Program is based on inadequate data and analysis and insufficient coordination of involved institutions. Therefore, it is not fully in line with the real needs of public healthcare institutions and many of the approved specializations are not realized. Namely, for each published announcement in the past years, significantly fewer candidates applied than the total number of announced places for specializations. The ratio between announced places for state specialization and received trainees in the period from 2015 to 2018 is shown in the graph below.



- monitoring the implementation of the Specialization Program is difficult due to the significant outflow of staff from public healthcare institutions, which makes efficient planning of necessary staff impossible. In the period from 2015 to 2018, an outflow of 10% of all employed doctors was registered, and 74% of this number refers to specialists. Uncoordinated consent for taking over healthcare staff makes it difficult for certain public healthcare facilities to function and results in uneven distribution of staff and access to healthcare services, particularly because 25% of the total number of specialists is over 60 years of age;
- not enough activities have been taken to monitor the specializations and there is no certainty that specialists are going through all planned procedures within each part of the internship, given that the registration forms are inadvertently filled in and approved;
- untimely payment of the specialization fee by public healthcare institutions. Also, untimely delivery and processing of the registration forms for the specialist internship cause difficult monitoring and untimely distribution of the compensation for mentors, educators and public healthcare institutions where rotations are done. As a result, the business books of the Medical Faculty of Skopje for 2019 present obligations for payment of specialization fee to mentors, educators and public healthcare institutions for conducted rotations in the total amount of 212.682.000 denars, of which 159.029.000 denars are transferred from 2018.

Following the completion of the audit, the Faculty of Medicine - Skopje informed the State Audit Office on action taken to overcome shortcomings and as of 11.03.2020 the arrears for payment of specialization fees have been reduced by 73.211.000 denars.

To overcome ascertained shortcomings, recommendations were given to the involved institutions to take appropriate measures and activities aimed at ensuring balanced deployment of specialists in public healthcare institutions throughout the country.

THE OMBUDSMAN OF REPUBLIC OF NORTH MACEDONIA

The function of the Ombudsman is performed by the Ombudsman as well as the Ombudsman deputies who are responsible for their work before the Government of RNM and before the Ombudsman.

The main task of the Ombudsman is to protect the property rights and interests of RNM, before the courts and other bodies in the country and abroad.

We conducted compliance audit of the institutional capacities of the Ombudsman of RNM for the period from 2016 until 30.10.2019, to answer whether financial, HR, spatial and material capacities of the Ombudsman are sufficient for unimpeded performance of its competencies.

Regarding the legal framework on the Ombudsman function and the strategic documents related to the judicial system in RNM, we identified insufficient regulation of the competencies of the Ombudsman for representation of state bodies before courts and other bodies in the country and abroad; absence of an act regulating criteria for determining the number of Ombudsman deputies and the number of seats of Ombudsman offices; lack of legal regulation for assessment of



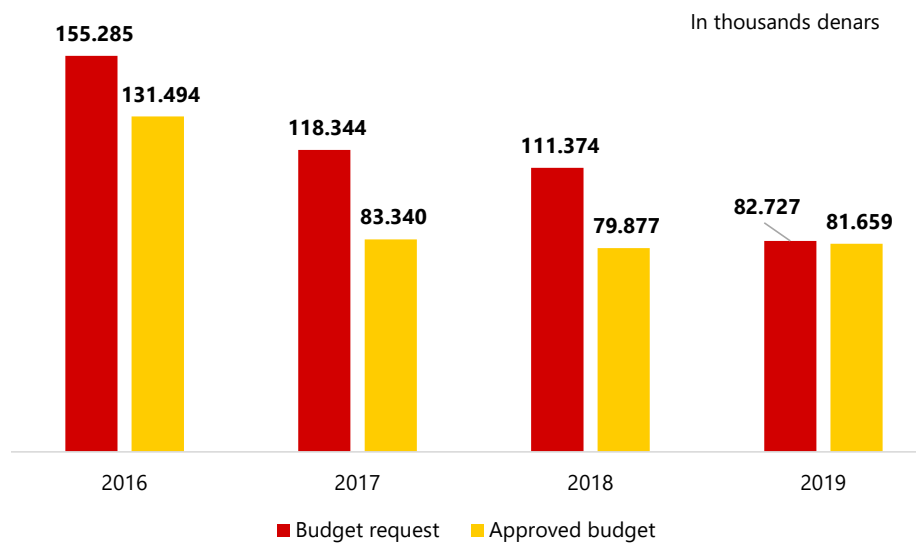
Ombudsman deputies, for dismissal of Ombudsman deputies of RNM and Ombudsman deputies, as well as for disciplinary procedure for the Ombudsman deputies.

The Ministry of Justice has adopted a Strategy for reforms in the judicial sector 2017-2022 in order to create an independent, impartial, efficient, quality and transparent judiciary, responsible for protecting the public interest, as well as a Strategy for Information and Communication Technology in the Judiciary 2019-2024, whose objective is to introduce centralized data system of the judicial system in RNM.

The audit pointed out the need of envisaging activities for strengthening and improving institutional capacities of the Ombudsman.

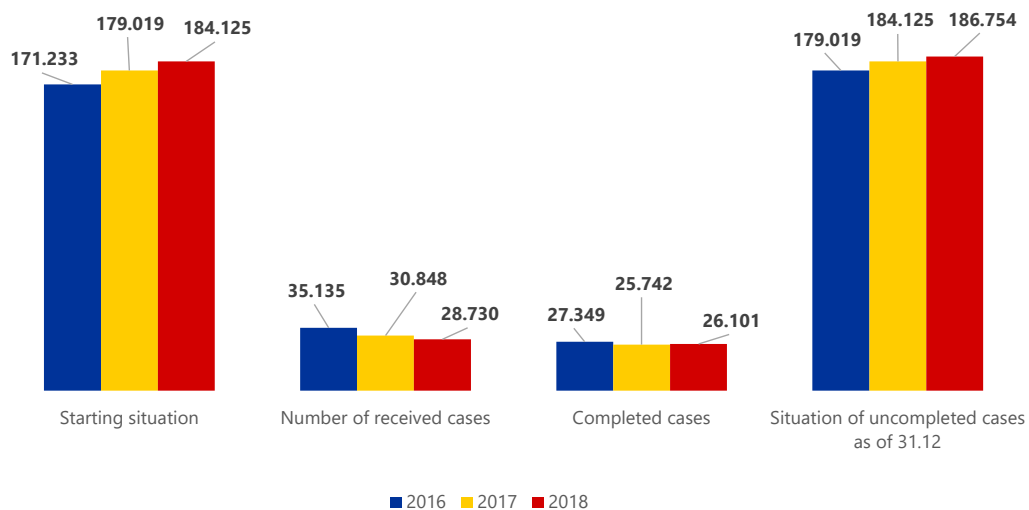
Regarding financing, organization, competencies, trainings and staffing, we identified the following state of affairs:

- The Ombudsman operates with funds from RNM Budget. In the period 2016-2019, we uncovered a trend of reduction of required and approved funds;



- The largest percentage of approved funds over 70% is for salaries of employees, while capital expenditures are reduced to a minimum, which limits the opportunities for improving overall institutional capacities.
- In the period from 2016 to 2018, the Ombudsman acted upon 265.946 cases in 18 types of areas. At the end of 2018, there were 186.754 cases in progress, which have been completed by the Ombudsman, but they are still in process of being completed by other competent authorities.

Movement of cases in the Ombudsman



- In the audited period, only one training was conducted for the Ombudsman deputies; small percentage of trainings was realized for the other employees;
- As of 30 October 2019, the number of elected and appointed Ombudsman deputies is 35, which is 62% of the total number determined by the Decision of the Government of RNM; out of the total systematized job posts only 62% are filled, which imposes the need for strengthening human resources.

With the analysis of the spatial capacities, material and technical conditions and the equipment, we found the following shortcomings:

- The Ombudsman performs its competence in 15 regional Ombudsman offices, and only four have been granted use by the Government of RNM, while the others are located and use the premises of other state institutions.
- The material and technical conditions and the equipment are outdated and damaged. The Ombudsman does not have an automated computer system for managing the cases; therefore, registration and distribution of cases is still done manually, in line with the Annual Work Schedule. The budget of the Ombudsman does not approve funds for procurement of permanent assets.

Regarding cooperation with other bodies and organizations, we identified the need to strengthen cooperation in terms of exchange of information and data. The Ombudsman has not established international cooperation with state attorneys from other countries to exchange experience and knowledge, well-established practices and their application in the performance of its competencies.

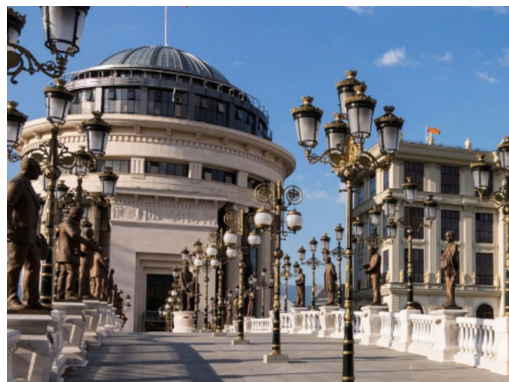
We made recommendations aimed at strengthening, promoting and establishing the institutional capacities of the Ombudsman of RNM for realization of its competencies.

INSTITUTIONAL CAPACITIES OF PUBLIC PROSECUTOR'S OFFICES OF THE REPUBLIC OF NORTH MACEDONIA

The role of public prosecution offices in the Republic of North Macedonia is professional, fair, honest, impartial and transparent achievement and protection of the fundamental values of RNM with consistent application of the highest national norms and international standards in prosecuting perpetrators of crimes and others by law established criminal offenses.

We conducted compliance audit on the topic „Institutional capacities of public prosecution offices of the Republic of North Macedonia for realization of competencies“, which covered the period 2016 - 2018, in the institutions involved in the work processes and activities related to institutional capacities of public prosecutors.

Important precondition for providing legal, independent, autonomous and objective public prosecution system in the country is the existence of adequate and sufficient institutional capacities.



Regarding the established legal framework and strategic documents, we concluded that there is no legal obligation to adopt an act for determining the minimum standards for material and technical means, equipment and spatial accommodation of public prosecutors; there is no methodology for determining the required number of public prosecutors and number of employees in the public prosecutor's office; and there is lack of an act on the internal functioning of public prosecutor's offices, while the selection of experts is carried out without determining criteria for their selection.

With the enactment of the new Law on Public Prosecution in February 2020, some of the conditions found for the period 2016-2018 have been surpassed, i.e. maintenance of the single methodology and technology basis of the information system of public prosecutor's offices, provision of spatial and other working conditions, as well as the supervision of the administrative work of the public prosecutor's office, are not under the competence of the Ministry of Justice. The new legal solution harmonizes with the provisions of the Law on Criminal Procedure, in the part of the rights, duties and competencies of the public prosecutor, provides a legal obligation for electronic distribution of cases, and regulates the evaluation of the work of public prosecutors by fully defined qualitative and quantitative criteria for their evaluation.

Regarding the financing, organization, competencies, staffing and training of public prosecutor's offices of RNM, we concluded that the issue on defining the legal framework for the funds allocated from the RNM budget for financing RNM public prosecutor's offices is regulated with the adoption of the new Law on Public Prosecution. This Law stipulates that based on the fiscal policy and the main categories of estimated revenues and expenditures, the amount of funds for the work of the Public Prosecutor's Office will be at least 0.4% of the RNM Budget for the current year. The funds allocated from the Budget of RNM for the operation of public prosecutor's offices in the period 2016-2018 are less than the estimated needs.

There is no precise division of competencies in the management system between the Public Prosecutor's Office of RNM and the Council of Public Prosecutors of RNM. Namely, the Council needs to have a primary role in the development of policies in the field of institutional management and governance in public prosecutor's offices, while the Public Prosecutor's Office of RNM in the development of policies related to the application of criminal law and procedure by public prosecutors.

The Government of RNM has not adopted program for construction, reconstruction, maintenance of facilities and equipping public prosecutor's offices. Large number of public prosecutor's offices function in the facilities of the basic and appellate courts. Some public prosecutors' offices need to renew the computer equipment, audio recording and video surveillance equipment, and further provide and maintain resources needed to develop the public prosecutor's IT system in line with new technologies and standards.

The audit found insufficient number of public prosecutors in certain public prosecutor's offices, although according to the Decisions of the Council of Public Prosecutors for determining the number of public prosecutors, the occupancy rate is 80%. Regarding the category public prosecution staff, the percentage of filled job posts is low, 33%. We also found that for unpaid salary supplements of the public prosecutors, court disputes have been initiated against the Public Prosecutor's Office of RNM, which cause additional outflow of budget funds.

Liabilities for activities taken to cover costs incurred in the criminal proceedings are not paid on time, due to insufficient funds provided for this purpose.

Timely and quality execution of the competencies of public prosecutor's offices in RNM largely depends on the active cooperation and coordination of all institutions involved in the operation of the public prosecution system.

With the audit we concluded that there is a need to strengthen and promote communication, coordination and cooperation between the public prosecutor's offices in RNM and other competent authorities. It is necessary to take activities for establishing conditions for electronic communication and video conference, electronic data exchange with the courts, as well as to start the operation of the investigation centers, in order to institutionalize the cooperation between the public prosecutor's offices and the Ministry of Interior.

We made recommendations for improving regulatory mechanisms and activities of competent authorities for improving institutional capacities of the public prosecutor's offices in RNM for realization of their competencies.

INSTITUTIONAL CAPACITIES FOR REALIZATION OF COMPETENCIES OF SPENDING UNITS OF THE JUDICIARY

The judiciary together with legislature and the executive are part of the fundamental values of the constitutional order of the state. In line with the Constitution, the laws and internationally ratified agreements, the courts, as independent and self-governing bodies exercising judicial power, should guarantee impartial application of the law, protection, respect and promotion of human rights and fundamental freedoms, ensuring equality, non-discrimination on all grounds and ensuring legal certainty based on the rule of law.

The basis for ensuring independence and autonomy of the judiciary is the existence of adequate and sufficient institutional capacities, including clearly defined legal framework and strategic goals, appropriate organizational set-up and competencies of individual institutions in the system, financial stability, professional staffing, spatial capacity, as well as mutual cooperation of all stakeholders in the judiciary.



We conducted compliance audit on the institutional capacities of spending units of the judiciary for the period 2016-2018, in order to obtain reasonable assurance whether they support unimpeded realization of their competencies.

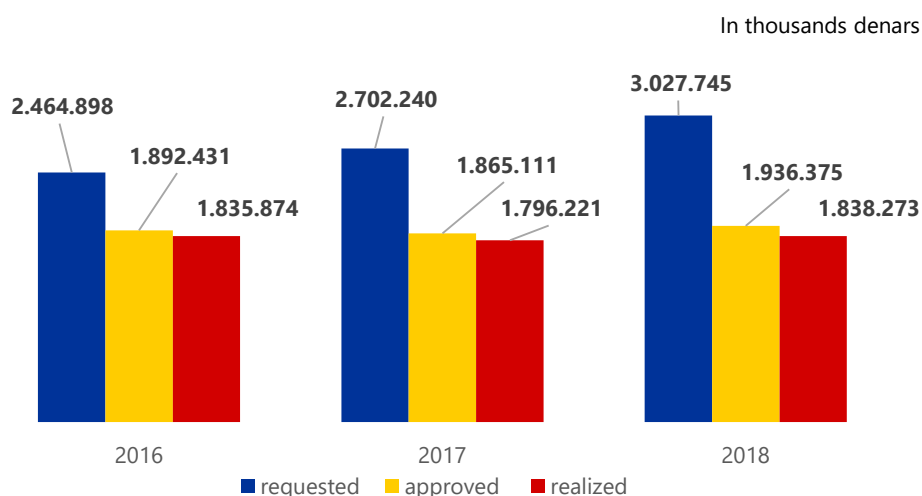
There is a need to improve the legal framework and strategic documents that regulate judicial power of RNM as follows:

- enactment of envisaged bylaws in the area;
- clear distinction of competencies of the Ministry of Justice and the Judicial Budget Council in terms of providing material, financial, spatial and other conditions for the operation of the courts;
- prescribing criteria for determining the number of judicial officers in the courts in relation to the number of judges and the competencies of the court, as well as criteria for determining the composition of the team of judges;
- determining optimal number of IT specialists for the purpose of efficient performance of the competencies and unimpeded functioning of the Automated computer system for management of court cases (ACMIS) with appropriate IT support;
- full realization of goals provided in the strategic documents, in particular staffing of the judicial service, providing appropriate spatial conditions, improving the capacity of the judiciary, and improving the Law on Judicial Service.

Regarding financing, competencies, organizational set-up, staffing and professional development of the judiciary, we found the following shortcomings:

- The amount of funds from the Budget of RNM for financing the judiciary is defined in the Law on Judicial Budget as an annual amount of 0.8% of the gross domestic product. The funds provided in absolute terms are growing, with the exception of 2017, but are still at a level below the legally established percentage, same as the amount of funds requested;
- Although in 2018 there is an increase in the approved amount of funds for capital expenditures compared to previous years, it is still significantly lower than the requested amount for procurement and modernization of servers and other IT equipment required for unimpeded operation of the ACMIS system, as well as the courts;

Requested, approved and realized funds



- In 2018, the liabilities toward suppliers compared to 2016 have decreased by about 60%;
- There is high percentage of unfilled job posts in the courts, where only 14% of planned managerial job posts are filled, while in the other categories about half, and also there is lack of IT staff in the courts.
- The judicial officers are not evaluated, and the right to their promotion is not exercised due to non-enactment of relevant bylaws;
- 20% of the courts have adopted annual plans for training of judicial officers, in 39% of the courts the obligation for compulsory professional development of judicial IT specialists has not been realized, and there are cases when judges have not completed the required number of hours of continuous training.

In order to increase the efficiency and timely exchange of information and data, we identified the need to improve communication, cooperation and exchange of information and data within the courts, as well as with other competent institutions, for electronic connection between the courts for exchange of documents from created electronic files, as well as for providing conditions for functioning of the established interconnection for electronic data exchange between the courts and the prosecution offices of RNM, which is not realized because the public prosecution does not carry out electronic data exchange with the courts.

We made recommendations aimed at improving the regulatory mechanisms and activities of the competent authorities to improve the institutional capacities of the judiciary in the country.

EFFECTIVENESS AND EFFICIENCY OF MEASURES AND ACTIONS TAKEN BY MINISTRY OF INFORMATION SOCIETY AND ADMINISTRATION FOR FULL IMPLEMENTATION OF THE INFORMATION SYSTEM FOR HUMAN RESOURCES MANAGEMENT IN PUBLIC SECTOR INSTITUTIONS

Within the activities of the twinning agreement between the state audit Office and the SAIs of the Republic of Bulgaria and Republic of Croatia, we conducted IT audit as performance audit to assess the implementation and use of the IT system for human resources management (ISHRM) in public sector institutions. The audit covered the period 2016-2018.



One of the competencies of the Ministry of Information Society and Administration, in accordance with the legislation, is to set up the Register for public sector employees in electronic form.

ISHRM was implemented in the Ministry of Information Society and Administration (MISA) in 2016. It consists of four modules and the audit identified the following degree of use by modules:

- Module for personal records is not used by all institutions despite the legal obligation, and data entered are not complete and up to date;
- Salary calculation module, which is used in only 27 institutions;
- Report module, used only by MISA;
- Performance management module for public sector employees, which is not used by any institution.

We point to the following important conditions identified with the audit:

- The use of all system modules in the daily operations is not mandatory - except for the module for personal records and there is no legal obligation for public sector institutions to use the other modules;
- There are institutions that do not record and store human resource data in the system and the data entered in the system is incomplete and not up to date. Some institutions have not appointed a person responsible for updating data in the system;
- 399 new users of the system have been registered, which have not been trained for system use.
- The system does not provide full support to the preparation of the annual report from the Register of public sector employees.
- There is inconsistency and diversity in the method for determining and calculating salary in the public sector activities. There is no single legal basis for determining and calculating salary, although public administration reform strategies plan to define a unified and coherent payroll system for employees as a prerequisite for the use of the payroll module by all public sector institutions.
- Different state registers contain the same data, which are not interconnected, thus creating possibility for inaccurate or not completely updated data in the registers.
- Salaries of public sector employees are also paid to persons that are not entered in ISHRM, i.e. the process of payment of salary is not confirmed / verified with the data from the system.

The main objectives of the system are not effectively realized. The activities and measures taken by MISA, the State Administrative Inspectorate and the public sector institutions for management, use and sustainability of the system, continuous training for system users, management of user rights, utilization of all system functionality and improvement of the quality of data, are not sufficient to provide complete and up-to-date data, i.e. an accurate and precise Register of public employees.

Recommendations are given for improvement of the management, use and sustainability of ISHRM, in improving user skills through continuous training, user rights management, utilization of all system functionalities, as well as in improving data quality. In addition, the audit recommendations should further contribute to complete and up-to-date data in the system, as well as to improved human resources management.

REPORTING ON THE FINANCING OF POLITICAL PARTIES AND ELECTION CAMPAIGNS

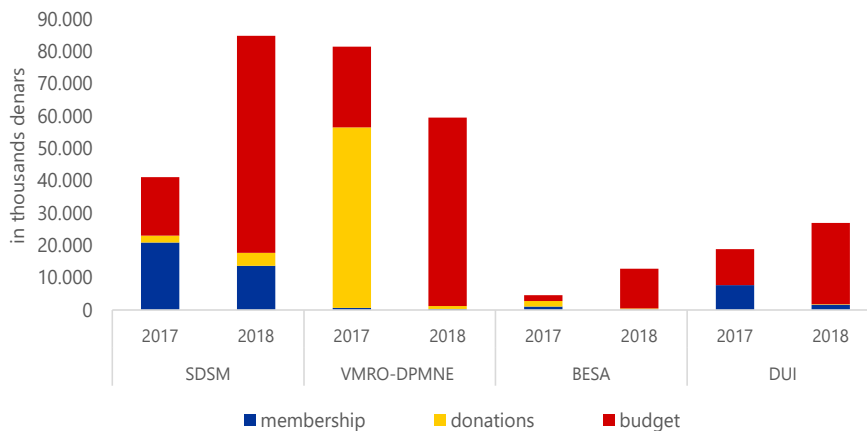


State Audit Office is the competent body for monitoring the regular financing of political parties, through the system of financial reporting, in accordance with the methodology for state audit prescribed by the State Audit Law.

Funding the work of political parties is a prerequisite for the country's democratic political system. The funds for their regular operation are obtained from public sources of financing, with funds allocated in the Budget of RNM and from private sources of financing: membership fee, loans, donations, gifts, grants, sponsorships, legacies, sale of promotional and propaganda material.

2019 SAO Annual Work Program covered audits on the financial statements of four political parties: VMRO-DPMNE, SDSM, DUI and BESA Movement, and thus covered 60% of the total public sources of funding of the political parties in 2018.

The audit determined that the amount of total funds for the annual financing of political parties for 2018 from the Budget of RNM amounted to 281.102.000 denars or 162.82% more than in 2017 (106.957.000 denars). The increase is due to change of the legally defined percentage of revenues from RNM Budget from 0.06% to 0.15%. With the analysis of revenues by types of sources of financing, it was concluded that the above legal change had a significant impact on the structure of revenues in 2018, which considerably reduced the share of revenues from private sources, i.e. donations and membership fees, compared to 2017. Participation of certain types of revenues by years and by political parties is presented in the following graph.



With the performed audits it was concluded that there is a need to strengthen activities of responsible persons of political parties, in particular for providing complete documentation to confirm the reliability of registered accounting transactions, proper treasury operations, full and complete inventory of assets and liabilities, setting up a method of collection, payment and recording of revenues on the basis of membership fees that will enable full confirmation, as well as complete records of the property of political parties.

PRESIDENTIAL ELECTIONS 2019

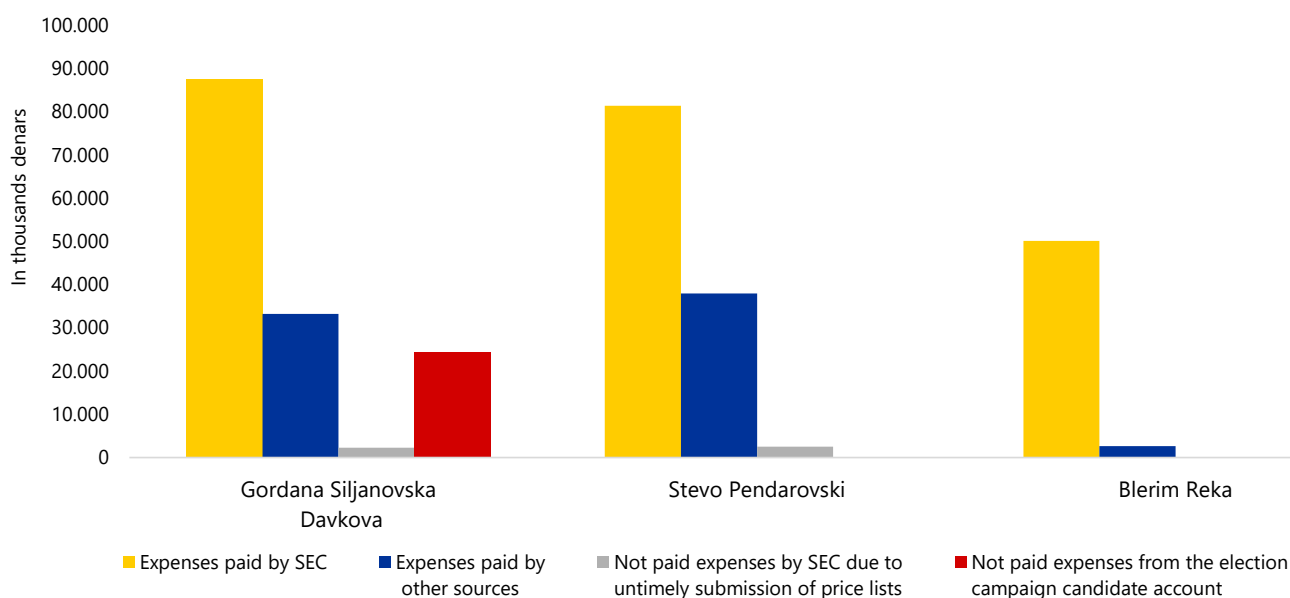
The election campaign, as a public presentation of confirmed candidates from the competent election bodies and their programs in the pre-election period, is a process that has a direct impact on the formation of the position of the electorate for selection of a certain candidate.

Therefore, the legality of sources of funds for campaign financing and the legality of the spending of funds available to the participants in the election campaign is an important precondition for equal opportunity in presenting participants in the election process, as well as a precondition for qualifying the election process as democratic.

Elections for President of RNM were organized and conducted in 2019. In line with the Annual Work Program for 2019, we conducted audits on the total financial statements of revenues and expenditures of all participants in the election campaign for 2019 presidential elections.

For financing the election campaign, participants in the presidential elections spent a total of 321,909,000 denars, of which 68% are funds provided by the RNM Budget for paid political advertising.

The costs per participant in the election campaign are given in the following table:



With the audit on the Elections for President of RNM we found that the monitoring of paid political advertising by the Agency for Audio and Audiovisual and Media Services was done based on submitted data from broadcasters, which prevented the Agency from confirming the accuracy and completeness of data presented in the reports.

Part of the obligations toward broadcasters and internet portals for paid political advertising in the amount of 4,741,000 denars have not been paid by SEC, due to untimely delivery of price lists. For two participants, the total financial reports for the election campaign present expenses for paid obligations for political advertising by SEC upon concluded assignment contracts, as well as revenue for provision of funds, but the transactions are made through the bank account for election campaign asylum agreements, as well as revenues for the funds provided, but these transactions were not made through the transaction account for the election campaign.

REFERENDUM 2019

Referendum is a form of direct expression of the citizens in deciding on certain issues within the competence of the Assembly of the Republic of North Macedonia, on issues within the competence of the municipalities, the City of Skopje and the municipalities in the City of Skopje, as well as on other issues of local importance. The competence of the Assembly for announcing referendum is determined in the Law on Referendum and other forms of direct vote of the citizens, as well as in the Constitution of RNM, where it is regulated that the Assembly decides to call a referendum on certain issues within its competence by a majority votes of MPs.

The State Audit Office audited the total financial report on revenues and expenditures, together with audit of compliance on «Assembly of the Republic of Macedonia - Public propaganda for referendum earmarked account 789», which covers the period from 07 September to 05 November 2018.

With the audit on the public propaganda for the conducted referendum, it was found that the provisions of the rules for functioning of the Coordinating Body regarding conducting public propaganda for the referendum were not followed completely. Also, there was a deviation between the value of performed advertising services expressed in the invoices and the value of the same in the attached media plans.

With the analysis of the legislation and its application in the system, it was concluded that the monitoring by the Agency for Audio and Audiovisual Media Services was performed on some of the broadcasters which had concluded agreement with the Assembly. We found differences between data from the reports of the Agency for Monitoring the Reporting of Broadcasters during the Referendum 2018 and the reports from the broadcasters for used advertising space by the Assembly.

INTERNATIONAL COOPERATION

During 2019, the State Audit Office accomplished productive international cooperation to further improve professional level of employees, which is one of SAO strategic objectives. The participation in cooperative audits with the top EU audit institutions and the SAIs from the region continued again this year, which contributed to further improving of audit skills of SAO employees and of the quality of performance audits, as one of the main priorities of the institution in 2019.

In 2019 SAO commenced preparations for participation in two new cooperative audits in the field of labor force and plastic waste based on the positive experience gained with the previous cooperative audits. The benefits of this type of cooperation are multiple, in particular for the opportunity for professional development of auditors through peer-to-peer activities, flexible access and use of others experience, and strengthening self-confidence in one's own capacity to conduct performance audits.

Within the Network of SAIs of EU candidate countries and potential candidate countries and the European Court of Auditors, the project in the field of financial audit with aspects of compliance audit was completed in the period October 2017 – June 2019. Professional and financial assistance for this project was provided by the SAI of Sweden and with participation of experts from the European Court of Auditors.

The exchange of new experiences and practices in the field of state audit with other SAIs took place through the standard forms of cooperation and in coordination with INTOSAI and EUROSAI. The contribution of the State Audit Office in the work of the working groups and bodies of these associations in order to promote the activities in the field of environment, IT, ethics and integrity in SAIs and the institutions in public administration and municipal audit continued during 2019.



Employees of the State Audit Office participated in several international events for education and professional development in the following areas: cooperation with parliament, environmental audit (waste and biodiversity), municipal audit (functions performed by municipalities), IT support and IT audit, promotion of the function of internal audit, as well as e-trainings for performance audit and waste management.

For more than a decade, the State Audit Office holds the status of one of most experienced in the Network of SAIs of EU candidate countries and potential candidate countries and the European Court of Auditors and in this capacity makes a significant contribution to the implementation of the Network activities.

The candidate status of the Republic of North Macedonia for admission to the European Union acquired at the end of 2005, enables the State Audit Office to participate regularly in the meetings of the Contact Committee as an active observer, and to be up to date with the latest developments and challenges faced by the responsible persons of EU SAIs in the performance of the audit function.



Activities within EUROSAL, INTOSAI and other organizations

SAO membership in the EUROSAL Working Groups on Environment since 2002 and IT since 2005 is continuously maintained by active participation in their work.

Since 2011, the State Audit Office has been an active member of the EUROSAL Audit and Ethics Task Force that works on strengthening integrity and ethics in supreme audit institutions and public administration institutions. In 2017, SAO joined the families of three more working groups, two of which are EUROSAL: Task Force on Municipality Audit (TFMA) and a Project Group "Role of SAs in Spreading Integrity Culture". Within TFMA, SAO representatives, as activity leaders, contributed to the preparation of a questionnaire and made analysis of the results of the conducted survey on municipal financing in TFMA member states. The third working group is for public debt and is part of INTOSAI. SAO made its contribution to the drafting of the Concept Note on the preparation of the Public Debt Audit Guidelines in the area of signing contracts.

During 2019, delegations of the State Audit Office participated in several important high-level international events, among which we highlight the following: 3rd meeting of the forum of SAs with a legal model (Istanbul, January 2019); III EUROSAL-ASOSAL Conference (Jerusalem, March 2019) to discuss current global issues / problems and emergencies facing today's societies; Conference in Paris, March 2019, on cooperation with parliaments in order to improve the impact of audits; International Conference on «Innovations in EU audits and strengthening the advisory role of SAs to the benefit of society» organized on the occasion of the Romanian Presidency of EU Council, Bucharest, May 2019; Regional Conference dedicated to Parliamentary oversight of public finance, Pristina, May 2019; UNDESA-IDI Meeting on the Contribution of SAs to the implementation of sustainable development goals for the realization of Agenda 2030, New York, July 2019; XXIII Congress of INTOSAI dedicated to two important topics: IT in the development of public administration and the role of SAs in achieving national priorities and objectives, Moscow, September 2019.

Within the frames of the World Bank program, two representatives of SAO participated in the workshop on fiscal rules and fiscal councils held in Vienna to develop the framework for financial reporting in the public sector in the Western Balkans.



Network of SAs of EU candidate countries and potential candidate countries and the European Court of Auditors

The activities of the Network, comprised of SAs of Turkey, R.N. Macedonia, Montenegro, Serbia, Albania, Bosnia and Herzegovina, the ECA and Kosovo * (as observer), aim to ease the integration of candidate countries into the European family. These activities are co-ordinated by SAs liaison officers and with support of the Joint Working Group on Audit Activities, set up by the Contact Committee, other EU SAs and SIGMA.

At the annual meeting of the Network's liaison officers held in Bucharest in April 2019, the activities of the Plan of activities (2018-2020) were under discussion. In 2019, the activities focused on cooperation with parliaments to improve audit impact, IT support in the audit process and audit software, and the follow up on the series of workshops for improving financial audit.

Within the Network activities, the State Audit Office hosted the IT systems audit workshop - Digital Audit that was held in Skopje in November 2019. The workshop presented the strategic approach to digital audit, development of digital audit, exploring challenges and ways to overcome obstacles, in particular, integration of digital risk in financial audit and performance audit.

The fourth workshop from the series of financial audit workshops (from planning to reporting on audit findings and quality control) was held in Stockholm in June 2019.

In 2019, two auditors completed the five-month internship at the European Court of Auditors in Luxembourg, and one was part of a study visit to Heidelberg, Germany, on environmental and climate change.

Participation of SAO representatives in the meeting of the Contact Committee consisting of EU Heads of State, together with other members of the Network, enables continuous monitoring of the latest developments in the field of governance / management of public finances in the EU, the impact of new EU regulations on the operation of the ECA and the national SAIs, as well as exchange of experience in the field of audit practice, aimed at improving responsibility and accountability in spending EU funds. At the meeting held in Warsaw in June 2019, the main topic on the seminar regularly organized within the meeting, was "Digital Europe: Challenges and Opportunities for SAIs of EU Member States".

Bilateral and regional cooperation

The State Audit Office marked the 20th anniversary of its operation with a round table on the topic «Cooperation with the Parliament», within the activities of the Twinning project with SAIs of Bulgaria and Croatia. In addition to the representatives of these two SAIs, the round table gathered delegations from the SAIs of Turkey, Romania, Poland, Albania, Serbia, Bosnia and Herzegovina, Montenegro, Kosovo and Sweden, and the President of the European Court of Auditors welcomed the participants with a video address.

High-level delegation of the State Audit Office paid working visit to the National Audit Institution of Kosovo in February, and the two institutions signed memorandum of cooperation.

Cooperation with OECD - SIGMA and the European Commission

The cooperation with SIGMA in 2019 was accomplished within the Network activities.

With logistical and financial support of SIGMA, some of the activities from the Outline Work Plan of the Network (2018-2020) were realized, including the Paris Conference on increasing the impact of audit reports and the IT Workshop in Skopje.



During 2019, SAO representatives established cooperation with SIGMA experts to prepare Guidelines for auditing the Central Budget of RNM. As part of the activities, several working meetings and workshops were held to present the experience of the United Kingdom and Latvia in this area.

The cooperation with SIGMA and the European Commission, as always, gives positive effects in the process of building the State Audit Office in a competent institution for external audit in accordance with EU criteria and international standards for state audit.

COMMUNICATION, TRANSPARENCY AND ACCOUNTABILITY

Transparency and accountability in the operation of the State Audit Office is one of the key strategic goals in SAO Development Strategy for the period 2018-2022.

During 2019, the State Audit Office continued to inform the public about the operation and activities of SAO, as well as on the results and the effect achieved from the audits of entities covered by SAO Annual Work Program for 2019. The information contained in the final audit reports published on SAO website has a key role in informing the public.



In addition to the information about the contents of audit reports, SAO also informed about all other planned, started and completed activities. In that regard, the public was informed about the trainings and workshops for employees held as part of the «Annual Plan for continuous professional development and training for 2019».

The website of the State Audit Office also included information about the activities realized through meetings of SAO representatives with representatives and delegations of other supreme audit institutions, the participation in bilateral meetings, international working groups, meetings, congresses and other domestic and international events related to the audit activities. Additional information on these activities is presented in the section on international cooperation of this report.

The interest of the media and journalists in the results of SAO work in 2019 was presented through published journalistic information, articles and comments, mostly related to the findings contained in final audit reports of the State Audit Office. In the course of 2019, 17 requests were submitted by the interested media and other stakeholders for SAO operation, in accordance with the Law on Free Access to Public Information. The requests were answered within the legally set deadlines.

Timely and transparent information of the media is an established practice of SAO regulated by internal procedures. In this regard, following the appointment of the new Auditor General, this practice was extended to other stakeholders of audit reports, thus the mailing list was updated and supplemented with new clients, such as news agencies / organizations, TV and radio media, daily and weekly newspapers, internet portals and investigative journalists. Special emphasis was placed on civil society organizations that tackle various issues (finance, education, culture, local government, urbanism and construction, etc.).

Thus, starting from December 2019, SAO directly informs 160 stakeholders about the publication of audit reports. In addition, SAO introduced a novelty - Audit Report Abstract, which contains the most important information of the report that is easy to read, so to facilitate understanding of the contents of audit reports.

With the publication of a new final audit report, the media, news agencies, individual research journalists and civil society organizations are immediately informed with a link to the published report on SAO website and an abstract from the report.

With this new strategy, the published audit report is forwarded to the media and other stakeholders on the same day, so that a complete picture can be obtained on the ascertained state of affairs from the conducted audit, as well as on the manner of use of public funds of taxpayers.

Exactly the communication and the approach with the media, the public and civil society organizations is presented and elaborated in detail in SAO Communication Strategy (2020 - 2023), where communication processes with each target group are developed separately.

The newly established practice of forwarding information for published final audit reports on the website to all stakeholders, immediately produced increased traffic to the redesigned website of the State Audit Office (redesigned in December 2019) in the first months of 2020. About 4.000 visits per month are recorded on SAO website, as many as 2.000 new visitors who opened the website for the first time, around 30.000 views and 200.000 downloads of reports, documents, images and other content published on the State Audit Office .

In order to meet the requirements for transparency and accountability of SAO operation, it is worth mentioning that at the end of 2019, the State Audit Office and the Westminster Foundation for Democracy implemented the first phase of the project «Increasing Accountability and Transparency in Macedonia through improved implementation of the recommendations of the State Audit Office».

As part of the project funded by the United Kingdom Government, with support of the British Embassy in Skopje, several workshops were held with a large group of auditors from different hierarchical levels and different departments.

Based on completed project activities, new and improved document was adopted entitled «Communication Strategy of SAO 2020 - 2023». This document methodologically detects challenges and risks in already implemented communication practice of the institution and gives specific recommendations on how to make improvements and introduce new ways of communication with stakeholders.

The primary goals in the implementation of the Communication Strategy are the role of SAO as a promoter of the principle of transparency and accountability of the method of using public funds, strengthening cooperation and coordination with stakeholders, and encouraging institutions for timely, appropriate and accurate following of recommendations and measures given in the final audit reports.

The year we report on was a sensitive one for SAO in terms of informing the public and communicating with the media, given the fact that since the end of 2017 SAO was in procedure for appointing new Auditor General. In addition, on 04 October 2019 the mandate of the Deputy Auditor General ended, which called into question the basic functions of the institution.

All these challenges were surpassed at the end of 2019, i.e. on 12.12.2019, when the Parliamentary Committee on Elections and Appointments of the Assembly of RNM proposed and adopted a Decision for appointing Mr. Maksim Acevski, MSc as the new Auditor General.

Immediately after taking office, Auditor General Acevski, gave his first interview in the show Top Tema on Telma TV, followed by several other guest appearances and interviews on the first channel of the national television MRTV, for the Media Information Agency MIA, etc.

These public appearances were a good opportunity for Auditor General to present the circumstances of the Supreme Audit Institution in the Republic of North Macedonia in the past two years. It was an opportunity to realistically present the results accomplished by SAO so far and the future plans and strategic objectives for SAO development, as well as to announce the idea of increasing the level of transparency and accountability of SAO as an institution that is perceived by the public as the «guardian of public funds».

We expect that the intensified communication, transparency, responsibility and accountability in the operation of the State Audit Office would incite not only greater interest of journalists, media and other stakeholders in the professional and objective reporting on the operation of the State Audit Office and its effects, but also greater responsibility and self-discipline of public sector entities that are using funds of the taxpayers in the Republic of North Macedonia.

COOPERATION WITH COMPETENT INSTITUTIONS

Pursuant to the State Audit Law, SAO submitted 2018 Annual Report on performed audits and operation of the State Audit Office for consideration to the Assembly of the Republic of North Macedonia within the legally established deadline.

At the 109th session held on 30 July 2019, the Assembly reviewed and adopted SAO Annual Report. The Assembly also adopted conclusions aimed at supporting the work of SAO and the audit reports, implementation of activities of the twinning project, given recommendations and performed reviews on the level of their implementation, as well as taking measures and activities by competent authorities to overcome systemic weaknesses identified in the audit reports.

The cooperation between SAO and the Assembly of RNM in 2019 was intensified with the realization of the Twinning project Component 3, which focused on strengthening cooperation of the State Audit Office and the Assembly of the Republic of North Macedonia to ensure regular review of audit reports and taking corrective measures and activities upon audit recommendations, thus strengthening SAO role.

During 2019, and in line with the obligations of the State Audit Law, SAO submitted all final audit reports to the Assembly of RNM.

The cooperation of the State Audit Office with other competent authorities continued during 2019. Within the implementation of the Annual Work Program for 2019, SAO submitted 3 final audit reports for two audited entities to the Public Prosecutor's Office. One of the audit reports was submitted by judgment of state auditors, and the other two reports on one auditee were submitted at the request of the Public Prosecutor's Office for prosecution of organized crime and corruption upon previous request by the State Commission for Prevention of Corruption. One final audit report was submitted to the State Commission for Prevention of Corruption based on its request.

At the request of SAO (letter no. 18-711/1 from 26.12.2019), the Public Prosecutor's Office of the Republic of North Macedonia informed SAO (archive no. 11-454/1, from 19.03.2020) on the implemented measures in its competence regarding submitted final audit reports of SAO Annual Work Programs for 2016, 2017 and 2018. According to the information and the previous notification, out of 44 final audit reports submitted to the Public Prosecutor's Office, 10 final audit reports were submitted to the Public Prosecutor's Office for prosecution of organized crime and corruption, and one final audit report has been submitted to the Special Public Prosecutor's Office - Public Prosecutor's Office for prosecution of crimes related to and arising from the content of illegal interception of communications. Charges have been filed for 4 final audit reports, and 20 final audit reports are in pre-investigation procedure in the basic public prosecutor's offices. Regarding the 3 final audit reports, information / checks were requested from the Financial Police Directorate. For one final audit report court verdict was passed and appeal procedure is underway. For 5 final audit reports (for 3 according to this information and for 2 according to the previous notification), it was concluded that there is no basis for public prosecution.

SAO actively cooperates with all state authorities for preventing and reducing corruption in the frames of the Protocol on cooperation for the prevention and repression of corruption and conflict of interests.

The State Audit Office also participates in the implementation of the National Programme for the Adoption of the Acquis (NPAA) through the activities provided in Chapter 3.23 Judiciary and fundamental rights, Area – Prevention of corruption policy, and Chapter 3.32 Financial Control, Area - External Audit, as well as in the work of other bodies for prevention of corruption.

The State Audit Office has successfully implemented activities of the Action Plan for implementation of the Public Financial Management Reform Program for 2019, which refer to Priority 7 External control and parliamentary oversight.

SYSTEMIC WEAKNESSES

We, the employees of the State Audit Office, performing the competencies determined by law and SAI standards, continuously perform, inter alia, assessment of the degree of compliance of laws and bylaws and the need for amending thereof. By acting upon our recommendations and indications, the competent authorities of the executive and legislative authorities have amended several laws and bylaws presented in detail in Annex 1.

We also point out that certain systemic weaknesses have not been tackled i.e. activities need to be taken in the coming period, as presented in Annex 2.

ANNEX 1: Actions taken by the executive and legislative authorities for amending and supplementing laws / bylaws

Regulations	SAO recommendation / Indication of systemic weaknesses	Amended / supplemented law and new one
Law on Health Care	The compliance audit report on the topic „Implementation of measures, activities and policies for specialization of health professionals in public health institutions in the period from 2015 to 2018“ indicates difficult application of the law in terms of creating appropriate institutional capacity for conducting specialist internship and taking the specialist exam. As a result, none of the registered trainees of the Specialization Program for 2015 took the specialist exam.	With the Law on Amendments to the Law on Health Care („Official Gazette of RNM“ No. 275 of 27.12.2019) certain provisions of the law have been revoked, and the law was supplemented with a provision that regulates a bylaw for the manner of conducting specialist internship and taking specialist exam.
Law on Mandatory Fully Funded Pension Insurance Pension and Disability Insurance Law Law on Compulsory Social Insurance Contributions	The regularity audit report on the Pension and Disability Insurance Fund indicates lack of legally defined time limit for the Fund to provide data for dismissal of invalid registrations and non-consistent payments and to distribute the insured persons and transfer the contributions in the second pension pillar. As a consequence, the problem lasted several years, and the funds paid on the basis of contribution for these insured persons remained on the Fund's account.	To overcome the ascertained state of affairs, in May 2018, a Commission for implementation of reforms in the pension system was established with representatives of the concerned institutions. Based on the analyses and information several changes were made at the end of 2018 with the Law on Amendments to the Law on PDI and the Law on MFFPI („Official Gazette of RM“ No. 245/2018), and the Law on Amendments to the Law on Compulsory Social Insurance Contributions („Official Gazette of RM“ No. 247 / 2018) which are applicable from 01.01.2019.

<p>Law on employment and insurance in case of unemployment</p>	<p>The regularity audit report on the Employment Agency of RNM points to conditions regarding the manner of regulating the status of employees in the Agency with the Law on Employment and Insurance in Case of Unemployment. The Law does not provide for categorization and levels of employment, job posts and salaries of the employees (basic component and exceptional component), and manner of determining the value of salary points. The Agency has regulated these questions by adopting Acts for organization and systematization of jobs and Collective Agreement at the level of employer.</p> <p>It was also indicated that the Law does not properly regulate the coefficient for calculating salary of Director and Deputy Director of the Agency appointed by the Government of RNM.</p>	<p>By amending the law („Official Gazette of RNM“ No. 124 of 18 June 2019), the status of the employees in the Agency was regulated. The Law provides for the categories and levels of job posts for the employees that are public service providers and technical support persons; the Law on Administrative Servants is applied for the categories, levels and titles of administrative employees. Other issues related to employment and salaries are regulated by the provisions of this Law, the Law on Administrative Servants, the Law on Public Sector Employees and the general regulations in the field of labor relations.</p> <p>Article 91a provides for a manager agreement between the appointed director i.e. deputy director of the Agency and the Government of RNM.</p>
<p>Law on employment and insurance in case of unemployment</p>	<p>The regularity audit report on the Employment Agency points out that the law does not stipulate the obligation for unemployed people to come for a job interview with the employers in the process of mediation for employment. Therefore, despite the commitment of the agency, small number of people is being employed.</p>	<p>The Law on amending and supplementing the Law on Employment and Insurance in Case of Unemployment (Official Gazette of RNM No. 124 of 18 June 2019) in Article 59-c stipulates the obligation if the unemployed person refuses appropriate or convenient employment or refuses to attend or does not appear for a job interview addressed to by the Agency in a period of 2 years, the person will be deleted from the records of unemployed persons.</p>
<p>Public Procurement Law</p>	<p>In the performance audit report on the topic „Effectiveness of policies, measures and activities in awarding public procurement contracts at the level of public enterprises in the City of Skopje“ attention was paid to the introduced obligation (with the amendments to the PPL from January 2014) the estimated value of procurement to be published in the announcement for awarding public procurement contract by the contractual bodies.</p> <p>According to the provisions of the PPL, awarding public procurement contracts is based on the lowest price criterion. Another criterion for awarding public procurement contract may also be the most economically favorable offer, which PEs did not use at all in the procedures in the period 2016-2018.</p>	<p>In 2019, new Law on Public Procurement was adopted (“Official Gazette of RNM” No. 24/19) which stipulates that the publication of estimated value in the announcement for awarding public procurement contract is optional, i.e. the contracting authorities are left to decide whether it will be published. The use of the lowest price as the sole criterion is not in accordance with EU Directives. Therefore, Article 99 of the Law (which came into force in April 2019) provides for the most economically favorable offer to be used as a criterion for awarding public procurement contract, except when the most economically favorable offer is selected only on the basis of the price.</p>

<p>Electoral Code</p>	<p>With the audits of the Local Elections 2017 and Presidential Elections in RNM 2019, we concluded the following:</p> <ul style="list-style-type: none"> ▪ Article 71 provides for possibility of transfer of funds from the account for regular operation of the political parties and the account for funds from credits, to the election account, without specifying whether transferred funds will be used as a source of financing the election campaign or the participants will be obliged to return the funds; ▪ Article 76-e stipulates that the costs of election campaigns related to paid political advertising are borne by the Budget of RNM, and the payment is made by the State Election Commission, without determining the limit, i.e. the financial framework from the Budget of RNM, nor the manner and criteria for allocation of these funds to individual participants in the election campaign; ▪ with the amendments to the Electoral Code from February 2019, the activities regarding supervision of internet portals are deleted, without determining institution responsible for monitoring and supervising the election media presentation on the internet portals; ▪ Article 71 regulates the manner of opening and closing transaction account, the obligation to provide unique tax number (EDB) with indication „for election campaign“ before a competent authority, but does not regulate deletion of EDB, after the end of election activities; ▪ the payment of donations until the deadline set for submission of a financial report cannot be realized, because the election campaign account may be closed; ▪ there is a need to prescribe obligation to submit a price list and a report on used billboards by legal entities that manage billboards, the municipalities in RNM and the City of Skopje. 	<p>With the enactment of the Law on Amendments to the Electoral Code („Official Gazette of RNM“ no. 42/2020), the following shortcomings were surpassed:</p> <ul style="list-style-type: none"> ▪ Article 20 and Article 34 have been harmonized (Article 71, paragraph 7 and Article 83, paragraph 2 have been amended), stipulating that the election campaign may be financed by funds from the regular account of the political party and from loans of the political party intended for the election campaign; ▪ Article 31 amended Article 76-d, and determined the scope of financial resources for paid political advertising, which must not exceed the amount of 2 (two) euros in denars counter value without calculated VAT per registered voter, as well as the manner of their distribution to political parties; ▪ Article 27 amended paragraph 1 of Article 76-f, which determines the State Election Commission as the competent institution for monitoring and supervising the election media presentation through the internet portals; ▪ Article 20 amended Article 71 paragraph 12, which stipulates that when closing the transaction account, EDB of the entity registered before a competent authority is also deleted; ▪ Article 20 amended Article 71 paragraph 6, according to which donations can be paid to the transaction account only until the day of its closure; ▪ Article 32 amended Article 78-a, which stipulates the obligation for reporting on used billboards only by the legal entities, and not by the municipalities in RNM and the City of Skopje.
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Law on the railway system

With the regularity audit the Ministry of Transport and Communications for 2018, we found that the Assembly of RNM has not adopted National Railway Infrastructure Program for the period 2017-2019, as provided by Article 26 of the Law on the Railway System, which determines the amount of funds for the program by years. The annual program for 2018 provides fewer funds than the envisaged legal right in accordance with Article 118 of the Law on the Railway System.

In June 2019, the Assembly of RNM adopted National Railway Infrastructure Program 2019-2021, and for financing the railway infrastructure in 2019 the annual program envisages funds in accordance with Article 118 of the Law on the Railway System, i.e. funds higher than 0.3% of the planned tax revenues of the Central Budget of RNM for the current year.

ANNEX 2: Systemic weaknesses that require action by competent authorities of the executive/ legislature

Regulation	Proposal for amendment / adoption
Law on Health Care	<p>The audit continuously reports on the absence of written criteria and established procedure for allocation of funds by programs and they are approved in a total amount at the level of all public healthcare institutions. Due to inadequate planning of individual programs by the Ministry of Health and insufficient budget funds provided by the competent ministry, the funds planned with the programs are less than the volume of activities and the value of services provided by public healthcare institutions. This situation affects the solvency and liquidity of public healthcare institutions and the quality of services provided to end users.</p>
Law on Health Care	<p>The audit points out the uncertainty regarding unimpeded functioning of the National System for financial and accounting operations in public healthcare institutions, which was introduced with the amendment of this Law in 2015 as an obligation of the Minister of Health. Due to the delay in connecting the individual accounting databases in public healthcare institutions with this system and unsecured agreement for its maintenance, it is not operational since 2018. Consequently, it is impossible to fully monitor critical points of consumption, control and reduction of individual and total costs in public healthcare institutions by the Ministry.</p>
Health Insurance Law	<p>The audit continuously points out the inconsistencies related to the manner of determining contractual fees of public healthcare institutions by introducing the concept of purchasing services provided by the Health Insurance Law. We found that distribution criteria set out in Fund's Decision are not sufficiently specific and applicable for calculation and in practice the fee is not always the result of objective calculations of the scope of services to be performed, which does not provide "actual purchase of services from public healthcare institutions". In practice, there are public healthcare institutions that have acquired the status of unsustainable because the level of services performed is lower than the level of funds received from the Fund's Budget, and other public healthcare institutions continuously perform services on a larger scale than the contractual fee with the Fund, which affects their liquidity and solvency.</p>
Law on Mandatory Social Insurance Contributions	<p>The established system for determining, controlling and collecting contributions is not based on up-to-date and complete integration and exchange of data from institutions, which affects the completeness of revenues, as well as the liquidity of the Fund and the sustainability of the pension system. Namely, institutions in the compulsory social insurance system - the Public Revenue Office, the Pension and Disability Insurance Fund, the Health Insurance Fund and the Employment Agency have separate databases that operate in parallel and differ in the number and different treatment of payers and insured persons. In such conditions, the Public Revenue Office, in accordance with the concluded agreement, submits information to the funds only for the collected part of the contributions, which does not include all the necessary data for calculated and unpaid contributions and other data prescribed by this Law.</p>
Law on Pension and Disability Insurance	<p>There is a need for more active participation of the Pension and Disability Insurance Fund of RNM in creating policies and drafting legal solutions related to PDI system and cooperation with institutions in the social insurance system, as well as taking action for signing new agreement with the PRO, which will include all necessary data prescribed by law.</p>

<p>Law on Administrative Servants</p> <p>Law on Public Employees</p>	<p>The audit on the Ministry of Labor and Social Policy established systemic weaknesses in determining the amount and manner of calculating salary of employees who do not have status of administrative officer and special advisers in the ministry, which imposes the need for the competent authorities to take action to finalize the stated legal acts.</p>
<p>Law on Budgets and Guidelines for Treasury Operations</p>	<p>In the structure of the total expenditures of the Ministry of Labor and Social Policy for 2018, the largest share i.e. 75% is current transfers to extra-budgetary funds (69% for Pension and Disability Insurance Fund and 6% for Health Insurance Fund). The amount of these transfers is determined by the Funds, while the Ministry performs formal control, without checking accuracy and reality of data in the requests.</p>
<p>Law on Pension and Disability Insurance</p>	<p>With the audit on the Pension and Disability Insurance Fund of RNM and the analysis of provisions of the Law on Pension and Disability Insurance, we concluded that starting from 2004 Article 130 paragraph 6, provides for an obligation for the beneficiary of disability or family pension based on disability to attend mandatory control examination performed within one and no later than two years. Until finalization of decision, the user is paid a pension. In case the mandatory control confirms that the person has no disability, calculations are made for unjustified payments that represent significant outflow of funds from the Fund's budget. On the other hand, the legal solutions do not regulate suspension of employment when a temporary disability pension is granted, and consequently the insured persons whose disability pension is revoked remain unprotected with regard to rights and obligations from employment. In order to overcome these conditions, the Fund has submitted initiatives to the competent ministry for amendments to this Law on several occasions, but until the day of the audit report no changes have been made.</p>
<p>Law on Pension and Disability Insurance</p>	<p>The provisions of the Law on Pension and Disability Insurance on determining amounts for payment of lowest and highest pensions provide for payments of pensions in three groups that differ depending on the time when the right was exercised, the legal solutions that were valid in that period and the length of service. Additionally, the highest pensions, starting in 2015, are set at a different amount each year. Consequently, in December 2018, nine different amounts of lowest pensions were paid and six different amounts of highest pensions. This legal solution affects users of same rights to be unequally treated and calls into question the principle of social justice provided in Article 3 of this Law, which is based on the rights from the first pension pillar. The audit recommends taking action to review the legal solutions and equalize the amounts for payment of the lowest and the highest pensions to ensure compliance with the principle of social justice provided by Article 35 of the Constitution of RNM.</p>
<p>Law on Employment and Unemployment Insurance</p>	<p>The report of the authorized state auditor informs that the law does not sufficiently and specifically regulate the part on adoption of Operational Plan for active programs and measures for employment and services on the labor market; the competent institution and the period for its adoption; which act and what implementation procedure; and monitoring and evaluating effects of active employment policies. The audit opinion is that it is necessary to specifically regulate the part of active programs and employment measures by law, which is of great national importance for increasing employment and reducing unemployment in RNM and will contribute to increasing efficiency and effectiveness of implementation of programs and measures as well as the work of the Employment Agency of RNM. In drafting the law, attention should be paid to be in line with international and European standards and applicable EU law.</p>

Law on the National Bank of the Republic of Macedonia	With the performed audit on the National Bank of RNM, we identified the need to harmonize Article 67 of the Law on the National Bank with Articles 22, 30, 31 and 32 of the State Audit Law, in the scope of the audit and submitting of final reports of the authorized state auditor.
Law on the Public Revenue Office	With the audit on the Core Budget of RNM, we concluded that there is no legal obligation for presenting claims and liabilities based on unpaid VAT, income tax and personal income tax of legal entities and natural persons, claims for excise and customs duties, which are under the competence of the Public Revenue Office and the Customs Administration, as well as obligations for their return, in the financial statements of these bodies or in the financial statements of the Core Budget of RNM.
Customs Administration Law	Measures and activities need to be taken to prescribe how to record and present the above in the financial statements.
Electoral Code	<p>With the audit of the Presidential Elections 2019, we concluded that there is a need to harmonize and finalize the Electoral Code, as follows:</p> <ul style="list-style-type: none"> ▪ manner of acting in cases when the Total Financial Report presents unpaid liabilities, i.e. when the Report presents higher amount of expenditures than revenues; ▪ manner of acting in cases when the Total Financial Report presents surplus of collected funds, when political party or coalition is participant in the election campaign; ▪ determining competent authority for monitoring and reporting on the election media presentation on electronic media - internet portals; ▪ re-examination of the deadline for payment of donations for financing election campaign, i.e. possibility for payment of donations even after the announcement of final results of the election campaign; ▪ the manner of proving that donors of participants in the election campaign are not connected with broadcasters, print media and electronic media - internet portals, ▪ prescribing an obligation for all entities that manage billboards to submit price list to the competent institutions for control and audit of the election process, and for the municipalities and the City of Skopje an obligation to submit report on used billboards and funds paid or claimed on that basis, and ▪ by deleting Article 86, which regulated the rights to compensation per received vote from the Budget of RNM, Articles 87 and 88 paragraph 3, which are related to the compensation of the election campaign, as well as provisions of Article 177-a paragraph 4 and 5, as part of the penal and misdemeanor provisions, have no legal basis. <p>It is also necessary for the Minister of Finance to prescribe an act on VAT taxation on the turnover of ballots and election material required for conducting elections, as well as their customs clearance.</p>
Law on the Financing of Political Parties	With the audits performed on the operation of political parties in 2018, we concluded the need to further regulate laws and bylaws regarding the method of payment and recording membership fee as a source of funding for uniform treatment of all political entities.
Law on Referendum and other forms of direct expression of the citizens	<p>With the audit on the Assembly of the Republic of North Macedonia - Public Propaganda for Referendum, we identified the need to amend the Law in relation to:</p> <ul style="list-style-type: none"> ▪ setting deadline for starting public propaganda for a referendum; ▪ regulating the manner of financing for covering costs for public propaganda from the state budget, as well as the amount of the same.

Law on Value Added Tax	With the audit on the Presidential Elections in 2019, we found the need to harmonize the law with the Electoral Code, where Article 11 stipulates that customs and tax are not paid on actions, acts, submissions and other documents related to the conduct of elections, procurement of goods, works and services for the needs of the election process, because the existing law does not regulate VAT tax exemption regarding the conduct of elections, as provided in the Electoral Code.
Law on Organization and Operation of State Administration Bodies	With the audit on the Ministry of Finance, we found that the law is not amended every time when forming and establishing state bodies and institutions with a separate law. Namely, it is necessary to amend Article 19 of the said law, which lists institutions as bodies within the ministry without capacity of a legal entity even though they are established as bodies within the ministry with capacity of a legal entity or as independent state administration bodies with separate laws.
Law on Public Employees	With the audit of the Ministry of Finance, we found the need to regulate the amount and method of calculating the salary of special advisors in individual institutions, including the ministry.
Law on Audio and Audiovisual Media Services	With the audit of the Ministry of Information Society and Administration, we found the need to reconsider Article 105 of the law, which stipulates that the funds for financing broadcasting activity of Macedonian Radio Television, PE Macedonian Broadcasting and the Agency for Audio and Audiovisual Media Services are provided from the Budget of RNM through the budget of the Ministry; consequently, this budget of the Ministry does not give a real picture of the factual expenditures of the Ministry.
Law on Public Procurement	With the audit of the National Bank of RNM, we concluded the need to reconsider the possibility and take action to exclude procurement of banknotes and coins from the Law on Public Procurement, as a procurement of a specific nature that requires special security measures.
Law on Insurance Supervision	In the report from the regularity audit on the Insurance Supervision Agency we concluded that according to Article 158-h of the Law on Insurance Supervision, the President and the members of the Council of Experts who are professionally engaged, have the right to salary in accordance with the Law on Labor Relations and the Collective agreement, while the compensation for external members is regulated by the Agency's Statute. Considering that they are selected and appointed by the Assembly of RNM, there is a need to reconsider the bases for payment of salaries and compensations.
Law on Communal Fees	<p>The audit continuously reports on the weaknesses in the legal solution that regulates collection of communal fees, which are own sources of income of local self-government units; due to inaccuracies in the legal solution there is no possibility for real collection of certain types of utilities and tariffs as follows:</p> <ul style="list-style-type: none"> ▪ The communal fee for use of roads with motor vehicles is prescribed to be collected by the legal entities performing vehicle registration and to be paid to the appropriate payment account of the municipality treasury account. The existing legal solution does not stipulate the deadlines for payment of collected fees to the municipality account, to inform the municipality on the number of registered vehicles depending on the cubic capacity and on the monthly amount of collected funds individually and cumulatively. ▪ The communal fee for use and maintenance of public lighting is collected by the trade company responsible for electricity distribution from the meter holders; the trade company is not obliged to inform the municipalities, the municipalities in the City of Skopje and the City of Skopje about the number of tax payers by category (number of meters), in accordance with the tariff number, and on collected revenues and unpaid receivables on this basis. ▪ Due to insufficiently precise legal solution, the utility fee for using music in public places is not charged by the municipalities.

Property Tax Law	<p>The audit highlights uncertainty in the application of Article 39 of the Law on Property Taxes since its adoption in 2004, in terms of the obligation to harmonize the real estate register managed by the municipalities, municipalities in the City of Skopje and the City of Skopje with the register managed by the Agency for Real Estate Cadaster of RNM; no later than 31 December of the current year data from the registers should be submitted to the Central Register of the Republic of North Macedonia and to the Public Revenue Office. The implementation of this legal solution requires certain clarifications in the Law as well as software connection of the competent authorities.</p>
Law on Firefighting	<p>Pursuant to Article 49 of the Law on firefighting, territorial firefighting units (TFFUs) of the City of Skopje and the municipalities have a possibility to realize additional revenue from collected fines for violations involving fire protection and explosions; donations and other funds from insurance companies, foundations, and legal and natural persons intended for promoting fire safety; and from own revenues for services rendered. The City of Skopje and the municipalities in RNM do not generate revenue on this basis, except for the revenue from the insurance companies amounting to 2% of collected premiums for insurance of motor vehicles and liability insurance for the use of motor vehicles. However, municipalities have no information on the amount of funds that are paid on this basis, nor have legal possibility to verify the accuracy and reliability of funds paid. The imprecise legal solution for other types of revenue for financing TFFUs results in failure to collect revenue on this basis.</p>
Law on Enforcement	<p>Pursuant to the provisions of Article 208 of the Law on Enforcement, it was determined that enforcement for the purpose of making financial claim toward legal entity may be carried out on all available funds on entity's accounts with the holders of payment operations.</p> <p>Pursuant to Article 218 of the same Law, enforcement for collection of financial claims is prohibited on objects and rights of RNM and its bodies, units of local self-government and public enterprises, if these are necessary for performing their activity or tasks. Which objects and rights are necessary for performing the activity and tasks of the debtor is determined by the president of the court in authority of the enforcement action, if the parties do not agree on that issue or if otherwise indicated as necessary.</p> <p>In line with the above provisions, the presidents of local competent basic courts make decisions on the amount of funds necessary to perform activities that are exempt from execution, based on the expertise of experts. In these cases, the provisions of the bylaws arising from the Law on Payment Operations are not taken into account.</p> <p>With the audit on the Municipality of Struga we determined that based on the request and the expertise, the President of the Basic Court Struga has issued decision on the monthly amount necessary for performing the activity of the Municipality, which calculated annually is higher than the planned and realized budget of the Municipality. This legal solution enables the Municipality to function smoothly and for the creditors it is impossible to realize the executive claims.</p>
Law on Sports and Law on the City of Skopje	<p>Financing of the activities in the field of sports and recreation is regulated as competencies of municipalities in Article 22 paragraph 1 item 6 of the Law on Local Self-Government, but not as competencies of the municipalities of the City of Skopje. These are defined in Article 15 of the Law on the City of Skopje, where in the matters of public interest, sports is not included as a competence of the municipalities in the City of Skopje. This competence is given to the City of Skopje in line with Article 10 paragraph 1. Oppositely, Article 22a of the Law on Sports defines the competencies of the municipalities, the municipalities in the City of Skopje and the City of Skopje in the field of sports. Therefore, the audit is of the opinion that it is necessary to harmonize the legal regulations in terms of providing more precise and clearer definition and delimitation of competencies in the field of sports for the municipalities in the City of Skopje.</p>

Law on Higher Education

Article 45 of the Law on Higher Education, stipulates establishing Quality Agency, which includes the Board for Accreditation of Higher Education and the Board for Evaluation of Higher Education. The Quality Agency, in accordance with the new law, should be established within one year from the day of entry into force of the Law on Higher Education, and the acts provided for by the Law should be adopted no later than three months from the day of its establishment. Since Quality Agency for higher education was not established, and thus the Accreditation Board and the Evaluation Board in accordance with the new Law, the Accreditation and Evaluation Board established under the old Law will continue to operate and the provisions for accreditation and evaluation of higher education institutions and study programs will be applied in accordance with the new Law.

Article 41 of the Law on Higher Education, stipulates the establishment of a National Council for the purpose of providing, evaluating, developing and improving the quality of higher education and scientific research in the Republic of North Macedonia. The competencies of the Council are broadly defined in the Law and mostly refer to monitoring, proposing, drafting rulebooks and programs. According to the new law, the National Council should be established within one year from the day the law enters into force, the acts provided for by the Law should be adopted no later than six months from the day of its establishment.

Given that the Council is not yet established, much of the work and acts on which this expert body should give opinions, proposals, determine or adopt appropriate norms agreed by the Assembly of RNM, the Government of RNM or the Ministry of Education and Science, have not been adopted. Hence, the public universities act and operate in different ways, by acts and decisions adopted currently.

Realization of the right to salary and salary allowances without Collective Agreement for higher education activity, without provisions in the Law on Higher Education and with undefined value of the point for calculating salaries of public servants, may contribute to different ways of calculation and payment of salaries within the public universities in RNM based on internal act of a higher education institution.



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или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да обликува ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за ефективност на интерната контрола на ентитетот. Ревизијата исто така вклучува и оценка на соодветноста на користените сметководствени политики и на разумноста на сметководствените проценки направени од страна на раководството, како и оценка на севкупното презентирање на финансиските извештаи.

Ние веруваме дека ревизорските докази коишто ги имаме прибавено се достатни и соодветни за да обезбедат основа за нашето ревизорско мислење.

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија – сметка на сопствени приходи наплатени од органи заклучно со 31 декември 2019 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

Нагласување на прашање

Ние обрнуваме внимание на Белешката 3.2.1 кон финансиските извештаи „Субвенции и трансфери“, во која е обележената причината за исплата на плата за месец октомври 2019 од сметката на основен буџет – сопствени приходи (631), а не од сметката за основен буџет (637). Нашето мислење не е квалификувано во однос на ова прашање.

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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија за средствата на приходи наплатени од органи, односно за остварени приходи и расходи преку сметката 020021504063119 – Сметка на приходи наплатени од органи, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2019, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

Раководството е одговорно за подготвувањето и објективното презентирање на овие финансиски извештаи во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа, и интерната контрола којашто е релевантна за подготвувањето и објективното презентирање на финансиски извештаи кои што се ослободени од материјално погрешно прикажување, без разлика дали е резултат на измама или грешка.

Одговорност на ревизорот

Наша одговорност е да изразиме мислење за овие финансиски извештаи врз основа на нашата ревизија. Ние ја спроведовме нашата ревизија во согласност со стандардите за ревизија кои што се во примена во Република Северна Македонија. Тие стандарди бараат да ги почитуваме етичките барања и да ја планираме и извршиме ревизијата за да добиеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално погрешно прикажување.

Ревизијата вклучува извршување на постапки за прибавување на ревизорски докази за износите и обележувањата во финансиските извештаи. Избраните постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално погрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама

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Извештај за други правни и регулативни барања

Во согласност со Законот за Државна ревизија, Државниот завод за ревизија има обврска да изготвува годишен извештај за извршените ревизии и за работата на Државниот завод за ревизија.

Наша одговорност во согласност со Законот за ревизија е да изразиме мислење во врска со конзистентноста на годишниот извештај за работа со годишната сметка и финансиските извештаи за истата година.

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2019 година.

Скопје, 20.05.2020

Овластен ревизор
 Стојан Јорданџиќ

Друштво за ревизија
 РСМ МАКЕДОНИЈА Скопје

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Државен завод за ревизија
финансиски извештаи за Сметка на Буџетот на РМ 631-19 за годината завршена на 31 декември 2019

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образло жение	во денари		
		Буџет 2019	Реализирано 2019	Реализирано 2018
Приходи	3.1.			
Недиректни приходи	3.1.1.		313.021	
Трансфери и донации	3.1.2.	6.000.000	6.237.342	6.310.147
Вкупно приходи		6.000.000	6.550.363	6.310.147
Расходи	3.2.			
Тековни расходи				
Субвенции и трансфери	3.2.1.	6.000.000	6.000.000	72.805
Вкупно тековни расходи		6.000.000	6.000.000	72.805
Капитални расходи				
Капитални расходи	3.2.2.	-	-	-
Вкупно капитални расходи		-	-	-
Вкупно расходи		6.000.000	6.000.000	72.805
Остварен вишок на приходи		-	550.363	6.237.342
Даноци, придонеси и други давачки од вишокот на приходи				
Нето вишок на приходи		-	550.363	6.237.342
Распоредувања на вишокот на приходи				
Дел од нето вишокот на приходи за пренос во наредна година			550.363	6.237.342
Обврски за данок на добивка				
Вкупно распоред на вишок на приходи		-	550.363	6.237.342

Скопје, 29.02.2020

Раководител на сектор за
финансиски прашања
Блага Николова

Главен државен ревизор
Максим Ацевски

Државен завод за ревизија
финансиски извештаи за Сметка на Буџетот на РМ 631-19 за годината завршена на 31 декември 2019

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образло жение	во денари	
		2019	2018
Актива			
Тековни средства	4.1.		
Парични средства	4.1.1.	550.363	6.237.342
Побарувања од купувачите во земјата	4.1.2.	9.857.161	4.170.182
Побарувања од вработените	4.1.3.	625.634	-
Активни временски разгранкувања	4.1.4.	-	-
Вкупно тековни средства		11.033.158	10.407.524
Постојани средства	4.2.		
Нематериални средства	4.2.1.	-	-
Материални средства	4.2.2.	-	-
Вкупно постојани средства		-	-
Вкупна актива		11.033.158	10.407.524
Вонбилансна евиденција - актива		2.886.027	2.886.027
Пасива			
Тековни обврски	4.3.		
Краткорочни обврски спрема добавувачи	4.3.1.	-	-
Пасивни временски разгранкувања	4.3.2.	11.033.158	10.407.524
Вкупно тековни обврски		11.033.158	10.407.524
Извори на средства	4.4.		
Извори на капитални средства			
Ревалоризациона резерва		-	-
Вкупно извори на деловни средства		-	-
Вкупна пасива		11.033.158	10.407.524
Вонбилансна евиденција - пасива		2.886.027	2.886.027

Скопје, 28.02.2019

Раководител на сектор за
финансиски прашања
Блага Николова

Главен државен ревизор
Максим Ацевски



PCM МАКЕДОНИЈА ДООЕЛ Скопје
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погрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да обликува ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за ефективност на интерната контрола на ентитетот. Ревизијата исто така вклучува и оценка на соодветноста на користените сметководствени политики и на разумноста на сметководствените проценки направени од страна на раководството, како и оценка на сеопфатното презентирање на финансиските извештаи.

Ние веруваме дека ревизорските докази коишто ги имаме прибавено се доградни и соодветни за да обезбедат основа за нашето ревизорско мислење.

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија – Редовна сметка средства од Буџетот на Република Северна Македонија заклучно со 31 декември 2019 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

Нагласување на прашање

Ние обрнуваме внимание на Белешката 3.2.1 кон финансиските извештаи „Плати, наемнини и надоместоци“, во која е обелоденета причината за исплата на плата за месец октомври 2019 од сметката на основен буџет – сопствени приходи (631), а не од сметката за основен буџет (637).

Ние обрнуваме внимание на Белешката 5 кон финансиските извештаи „Настани што се случиле по денот на билансот на состојба“, во која е обелоденето доинжување на донација добиена од Министерството за финансии – нематеријално средство (софтверски апликации) во 2019 година во износ од 3.802 илјади денари.

Нашето мислење не е квалификувано во однос на овие прашања.

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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија за средствата од Буџетот на Република Северна Македонија, односно за остварени приходи и расходи преку сметката 020021504063710 – Редовна сметка средства од Буџетот на РСМ, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2019, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснуваачки белешки.

Одговорност на раководството за финансиските извештаи

Раководството е одговорно за подготвувањето и објективното презентирање на овие финансиски извештаи во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа, и интерната контрола којашто е релевантна за подготвувањето и објективното презентирање на финансиските извештаи кои што се ослободени од материјално погрешно прикажување, без разлика дали е резултат на измама или грешка.

Одговорност на ревизорот

Наша одговорност е да изразиме мислење за овие финансиски извештаи врз основа на нашата ревизија. Ние ја спроведуваме нашата ревизија во согласност со стандардите за ревизија кои што се во примена во Република Северна Македонија. Тие стандарди бараат да ги почитуваме етичките барања и да ја планираме и извршиме ревизијата за да добијеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално погрешно прикажување.

Ревизијата вклучува извршување на постапки за прибавување на ревизорски докази за износите и обелоденувањата во финансиските извештаи. Избраните постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално

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Извештај за други правни и регулативни барања

Во согласност со Законот за државна ревизија, Државниот завод за ревизија има обврска да изготвува годишен извештај за извршените ревизии и за работата на Државниот завод за ревизија.

Наша одговорност во согласност со Законот за ревизија е да изразиме мислење во врска со конзистентноста на годишниот извештај за работа со годишната сметка и финансиските извештаи за истата година.

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2019 година.

Скопје, 20.05.2020

Овластен ревизор
 Стојан Јорданов

Друштво за ревизија
 РСМ МАКЕДОНИЈА Скопје

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РСМ МАКЕДОНИЈА ДООЕЛ Скопје е член на РСМ мрежата и тргува како РСМ РСМ е трговското име кое се користи од страна на члените на РСМ мрежата. Сите член на мрежата РСМ е независно друштво кое работи согласно своите добавени права и обврски. Мрежата РСМ самата не е посебно правно лице во никаква јурисдикција.


Државен завод за ревизија
Финансиски извештај за Сметката на основен буџет 637-19 за годината завршена на 31 декември 2019

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение		во денари	
	Буџет	2019	Реализирано	2018
Приходи				
Трансфери и донации	93.757.000	85.960.278	88.183.750	
Вкупно приходи	93.757.000	85.960.278	88.183.750	
Расходи				
Тековни расходи	3.2.	76.185.000	69.010.875	71.989.385
Плати, наемнини и надоместоци	3.2.1.	15.326.115	14.806.601	15.135.455
Стоки и услуги	3.2.2.	1.017.885	988.505	208.221
Разни трансфери	3.2.3.	92.827.000	84.805.981	87.333.061
Вкупно тековни расходи				
Капитални расходи	3.3.	1.230.000	1.154.297	850.689
Капитални расходи		1.230.000	1.154.297	850.689
Вкупно капитални расходи				
Вкупно расходи		93.757.000	85.960.278	88.183.750

Нето вишок на приходи - добивка по оданочување

Скопје, 29.02.2020


Раководител на сектор за
финансиски прашања
Блага Николова



Главен државен ревизор
Максим Ацевски


Државен завод за ревизија
Финансиски извештај за Сметката на основен буџет 637-19 за годината завршена на 31 декември 2019

БИЛАНС НА СОСТОЈБА

Активa	Опис на позицијата	Образложение		во денари	
		2019	2018	2019	2018
Тековни средства	4.1.	218.497	-	172.361	-
Посрбувања од купувачи	4.1.1.	55.635		7.010.688	
Посрбувања од работодавците	4.1.2.	7.219.349		1.796.552	
Активни временски разграничувања	4.1.3.	1.695.241		8.979.601	
Залихи	4.1.4.	9.188.722		5.166.404	
Вкупно тековни средства					
Постојани средства	4.2.	4.148.615	9.066.704	6.442.698	11.609.102
Нематеријални средства	4.2.1.	4.148.615		20.588.703	
Материјални средства	4.2.2.	13.215.319		77.829.200	
Вкупно постојани средства					
Вкупна актива		22.404.041	20.588.703	77.829.200	20.588.703
Вонбилансна актива					77.829.200
Пасива					
Тековни обврски	4.3.	799.051	6.420.299	6.132.787	877.900
Краткорочни обврски спрема доставувачи	4.3.1.	274.130		172.361	
Краткорочни обврски за плати и други обврски спрема работодавците	4.3.2.	7.493.480		7.183.048	
Пасивни временски разграничувања	4.3.3.	14.864.425		13.360.748	
Вкупно тековни обврски					
Извори на средства	4.4.	14.864.425	46.136	44.907	13.405.655
Извори на капитални средства	4.4.1.	14.864.425		13.405.655	
Резервациони резерва	4.4.2.	46.136		44.907	
Вкупно извори на деловни средства		14.910.561	22.404.041	20.588.703	20.588.703
Вкупна пасива		22.404.041	20.588.703	77.829.200	20.588.703
Вонбилансна пасива					77.829.200

Скопје, 29.02.2020


Раководител на сектор за
финансиски прашања
Блага Николова


Главен државен ревизор
Максим Ацевски



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или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да обликува ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за ефикасноста на интерната контрола на ентитетот. Ревизијата исто така вклучува и оценка на соодветноста на користените сметководствени политики и на разумноста на сметководствените проценки направени од страна на раководството, како и оценка на севкупното презентирање на финансиските извештаи.

Ние веруваме дека ревизорските докази коишто ги имаме прибавено се доволни и соодветни за да обезбедат основа за нашето ревизорско мислење.

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Проектот МАК-12/0015 „ИМПЛЕМЕНТАЦИЈА НА СИСТЕМ ЗА УПРАВУВАЊЕ СО РЕВИЗИЈА“ на Државниот завод за ревизија заклучно со 31 декември 2019 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.



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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Проектот МАК-12/0015 „ИМПЛЕМЕНТАЦИЈА НА СИСТЕМ ЗА УПРАВУВАЊЕ СО РЕВИЗИЈА“ на Државниот завод за ревизија, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2019, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

Раководството е одговорно за подготвувањето и објективното презентирање на овие финансиски извештаи во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа, и интерната контрола којашто е релевантна за подготвувањето и објективното презентирање на финансиските извештаи кои што се ослободени од материјално погрешно прикажување, без разлика дали е резултат на измама или грешка.

Одговорност на ревизорот

Наша одговорност е да изразиме мислење за овие финансиски извештаи врз основа на нашата ревизија. Ние ја спроведовме нашата ревизија во согласност со стандардите за ревизија кои што се во примена во Република Северна Македонија. Тие стандарди бараат да ги почитуваме етичките барања и да ја планираме и извршиме ревизијата за да добијеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално погрешно прикажување.

Ревизијата вклучува извршување на постапки за прибавување на ревизорски докази за износите и обелоденувањата во финансиските извештаи. Избраните постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално погрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама

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Извештај за други правни и регулативни барања

Во согласност со Законот за Државна ревизија, Државниот завод за ревизија има обврска да изготвува годишен извештај за извршените ревизии и за работата на Државниот завод за ревизија.

Наша одговорност во согласност со Законот за ревизија е да изразиме мислење во врска со конзистентноста на годишниот извештај за работа со годишната сметка и финансиските извештаи за истата година.

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2019 година.

Скопје, 20.05.2020

Овластен ревизор
 Стојан Јорданов

Друштво за ревизија
 РСМ МАКЕДОНИЈА Скопје

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РСМ МАКЕДОНИЈА ДООЕЛ Скопје е член на РСМ членката и трговно каво РСМ и трговно каво РСМ и трговно каво РСМ и трговно каво РСМ членката. Секс член на членката РСМ е независно друштво кое работи согласно своите одредени права и обврски. Членката РСМ самата не е посебно правно лице во медиумна организација.

Државен завод за ревизија
Финансиски извештај за Проект МАК-12/0015 за годината завршена на 31 декември 2019

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложен ие	во денари		
		Буџет 2019	Реализирано 2019	Реализирано 2018
Приходи				
Останати не даночни приходи				42.248
Трансфери и донации	3.1.	43.000	42.248	154.099
Вкупно приходи		43.000	42.248	196.347
Расходи				
Тековни расходи	3.2.			
Стови и услуги	3.2.1.	43.000	42.248	154.099
Вкупно тековни расходи		43.000	42.248	154.099
Капитални расходи (капитални расходи)	3.3.	-	-	-
Вкупно капитални расходи		-	-	-
Отплата на главнина				
Вкупно расходи		43.000	42.248	154.099
Нереализирани средства од буџетот		-	-	42.248
Даночни, придонеси и други давачки од вишокот на приходи - добивка пред оданочување				
Нето вишок на приходи - добивка по оданочување		-	-	42.248

Скопје, 29.02.2020

Раководител на сектор за
финансиски прашања
Блага Николова

Главен државен ревизор
Максим Ацевски

Државен завод за ревизија
Финансиски извештај за Проект МАК-12/0015 за годината завршена на 31 декември 2019

БИЛАНС НА СОСТОЈБА

Активa	Опис на позицијата	во денари		
		Образло- жение	2019	2018
Тековни средства				
Жиро сметка	4.1.			42.248
Побарувања од вработените	4.1.1.		-	-
Активни временски разграничувања	4.1.2.		-	-
Вкупно тековни средства	4.1.3.		-	42.248
Постојани средства				
Нематеријални средства	4.2.			
Материјални средства	4.2.1.		-	-
Вкупно постојани средства	4.2.2.		-	-
Вкупна актива			-	84.496
Вонбилансна актива				
Пасива				
Тековни обврски				
Краткорочни обврски спрема добавувачи	4.3.			42.248
Пасивни временски разграничувања	4.3.1.		-	42.248
Вкупно тековни обврски	4.3.2.		-	84.496
Долгорочни обврски				
Извори на средства	4.4.			
Извори на капитални средства	4.4.1.		-	-
Ревалоризациона резерва				
Вкупно извори на деловни средства			-	-
Вкупна пасива			-	84.496
Вонбилансна пасива				

Скопје, 29.02.2020

Раководител на сектор за
финансиски прашања
Блага Николова

Главен државен ревизор
Максим Ацевски

Кратенки

RNM	Republic of North Macedonia
SAO	State Audit Office
SAI	Supreme Audit Institution
EU	European Union
INTOSAI	International Organization of Supreme Audit Institutions
EUROSAI	European Organisation of Supreme Audit Institutions
ASOSAI	Asian Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
AMS	Audit Management System
IT	Information Technology
LSGU	Local Self Government Unit
PDIFNM	Pension and Disability Insurance Fund of North Macedonia
EARNM	Employment Agency of the Republic of North Macedonia
UNDP	United Nations Development Programme
PLS/IS	Profit and Loss Statement / Income Statement
MIA	JSC Media Information Agency - Skopje
NI	National Institution
CC	Culture Center
VAT	Value Added Tax
GDP	Gross Domestic Product
PE	Public Enterprise
EBRD	European Bank for Reconstruction and Development
JSC	Joint Stock Company
MES	Ministry of Education and Science
MLSP	Ministry of Labor and Social Policy
MLSG	Ministry of Local Self Government
HEI	Higher Education Institutions
BAEHE	Board for Accreditation and Evaluation of Higher Education
IPA	Support for Improvement in Governance and Management
AKMIS	Automated computer system for managing court cases
МИОА	Ministry of Information Society and Administration
ИСУЧР	Information system for human resource management in public sector institutions
SIGMA	Support for Improvement in Governance and Management
OECD	Organisation for Economic Co-operation and Development
UN DESA	UN Department of Economic and Social Affairs
IDI	INTOSAI Development Initiative
TFMA	Task Force on Municipality Audit

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