



ANNUAL REPORT

ON PERFORMED AUDITS
AND OPERATION OF THE
STATE AUDIT OFFICE

FOR
2020

A N N U A L
R E P O R T

ON PERFORMED AUDITS
AND OPERATION OF THE
STATE AUDIT OFFICE

FOR
2020

CIP - Каталогизација во публикација

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INTRODUCTORY ADDRESS BY AUDITOR GENERAL

Last year was a year of challenges and difficulties in the operation caused by the global pandemic, but still we could satisfactorily say that the State Audit Office managed to fulfil the Annual Work Program for 2020. This is the Annual Report on performed audits and operation of the State Audit Office for 2020, which contains our findings and recommendations of 82 audit reports, providing objective information on the work of audited entities in the Republic of North Macedonia.



State Audit Office employees are recognized by their core values of professionalism, responsibility and reliability, impartiality, independence, conscientiousness, ethics and teamwork and they directly contribute to the quality of work of our institution. Therefore, the role of each employee is important for the successful operation of the State Audit Office.

In 2020 we invested in further development of the institution and improvement of audit processes in line with the international standards and best practice of EU member states, as well as in professional development of auditors' skills. These values are a precondition for performing SAO tasks in a way that will provide the Assembly of RNM and other stakeholders with trust and assurance that the reports on performed audits and the Annual Report overall, contain accurate, objective and fact-based information, findings and recommendations.

Bearing in mind SAO great responsibility to provide continuous guarantee for high level quality of audit reports, its main task is to make audit findings visible to the public and to deliver audit recommendations that will have positive effects on the work of public sector entities. Every day we make efforts to increase transparency, accountability and responsibility in the use of public funds i.e. the use of taxpayers' funds, in order for the media and citizens to be our allies in achieving our strategic objectives.

The State Audit Office as the supreme audit institution of the Republic of North Macedonia is a member of EUROSAI and INTOSAI. SAO also cooperates with other important international organizations and a significant volume of activities in 2020 were conducted internationally.

Supporting the United Nations Agenda 2030, the State Audit Office conducted performance audits and contributed to the achievement of sustainable development goals, in particular Goal 4 Quality Education and Goal 6 Clean Water and Sanitation. Hence, SAO contributed to improving the quality of the life of citizens.

In the coming period, we will dedicatedly continue the efforts for obtaining constitutional and full financial and operational independence of the State Audit Office. We will also continue maintaining trust and recognition of SAO work and protection of taxpayers' funds.

Auditor General
Maksim Acevski, MSc

A handwritten signature in white ink, appearing to read 'Maksim Acevski', is positioned below the text. The signature is stylized and written in a cursive script.



1 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 competent institutions and the public about the audit findings from conducted audits for more than 20 years. The State Audit Office was founded by the State Audit Law adopted in 1997. The first audits were carried out in 1999.

As a supreme audit institution, SAO is conducting audits in line with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) with high professional qualifications and continuous professional development of employees being the core of its work.

The independence of the institution is stipulated in 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 prepares the Annual Work Program, objectively decides on the entities to be subject to audit and the audit method, the contents of the reports on performed audits, without bias and free from influences from the legislative and the executive power.

Furthermore, the State audit Office, like other supreme audit institutions, has an important role in the fight against corruption and with its work is involved in activities related to this area, thus contributing to preservation and protection of public funds and property from unauthorized and illegal activities.

SAO is recognized as an institution of high values



professional skills



responsible performance of work tasks



teamwork, reliability and professional ethics



integrity and



independence of authorized state auditors and state auditors in relation to audited entities, state institutions and other users of public funds, and will continue to encourage and develop the same in the future.



2 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 meet our objective successfully – to watch over public funds and to contribute to improved management thereof, our vision is to ensure continuous 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.



OBJECTIVES :

Striving to fulfill SAO mission and vision, legal competencies, bylaws and strategic documents, we have set the following objectives:

- ✘ ensuring state audit independence as a constitutional category, in line with the principles of Mexico Declaration;
- ✘ achieving optimal number of employees and harmonizing organizational setup and total number of employees with SAO competencies and strategic objectives;
- ✘ promoting ethics and integrity;
- ✘ further increasing the quality of audit performance in accordance with auditing standards and state audit methodology practice;
- ✘ updating audit methodology acts, and drafting Guidelines for audit of the Budget of RNM;
- ✘ further implementation of the Audit Management System (AMS);
- ✘ continue practicing audit quality assurance through selection of audits for review so as to improve the quality of operations;
- ✘ improvement of cooperation with competent institutions in the fight against corruption.

3 STRATEGIC AND METHODOLOGY DOCUMENTS

3.1 STRATEGIC DOCUMENTS

Strategic development of any organization requires visioning of desired future and creating plan to make that vision a reality. Therefore, development of strategic documents is one of the key steps in any SAI development and realization of its vision, mission and objectives. The Annual Report of the European Commission on the Progress of the Republic of North Macedonia in the Chapter on External Audit, which is under SAO competence, pointed out aspects that need improvement, as follows:



Acting in accordance with the recommendations given and taking activities for realization of the objectives set, SAO adopted the following strategic documents:

SAO Development Strategy 2018 - 2022



SAO Development Strategy 2018-2022 outlines the efforts to promote and improve implementation of International Standards on Supreme Audit Institutions (ISSAIs), to strengthen independence and integrity as preconditions for achieving professionalism and credibility in operations, and to follow the effects of performed audits and degree of implementation of audit recommendations by audited entities. The strategic objectives were considered during the preparation of SAO Annual Work Program for 2020, and we report on the implementation of the Program in this Annual Report.

SAO IT Strategy 2018 - 2022



In 2020, SAO carried out activities for implementation of the IT Strategy 2018-2022 to increase the efficiency of SAO IT system and to contribute to the implementation of SAO Development Strategy 2018 - 2022.

Human Resources Management Strategy 2020 - 2023



For implementation of SAO Human Resources Management Strategy 2020-2023, activities were taken to introduce the HR management function, which will provide conditions for employment of qualified and professional individuals with high degree of integrity, who are ready to perform assigned functions and competencies effectively.

SAO Communication Strategy 2020 - 2023



Based on SAO Communication Strategy 2020-2023 adopted in mid-February 2020, in 2020 SAO undertook several activities to increase transparency and accountability, including activities within the project funded by UK Government and implemented by Westminster Foundation for Democracy (WFD), which focuses on SAO communications with the media and journalists.

SAO Risk
Management
Strategy
2020-2023

SAO Risk Management Strategy regulates procedures and activities for managing identified risks that may affect the achievement of objectives and successful operation of the SAO.



Guidelines for
strategic and
annual audit
planning

The Guidelines for Strategic and Annual Audit Planning was prepared and adopted in 2020 based on the recommendations for further development of strategic and annual audit planning process given by the experts in the previous Twinning project.



The Guidelines was used as basis for drafting the **Decision on setting SAO strategic objectives for audits 2021 - 2023 and for audit priority areas by audit departments**, as well as for preparing **SAO Strategic Audit Plan 2021 - 2023** adopted in December 2020. Based on these strategic documents, SAO prepared its Annual Work Program for 2021.

2020 Action
Plan for
implementation
of the Public
Finance
Management
Reform
Programme
2018 - 2021

In line with 2020 Action Plan for implementation of the Public Finance Management Reform Programme, SAO implemented activities related to Priority 7: External control and Parliamentary oversight, which is under SAO competence. The purpose of Priority 7 is to strengthen public finance management by ensuring accountability in the use of public funds and by strengthening regularity and performance audits in line with ISSAIs and SAO strategic documents; to set up mechanism for proactive role of the Assembly in reviewing audit reports; and to strengthen SAO institutional and HR capacities.



Auditor General actively participated in the work of the Public Finance Management Council, which is a coordinating body of the Government of the Republic of North Macedonia for monitoring implementation of public finance management reforms stipulated by the Public Finance Management Reform Programme 2018 - 2021.

3 . 2 M E T H O D O L O G Y D O C U M E N T S

Significant aspects of the audit process were improved by adopting the following acts:

NEW RULEBOOK ON THE MANNER OF PERFORMING STATE AUDIT ("OFFICIAL GAZETTE OF RNM", NO. 264 FROM 05.11.2020)

prescribes the performance of state audit (planning, execution, reporting on performed audit and follow up on measures taken upon recommendations contained in the final report of the authorized state auditor), based on methodology acts harmonized with INTOSAI Framework of professional pronouncements and SAO Code of ethics and professional conduct;

PROCEDURE ON THE MANNER OF OPERATION OF SAO EXPERT BODY

adopted in March 2020 and prepared in accordance with the recommendations of the previous Twinning project;

PUBLIC PROCUREMENT AUDIT PROGRAM

prepared in accordance with the new Public Procurement Law and adopted in March 2020, providing updated guidelines and methodology tools for auditors in performing this very important aspect of audits;

REGULARITY AUDIT MANUAL

amended in December 2020 to implement recommendations from the previous Twinning project for implementation of ISSAIs in the audit process;

PROCEDURE FOR USING FTP ACCESS FOR AUDIT PURPOSES IN THE STATE AUDIT OFFICE

adopted on 25.12.2020, determines the manner of using FTP services (File Transfer Protocol) for submitting/collecting electronic data to/from audited entities, to ensure unimpeded audit in specific or emerging conditions;

PROCEDURE FOR USING ZOOM PLATFORM FOR AUDIT PURPOSES IN THE STATE AUDIT OFFICE

adopted on 25.12.2020, determines the manner of using ZOOM platform for video meetings with audited entities, meetings within SAO and other meetings as necessary, due to the specific or new circumstances when the entity is not able physically to attend the meeting.

GUIDELINES FOR AUDITING THE FINAL ACCOUNT OF THE BUDGET OF RNM

SAO cooperated with OECD-SIGMA re audit of the state budget, which resulted in drafting the Guidelines for auditing the final account of the Budget of the RNM.

Recertification review



Certification body performed second recertification review. The Report stated that SAO management system is fully compliant with the requirements of the standard MKS EN ISO 9001: 2015, thus extending the validity of the certificate and confirming that SAO applies the Management System in accordance with the requirements of the ISO standard.

3.3 PROJECT ACTIVITIES

SAO project activities in 2020 refer to the realization of two important projects:

- ✘ EU Twinning Project – “Improvement of external audit and Parliamentary oversight” MK 18 IPA FI 0320, and
- ✘ project funded by the UK Government entitled “Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations”, in cooperation with the Westminster Foundation for Democracy and RESIS Research Institute on Social Development.

The previous Twinning project resulted in clear recommendations about what is necessary to develop quality parliamentary discussion on audit reports and what should be the expected effect of reviewed audit reports by the Assembly. These recommendations were the starting point for drafting the Twinning Fiche for the new Twinning project “Improvement of external audit and Parliamentary oversight” MK 18 IPA FI 03 20. Based on the published Twinning Fiche and the received twinning project proposal from the interested consortium of two SAIs of EU member states, as well as following selection procedure, in December 2020 SAO signed the Agreement on the Twinning Project with the selected twinning partner SAIs of Croatia and Bulgaria. The Twinning Project started in February 2021 and will continue in the next 21 months.

Effective completion of the procedure for regulating SAO constitutionality and strengthening SAO financial and operational independence, as well

as establishing regular and effective mechanism for reviewing audit reports by the Assembly of the Republic of North Macedonia Priority following the example of EU practice will be a priority in the upcoming period. The new Twinning project “Improvement of external audit and Parliamentary oversight” MK 18 IPA FI 03 20, envisages assessment of the legal framework for external audit and proposals for achieving constitutional independence and strengthening SAO financial and operational independence.

In cooperation with the Westminster Foundation for Democracy in the country, SAO implemented a project supported by the Government of the United Kingdom entitled “Improving financial transparency and accountability in Macedonia”. The main goal of this project was to increase the oversight of public finance by strengthening cooperation between SAO, the Assembly of RNM, media and the public.

Realization of project activities was basis for continuing the cooperation between SAO and WFD, which translated into a second project entitled "Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations", carried out in the period June/July 2018 - March 2019.

Key project results achieved are:



General assessment of the audit process (before and after the audit) and identification of shortcomings in the overall audit cycle, to be included the improvement plan;



Increased capacity of SAO to follow recommendations;

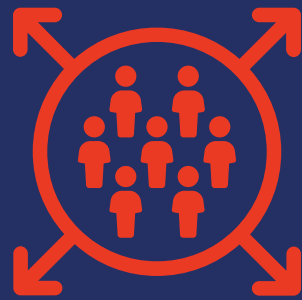


SAO Communication Strategy, as a strategic document incorporated in the work plans of the institution and simplification of audit reports for external stakeholders.

The third project result specifically and the successful communication and cooperation between the project partners was the reason for another continuation of this project in the period March 2020 - March 2021. This time the focus was SAO communication primarily with the media and journalists, but also with other stakeholders, such as institutions and civil society organizations as target groups for cooperation and communication.

Analysis of SAO communication processes and public information practices was carried out within the project and the result was SAO Communication Strategy 2020-2023, which was adopted as a strategic document in February 2020.





4 ADMINISTRATIVE CAPACITIES

4.1 ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

The necessity of institutional strengthening of the State Audit Office was pointed out in the Report of the European Commission on RNM for 2019 in Chapter 32 Financial Control, item 5.32, as well as in OSCE Report on democratic institutions and human rights, Election Observation Mission - Presidential Elections, 21 April 2019. More precisely, it was stated that SAO must have adequate institutional resources and technical expertise for timely performance of its responsibilities.

Functional Analysis of SAO was prepared in February 2020, which served as a starting point in establishing changes in the internal set-up and execution of work processes in SAO to ensure greater efficiency and effectiveness of operations.

The analysis provided comprehensive, detailed and essential overview of SAO competencies carried out by organizational units and the work posts available for realization of SAO Annual Work Program more efficiently and effectively.

Hence, the first step in strengthening HR structure was to set adequate organizational structure at the level of departments and units, and to systematize the jobs posts in the institution.

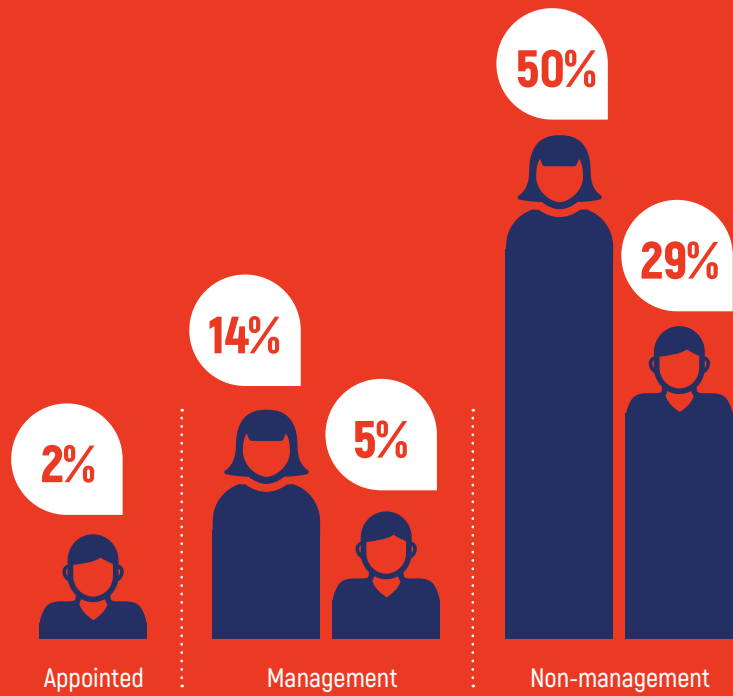
New internal organization and systematization acts were adopted in August 2020.

HUMAN RESOURCES

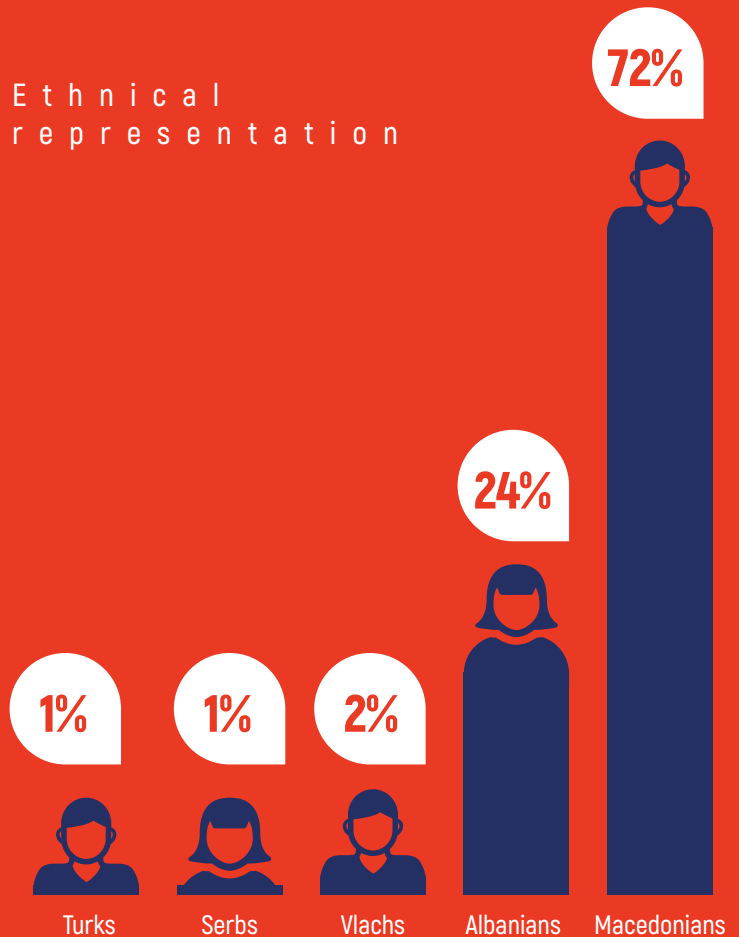
Gender representation



Management / Professional / Support Structure



Ethnical representation



4.2 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. As other SAIs and in accordance with INTOSAI and ISSAI requirements, SAO adopted Annual Plan for continuous professional training of SAO employees for 2020. Regardless of the conditions caused by Covid-19 pandemic, the Plan was realized in full and the trainings covered the following areas:

- ✘ audit;
- ✘ audit methodology and practice;
- ✘ awarding public procurement contracts;
- ✘ communications; and
- ✘ using AMS.

Increasing knowledge and skills of SAO employees is done by participating in workshops and events organized by other professional associations and private legal entities that offer education in different areas.

During 2020, several events were organized by the Center of Excellence in Finance - CEF from Slovenia. Several state auditors participated in the online training for IT audit on topics related to the concepts of IT controls, such as application controls, general controls, IT risks, control objectives, as well as experience in performing IT audit and recent developments in IT.

CEF also organized special, targeted trainings that gained new experiences and information in the area of IPSAS standards, public asset management, application of management accounting and financial accounting under COVID - 19, as well as implementation of PEFA assessments at subnational level.

SAO representatives participated in the training on Debt Management Performance Assessment (DeMPA) organized by the World Bank from 03.02 - 06.03.2020, and obtained appropriate certificate.

4 . 3 I T R E S O U R C E S

The use of information technology in the audit process was a particular challenge in 2020 due to Covid 19 pandemic. Urgent and specific steps were necessary to cover all work tasks (use of applications, meeting resources, field audit, etc.). However, these challenges were overcome, owing to the continuous monitoring of IT developments and regular investment in IT upgrades for unimpeded audit execution.

The Audit Management System (AMS), as well as other applications (archive, integrated financial information system, audit report data analysis system) were readily available to employees for remote execution of work task. Given that auditors use laptops and remote VPN access, the quality of performance of their tasks was never questioned.

We provided a platform for video conferencing and meetings for SAO staff and for communication with audited entities. We also implemented a system for collecting documents from audited entities in electronic form, which will be actively used for SAO 2021 Annual Work Program. For unimpeded performance of audit activities, each audit team is provided with mobile internet access from a mobile device provided by SAO, portable devices for digital securing of evidence, as well as uninterrupted and secure VPN access to SAO IT system.

Due to the increased use of information technology by audited entities, SAO was able to use CAAT's in the audit process. For the audit process, SAO uses IDEA software for analyzing financial statements data and for sampling. This software was updated with new versions at the end of 2020.

In 2020, we procured laser printers, licenses for the office software package, and licenses for software packages for visualization of the audit process and presentation of audit results. With project funds, we started procurements of laptops for the auditors, and modernization of SAO IT system at the primary and secondary location, whose realization is expected in 2021.

Unimpeded functioning of the IT system infrastructure and applications was ensured, taking into consideration the principles and rules on: availability of data of authorized users, confidentiality, integrity, secure storage of data in a central location, compliance with laws, regular backup, protection from physical and logical access to data.

The use of information technology, particularly in state audit, is based on consistent application of SAO Information System Security Policy, as well as the IT security procedures and the IT procedures for implementation of the AMS. These are subject to annual analysis in order to be always abreast of new solutions in the field.

PROCEDURE FOR AUDIT SAMPLING USING CAATS

ID	YEAR	MONTH	DAY	AMOUNT	CURRENCY	ACCOUNT	BALANCE
140	2019	01	01	1000000000	USD	1000000000	1000000000
140	2019	01	02	2000000000	USD	2000000000	2000000000
140	2019	01	03	3000000000	USD	3000000000	3000000000
140	2019	01	04	4000000000	USD	4000000000	4000000000
140	2019	01	05	5000000000	USD	5000000000	5000000000
140	2019	01	06	6000000000	USD	6000000000	6000000000
140	2019	01	07	7000000000	USD	7000000000	7000000000
140	2019	01	08	8000000000	USD	8000000000	8000000000
140	2019	01	09	9000000000	USD	9000000000	9000000000
140	2019	01	10	10000000000	USD	10000000000	10000000000

Database

ID	YEAR	MONTH	DAY	AMOUNT	CURRENCY	ACCOUNT	BALANCE
140	2019	01	01	1000000000	USD	1000000000	1000000000
140	2019	01	02	2000000000	USD	2000000000	2000000000
140	2019	01	03	3000000000	USD	3000000000	3000000000
140	2019	01	04	4000000000	USD	4000000000	4000000000
140	2019	01	05	5000000000	USD	5000000000	5000000000
140	2019	01	06	6000000000	USD	6000000000	6000000000
140	2019	01	07	7000000000	USD	7000000000	7000000000
140	2019	01	08	8000000000	USD	8000000000	8000000000
140	2019	01	09	9000000000	USD	9000000000	9000000000
140	2019	01	10	10000000000	USD	10000000000	10000000000

Selected test sample

Monetary Unit Sampling - Plan

Total value of sampled population: 10000000000

Population size: 10000000000

Confidence level (Z): 95.00%

Subtotal error: 0.00%

Expanded error: 0.00%

Sample size: 1000

Sum of tolerable sample settings: 0.00%

Identified parameters

ID	YEAR	MONTH	DAY	AMOUNT	CURRENCY	ACCOUNT	BALANCE
140	2019	01	01	1000000000	USD	1000000000	1000000000
140	2019	01	02	2000000000	USD	2000000000	2000000000
140	2019	01	03	3000000000	USD	3000000000	3000000000
140	2019	01	04	4000000000	USD	4000000000	4000000000
140	2019	01	05	5000000000	USD	5000000000	5000000000
140	2019	01	06	6000000000	USD	6000000000	6000000000
140	2019	01	07	7000000000	USD	7000000000	7000000000
140	2019	01	08	8000000000	USD	8000000000	8000000000
140	2019	01	09	9000000000	USD	9000000000	9000000000
140	2019	01	10	10000000000	USD	10000000000	10000000000

Calculation of parameters

4.4 FINANCIAL RESOURCES

In line with the State Audit Law, SAO operation is financed by the Budget of the Republic of North Macedonia.

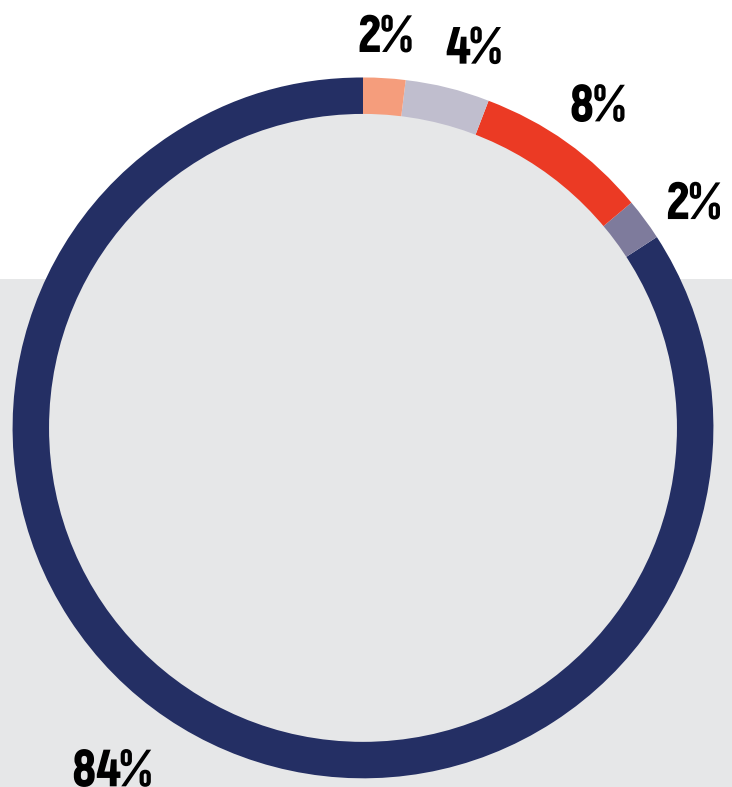
The total budget in 2020 amounted to 103.258.000 denars, with approved plan in the amount of 100.234.000 denars. Of these, 94.57% or 97.658.000 denars are funds provided from the budget account (637) and 5.42% or 5.600.000 denars from the core budget account (631), which refer to collected revenues from bodies based on performed audits before the amendments to the State Audit Law in 2010.

SAO has 99.19% realization (93.954.000 denars) of the approved financial plan of the budget account (637) for 2020, which amounted to 94.721.000 denars.

As for the structure of SAO expenditures, 78.849.000 denars or 83.92% refer to salaries and allowances for the employees, 13.014.000 denars or 13.64% refer to goods and services and 2.091.000 denars or 2.22% capital expenditures.

STRUCTURE OF SAO EXPENDITURE (ACCOUNT 637)

- salaries
- field audit expenditure
- utilities
- other administrative expenditure
- capital expenditure



In 2020 structure of expenditure, goods and services, utilities, heating, communications and transport have the largest share – 3.486.000 denars; travel and per diem expenditures amount to 1.811.000 denars; materials and small inventory 1.145.000 denars; 2.337.000 denars were spent on repairs and ongoing maintenance; 3.084.000 denars for contract services, 957.000 denars for other current expenses and 191.000 denars for various transfers. As for the capital expenditures, 2.091.000 denars were spent on procurement of office and IT equipment and investments in non-financial assets.

In 2020, total expenditure amounting to 193.000 denars were made from the core budget account 631.

Revenues on this account amount to 2.709.000 denars, of which 550.000 denars is transferred surplus revenue from the previous year and 2.159.000 denars are collected revenues based on outstanding claims and executive court decisions. The transferred surplus of revenue at the end of the reporting period amounted to 2.516.000 denars.

Supporting all competent authorities in the fight against the pandemic, the State Audit Office made a payment of 100.000 denars to a separate earmarked account of the Ministry of Health in support of the activities for dealing with the threat on the public health of the citizens of our country caused by Covid 19.

In addition, efforts were made to comply with all planned measures for protection of the employees and in 2020 SAO continuously procured protective equipment and disinfectants in the amount of 250.000 denars.

Taking into consideration continuous international cooperation on one hand and improving work conditions of employees in the audit process on the other, the State Audit Office applied for a continuity grant of Supreme Audit Institutions during Covid -19, and was approved a grant of 614.000 denars by INTOSAI Policy, Finance and Administration Committee (PFAC). The funds were used for purchasing new business class laptops for the needs of the auditors. These computers were used to replace obsolete laptops with limited performance that were not able to provide efficient and quality support in conducting remote audits.

The Assembly of the Republic of North Macedonia awards public procurement contract to an external audit company to audit SAO financial statements. The audit report on the State Audit Office operation done by the independent auditor is integral part of the Annual Report on performed audits and operation of the State Audit Office.

5 COMMUNICATION AND COOPERATION

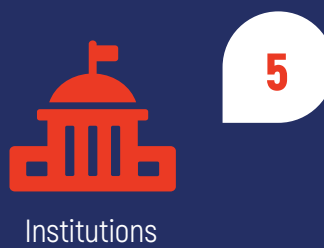
5.1 COMMUNICATION AND TRANSPARENCY OF SAO OPERATION

During 2020, SAO continued strengthening its efforts to intensify activities aimed at increasing transparency and accountability of its operations. Professional and timely information to all stakeholders (media, investigative journalists, civil society organizations and the public) on state audit results is one of the most important strategic commitments of SAO in 2020. Guided by the strategic responsibilities set out in the Communication Strategy 2020-2023, SAO objective was to foster communication where the media, citizens and civil society organizations will be allies in achieving

increased transparency, accountability and responsibility in the actions of budget users on the manner of use of public funds.

Cooperation between SAO and the media, civil society organizations and journalists was carried out through press releases and answering questions. Continuous and timely informing of approximately 190 external stakeholders was also strengthened by publishing final audit reports, press releases and audit report abstracts containing key identified shortcomings, on SAO website.

SAO MAILING LIST AND COMMUNICATION WITH 190 STAKEHOLDERS



This practice was created with the sole purpose to simplify reading and understanding of audit reports and to send specific and clear messages about the audit findings.

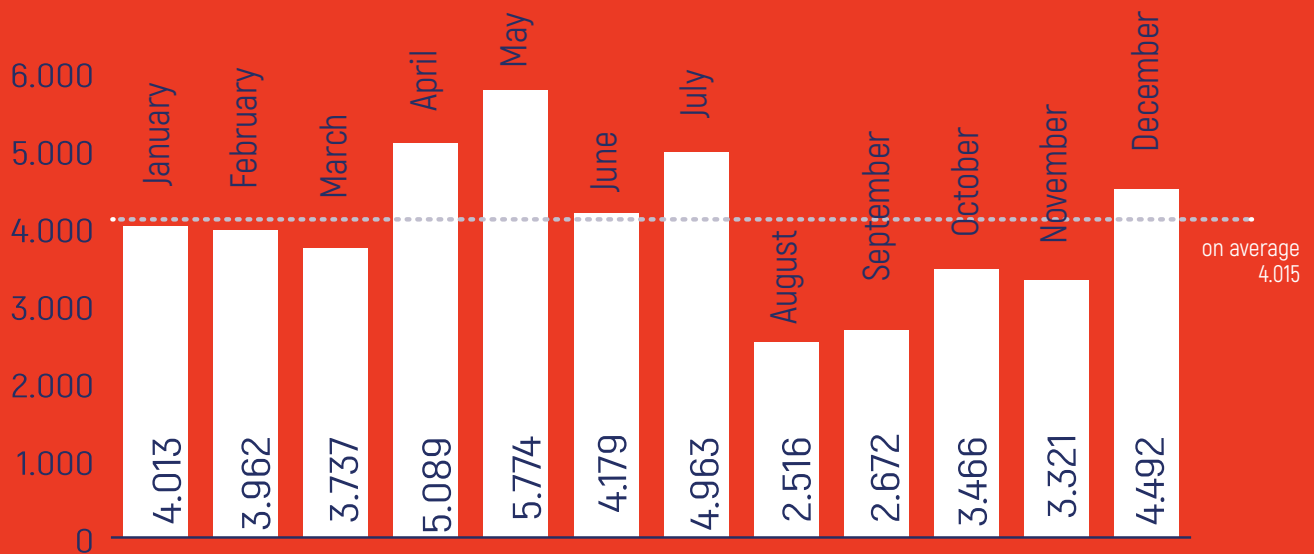
As a result of the enhanced commitment of SAO to open to the media and investigative journalists, **231 media announcements** were recorded (on television and internet portals) concerning the contents of published final audit reports.

The increased active transparency has stimulated and increased the interest of journalists about certain topics

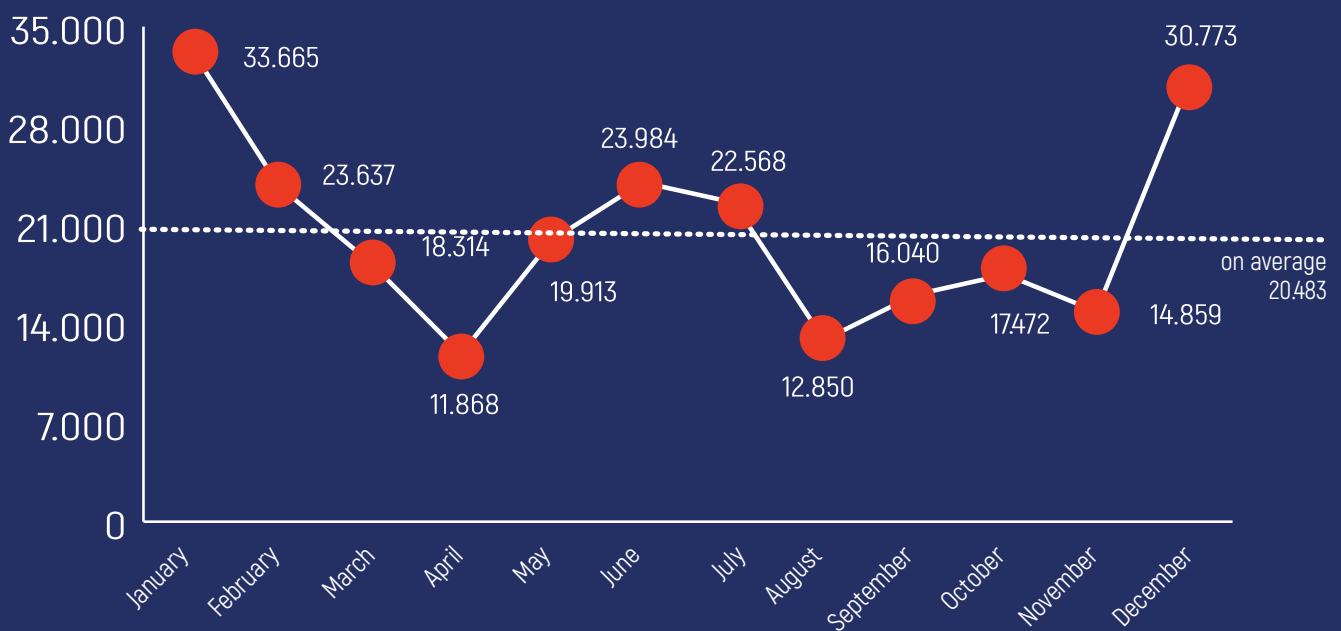
or ascertained shortcomings in final audit reports. The number of invitations of several media houses and news agencies addressed to the Auditor General speaks about SAO visibility and openness.

As a result of the established practice of informing interested external parties on the published final audit reports, in 2020, traffic to SAO website is on the rise. Last year, there were **48.184** visits recorded (an average of 4.015 visits per month), and 345.000 open pages or contents.

VISITS TO WWW.DZR.MK



VISITED CONTENTS



5.2 COOPERATION WITH PROFESSIONAL ASSOCIATIONS AND INSTITUTIONS

To achieve its strategic objectives, in 2020 SAO set up a practice of developing relations with other non-SAO organizations to exchange positive experience. Cooperation was established with numerous national professional associations and institutions and SAO signed memorandum of cooperation with some of them.

Institute of Certified Auditors of the Republic of Macedonia

The signed Memorandum expresses the readiness for cooperation between the two institutions concerning:

- ✘ ensuring continuous exchange of data and information within legal competencies,
- ✘ providing expert assistance in terms of methodology and application of auditing standards (INTOSAI - ISSAIs and International Standards on Auditing - ISAs),
- ✘ cooperation in the field of accounting and audit, as well as
- ✘ exchange of professional literature, manuals and other type of materials needed for the audit process.

As part of the implementation of the Memorandum, Institute representatives attended trainings organized by SAO, and for the first time a joint training was organized by the Institute on the topic "Challenges in the audit profession", where Auditor General and SAO employees also held speeches. In addition, cooperation was established on exchange of professional literature and other materials for the audit process.

Association of Journalists of Macedonia (AJM)

The implementation of the Memorandum signed between SAO and AJM created basis for building partnership relations between SAO and the media, in a way to provide better, timely and quality information to citizens on topics of special public interest, and thus contribute to greater visibility of SAO operation. This cooperation will also contribute to increasing transparency and accountability of SAO operation by sharing information and findings contained in the final audit reports, as well as to achieving SAO strategic objectives.

Geological Institute of the Republic of North Macedonia

This memorandum strengthens cooperation that provides mutual exchange of data, experiences and expertise between the two institutions to achieve effectiveness and efficiency of measures and activities for conducting geological research and sustainable use of mineral resources, as well as exchange and preparation of analyses, research and other acts required for the audit process.

5.3 INTERNATIONAL COOPERATION

SAO, like other SAIs, has active international cooperation. It provides increased knowledge and skills for the employees, exchange of experience and improvement of effectiveness of audit processes.

Due to the circumstances imposed by Covid 19 pandemic, numerous events scheduled for 2020 were canceled or postponed for 2021 and 2022, including the XI EUROSAI Congress and Young EUROSAI Conference - YES. Events that remained on the agendas of EUROSAI, INTOSAI and their working groups were organized remotely, through video conferences and in the form of webinars. The option of holding virtual international events enabled participation of a large number of SAO employees. In addition to

the regular audit topics, new topics appeared on the agendas of these events related to the challenges faced by SAIs in their operation and audit subjects under the circumstances of coronavirus pandemic.

Participation in cooperative audits with other EU supreme audit institutions and beyond remains one of the priorities of the institution given the fact that this type of cooperation significantly contributes to continuous strengthening of auditors' skills and improving quality of performance audits.

SAO is active participant in several international working groups and task forces including:



EUROSAI Working Group on Environmental Auditing (WGEA)



EUROSAI IT Working Group (ITWG)



EUROSAI Task Force on Audit and Ethics (TFA&E)



EUROSAI Task Force on Municipality Audit (TFMA)



INTOSAI Working Group on Public Debt (WGPD)

One way to disseminate progress and audit message to EUROSAl members and other SAIs is to publish relevant articles and papers. As in previous years, SAO published articles on current topics and innovative approaches to auditing in bulletins and professional magazines of EUROSAl Working Groups (WGEA and TFMA) on effectiveness of policies, measures and activities in exploitation of sand and gravel from the riverbeds of Vardar river basin, and the financial obligations and (in)stability of LSGUs.

During 2020, SAO participated in **30 international events** (meetings, workshops, conferences), of which 22 were realized via video link.

84 participants had the opportunity to be informed about best practices and to participate in networking, as an opportunity to expand their knowledge and skills in several areas:

- ✘ cooperation with parliament;
- ✘ environmental audit;
- ✘ IT support and IT audit;
- ✘ improving SAI operation;
- ✘ public debt;
- ✘ financing of political parties;
- ✘ Covid 19 pandemic as a challenge and opportunity to increase SAI impact.



SAO contribution in the implementation of activities of EUROSAl WGs and programs during 2020 was continuous and in accordance with the conditions imposed by the pandemic.

SAO representatives have accomplished planned activities within two cooperative audits of EUROSAl:

- ✘ **"Workforce 2030 –parallel audit"** and
- ✘ **"Plastic waste"**, which is expected to be completed in 2021 with the publication of a joint report.

Coordinators of these audits are SAIs of Finland and Israel, and SAI of Poland respectively. The benefits of working with other SAIs are manifold,

and we point out the opportunity for professional development of auditors in the form of peer-to-peer activities, flexible approach, using other participants' experience, and building self-confidence in performance audit capacities.

Within EUROSAl Working Group on Environmental Auditing (WGEA), SAO representatives participated in the Spring Sustainable Energy Seminar and the 18th Annual Meeting of the Group held in September 2020, where they exchanged experiences concerning air quality urban traffic audits. SAO presented the circumstances and activities taken by competent state institutions upon issued recommendations for improving air quality.

SAO was particularly active in the work of EUROSAI Task Force on Municipality Audit (TFMA), mainly in the implementation of 2020/21 Action Plan. At the fourth annual virtual meeting of the task force held in September 2020, SAO had two presentations, and expressed willingness to be the bearer of two important activities:

- ✘ to be coordinator of the cooperative audit entitled: “ **Audit of Municipalities’ Own Revenues for Providing Quality Services to the Citizens during Pandemic** ” and
- ✘ to prepare analysis on the topic “**Collecting data on follow up of implementation of audit recommendations for LSGUs**” for which SAO has previously prepared and disseminate questionnaire to all SAIs members of this task force.

Prior to the XI Congress of EURISAI that was planned to be held in Prague in June 2020, the Czech Republic SAI organized the first meeting of EU SAI representatives in March 2020 (1st Hackathon). SAO took part in this event where participants aimed to find solutions for the use of applications or visualization for improving effectiveness of SAI audit processes by saving costs and simplifying auditors’ work.

IT Working Group (ITWG) organized virtual seminar on developing IT skills and IT auditing capacities and SAO auditors took part in this event. IT skills are becoming more important in circumstances introduced by ICT innovations and changes in SAIs operation due to the pandemic.

In response to the developments caused by Covid 19 and within EUROSAI Strategic Plan 2017-2023, new project group was formed at the initiative of SAI of Finland and the European Court of Auditors named “**Preparing for future risks and climate crisis: Time for audit to take a long-term view?**”. The project group was joined by 21 SAIs including SAO. At the preparatory meetings, which were also attended by SAO representatives, future activities were defined aimed at collecting relevant information from previous audits on this topic and disseminating information to the other group members.

The issues related to the challenges faced by SAIs due to Covid 19 were the focus of the joint EUROSAI-OLACEFS virtual conference and the webinar organized by INTOSAI Supervisory Committee on Emerging Issues (SCEI) held in September 2020, organized by the SAI of Hungary and the SAI of the Russian Federation respectively. It was emphasized at both events that the momentum generated by the Corona virus should be used by SAIs to highlight their role and influence as custodians of public money by focusing its work on Covid 19-related audits.

INTOSAI



At the open call of the Secretariat of INTOSAI Working Group on Environmental Auditing, SAO sent an article on treatment and processing of plastic waste in our country. The article was found interesting and deserving wider attention, and the Secretariat requested SAO to make short presentation at the session on plastic waste within the virtual meeting of the Assembly of INTOSAI WG on Environmental Audit held on 19-21 January 2021. The Secretariat of INTOSAI Working Group on Environmental Auditing promoted SAO presentation on its social media under the slogan "Let's Recycle Our Plastic Waste Behavior".

The cooperation with INTOSAI Working Group on Public Debt (WGPD) was aimed at realization of projects initiated in the WGPD work plan for 2020-2022. SAO expressed readiness to be a holder and an active member of two projects in this plan:

- ✘ Compendium - A set of practical procedures for audit of debt authorization, signing agreement and public debt legal framework, and
- ✘ mapping SAI mandate for public debt audit.

WGPD annual virtual meeting was held in August 2020 and focused on new developments and the role of public debt auditors in light of Covid 19.

In the year of Covid 19 pandemic, INTOSAI Development Initiative (IDI) organized series of webinars on innovative approaches to audit processes for SAIs and INTOSAI Professional Standards Committee (PSC) organized webinars for discussion on the implementation of the Framework of Professional Pronouncements (IFPP).

SAO representative participated in INTOSAI workshop in Tirana in February 2020, organized by the SAI of Albania in the role of expert-moderator, as well as on the webinar on SAI Performance Measurement Framework organized by IDI.



As a longtime member of the Network of SAIs of EU candidate and potential candidate countries and the European Court of Auditors, SAO is actively involved and provides significant contribution to the implementation of the Network activities aimed at preparing audit structures in countries on the path to EU membership. The Network activities are supported by the Joint Working Group on Audit Activities, established by the Contact Committee of EU countries, other EU SAIs and SIGMA.

SAO delegation headed by the Auditor General, participated in the conference titled **"Working with Parliaments to Improve Audit Impact"** held on 20-21 February 2020 in Montenegro. The conference hosted by the SAI of Montenegro and supported by OECD - SIGMA, brought together SAIs of EU candidate and potential candidate countries together with the MPs and expert staff of relevant parliamentary committees. The conference provided experience and best practice examples of several EU member states and Network members on two main topics:

- ✘ application of practical tools - mechanisms for reviewing audit reports, with special emphasis on holding effective parliamentary hearings on key audit findings and recommendations, and
- ✘ use of the reporting system for more effective review of audit reports by parliamentary committees.

After the conference, SAO delegation held a meeting with the highest-level representatives of Montenegro SAI, where directions of future cooperation between the two institutions were agreed on.

The first webinar of the new series of virtual workshops initiated and organized by OECD-SIGMA for the Network countries was held in 2020 on the topic Covid 19 and its impact on SAIs work, future work plans and effectiveness of audits related to expenditures incurred in the public sector due to Covid 19 pandemic.

In the year marked by Covid 19 pandemic, one auditor completed the internship program at the European Court of Auditors in Luxembourg, and the program scheduled to begin on 1 March 2020 was suspended for all candidates, including one SAO auditor, due to the coronavirus and the global restrictive measures.

During 2020, SAO representatives participated in workshops re financing of political parties, which were held in Prague and Skopje, organized by IFES (International Foundation for Electoral Systems). The workshops were part of the Regional Election Administration, Strengthening Political Processes and Electoral Systems Program designed and supported by USAID.

5.4 COOPERATION WITH COMPETENT AUTHORITIES FOR AUDIT AND EFFECTS THEREOF

To achieve the main audit objective - watching over public funds and contributing to improved management thereof, timely detection of deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy in the management of public funds, SAO provides clear and effective recommendations for preventing or impeding future deviations and injuries. The corrective measures for implementation of audit recommendations enable auditee's management to improve the effectiveness and efficiency of operation.

In 2020, the State Audit Office contributed to the fulfillment of part of the competencies of the Assembly of the Republic of North Macedonia through clear, accurate, objective and timely information on identified irregularities, non-compliance with legal regulations, illegal handling of public funds and possible cases of corruption and abuse of office.

SAO pays due attention to processing and analyzing information deriving from the Final Reports of the Authorized State Auditor. We process data regularly with a software application that is integrated, autonomous and functional for processing and analyzing Final Audit Reports data. Thus, we obtain reliable, up-to-date, timely and relevant information for our needs, as well as for the needs of the competent authorities and other stakeholders.

By regular submitting of final audit reports to the Assembly and the competent authorities, SAO points to the identified weaknesses in the work of audited entities.

We continuously record, monitor and analyze the feedback received from Public Prosecutor's Office of the Republic of North Macedonia, State Commission for Prevention of Corruption, Ministry of Finance - Financial Police Directorate, Ministry of Interior and Deputy President for fight against corruption and crime, sustainable development and human resources on acting upon submitted Final Audit Reports.

The effect of ascertained conditions that point to irregularities and misdemeanors in the operation of audit entities could be expected only if competent institutions take necessary measures to overcome these conditions.

Monitoring and informing about activities taken by the competent institutions for overcoming ascertained irregularities and misdemeanors in auditees' operation is one of SAO strategic objectives.

SAO activities related to prevention of corruption are conducted in accordance with the powers and obligations set out in the State Audit Law, the Law on Public Prosecution, the Law on Prevention of Corruption and Conflict of Interest and other relevant legislation.

Within the realization of 2020 Annual Work Program, SAO submitted final audit reports to the following competent institutions:

- ✘ Public Prosecutor's Office of the Republic of North Macedonia - 16 final audit reports for 13 audited entities (audits);
- ✘ State Commission for Prevention of Corruption – 4 final audit reports for 4 audited entities (audits);
- ✘ Ministry of Interior of the Republic of North Macedonia - 4 final audit reports for 3 audited entities (audits);
- ✘ MoF - Financial Police Directorate - 2 final audit reports for 2 audited entities (audits); and
- ✘ Deputy President for fight against corruption and crime, sustainable development and human resources - 7 final audit reports for 6 audited entities (audits).

On 12.02.2021 with archive no. 18-350/1, SAO submitted to the Public Prosecutor's Office of the Republic of North Macedonia a Request for feedback on measures taken under its jurisdiction regarding submitted final audit reports from SAO Annual Work Programs for 2016, 2017, 2018, 2019 and 2020.

On 02.04.2021 with archive no. 18-350/2, to the Public Prosecutor's Office of the Republic of North Macedonia, SAO submitted an Urgency for receiving feedback upon previously submitted Request from 12.02.2021. Until the publication of this Annual Report, no response was received from the Public Prosecutor's Office of the Republic of North Macedonia.

On 12.02.2021 with archive no. 18-351/1, SAO submitted to MoF - Financial Police Directorate a Request for feedback on measures taken within its competence regarding submitted final audit reports from SAO Annual Work Programs for 2018 and 2020.

On 23.03.2021 with archive no. 18-351/2, SAO received response from MoF - Financial Police Directorate for taking action in accordance with legal competencies and authorization.

On 12.02.2021 with archive no. 18-352/1, SAO submitted to the Ministry of Interior of the Republic of North Macedonia a Request for feedback on measures taken under its jurisdiction regarding submitted final audit reports from SAO Annual Work Programs for 2018 and 2020.

On 30.03.2021 with archive no. 18-352/2 SAO received response from the Ministry of Interior for acting upon SAO Request, as follows: 4 final audit reports were submitted to the Basic Prosecutor's Office Skopje. BPO Skopje sent feedback that 2 of these final audit reports were submitted for further action to MoF - Financial Police Directorate.

SAO actively cooperates with all state authorities for preventing and reducing corruption within the Protocol on Cooperation for Prevention and Repression of Corruption and Conflict of Interests.

The State Audit Office participates in the implementation of the National Program 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 and bodies for prevention of corruption.

6

AUDIT ACTIVITIES THROUGH FIGURES

The results of audit activities in line with SAO Annual Work Program for 2020 are presented in the table below.

65	7	7	1
Regularity Audit Reports	Performance Audit Reports	Compliance Audit Reports	IT Audit Report
2	82	16	4
Follow Up Audit Reports	Audit reports submitted to the legal representative of the auditee	Audit reports submitted to the Public Prosecution Office	Audit reports submitted to the State Commission for Prevention of Corruption
82	481	1.014	604
Audit reports submitted to the Assembly of the Republic of North Macedonia	Audited entities	Audit findings	Audit recommendations
347.295	184.432	24	41
Audited public revenues (in millions)	Audited public expenditures (in millions)	Follow Up Reviews on the status of implementation of audit recommendations	Follow Up Reviews Reports on the status of implementation of audit recommendations

Planned audits

SAO Annual Work Program for 2020 included 58 audits as follows:

- ✘ 42 regularity audits,
- ✘ 6 compliance audits as a separate type of audit,
- ✘ 7 performance audits,
- ✘ 2 follow up audits, and
- ✘ 1 IT audit.

Findings

Findings in audit reports, of which:	1.014
findings with the audit on the Core Budget	39
findings with the audit on financial statements together with compliance audit	737
findings with performance audit	171
findings with compliance audit as a separate type of audit	65
Findings with follow up audits	2

Public Procurement

In 2020, the audit identified 48 findings in public procurement. The most common and frequently repeated irregularities are the following:

- ✘ Weaknesses in the evaluation phase and proposal for selection of most favorable bidder;
- ✘ Tender documentation contains restrictive elements in the tender documentation in relation to the competition and creates opportunity to favor certain economic operators
- ✘ Weaknesses in the phase of bid evaluation and proposing best bidder;
- ✘ Weaknesses in the phase of signing contracts with selected bidders; and
- ✘ Weaknesses in the phase of realization of signed public procurement contracts.

AUDIT OPINION

In the financial audit reports, the authorized state auditors expressed:

- ✘ 16 unqualified (positive) opinion;
- ✘ 20 qualified opinion;
- ✘ 25 adverse opinion; and
- ✘ 4 disclaimer of opinion.

On compliance with laws and regulations, the authorized state auditors expressed:

- ✘ 14 unqualified (positive) opinion;
- ✘ 26 qualified opinion;
- ✘ 15 adverse opinion; and
- ✘ 7 disclaimer of opinion.

REVENUE AND EXPENDITURE

The total amount of audited public revenue covered by audits of financial statements with 2020 Annual Work Program amount to 347.295 million denars, while the total audited public revenue for the previous year amount to 247.997 million denars, which is an increase of 40%. The structure of audited public revenue in 2020 and 2019 by groups of users is shown in the following table.

Overview of audited public revenue (in million denars)				
Audited public revenue by type of users	AWP 2020		AWP 2019	
	Revenue	Share in %	Revenue	Share in %
Central Budget of R. Macedonia	161.101	46	172.101	69
Budgets of local self-government units	2.048	1	1.775	1
Budgets of Funds	109.548	32	70.206	28
Health Insurance Fund budget users (PHI-hospitals, clinics...)	555	0	858	0
Political parties	642	0	637	0
Public enterprises	303	0	20	0
Other institutions	1.317	0	2400	2
Audited public revenue with performance audit	71.386	21	0	0
Audited public revenue with compliance audit	395	0	0	0
Total	347.295	100	247.997	100

The total amount of audited public expenditures covered by the audits of 2020 Annual Work Program is 184.432 million denars, while the total audited expenditures for the previous year amount to 161.586 million denars, which is an increase of 14%. The structure of audited public expenditures in 2020 and 2019, by types of users is shown in the following table.

Overview of audited public expenditure (in million denars)				
Audited public expenditure by type of users	AWP 2020		AWP 2019	
	Expenditures	Share in %	Expenditures	Share in %
Central Budget of RNM	2.535	2	47.597	29
Budgets of local self-government units	1.651	1	1.737	1
Budgets of Funds	107.048	58	99.966	62
Health Insurance Fund budget users (PHI-hospitals, clinics...)	552	0	847	1
Political parties	550	0	613	0
Public enterprises	292	0	24	0
Other institutions	1.134	1	3.191	2
Audited public revenue with performance audit	69.863	38	4.906	3
Audited public revenue with compliance audit	807	0	2.705	2
Total	184.432	100	161.586	100

The total amount of executed budget in line with the Final Account of the Budget of the Republic of North Macedonia for 2019 is 217447 million denars, while the audited expenditure of the Budget of the Republic of North Macedonia for 2019 is 129.202 million denars, which represents coverage of 59% of the budget executed through audited expenditures.

Audited expenditure per types of budget			
Audited expenditure per type of budget compared to total budgets	(in million MKD)		
	Executed budget for 2019	Audited	Share in %
1	2	3	4 (3/2)
Central Budget users and spending units (Final account of the Budget of RNM for 2019, Official Gazette of RNM 89/2021)	217447	129.202	59
Budgets of Local Self-Government Units	33.843	1.651	5

6.1 ADDED AUDIT VALUE

SAO 2020 Annual Work Program determines goals and tasks aimed at achieving the strategic objectives. The activities taken for achieving strategic objectives provide adequate coverage of audited public funds, improving capacities of employees for detection of irregularities, as well as conducting performance audits of various programs and projects for achieving audit objectives, i.e. accountability and good governance, review of results in terms of cost-effectiveness, efficiency and effectiveness of public sector activities.

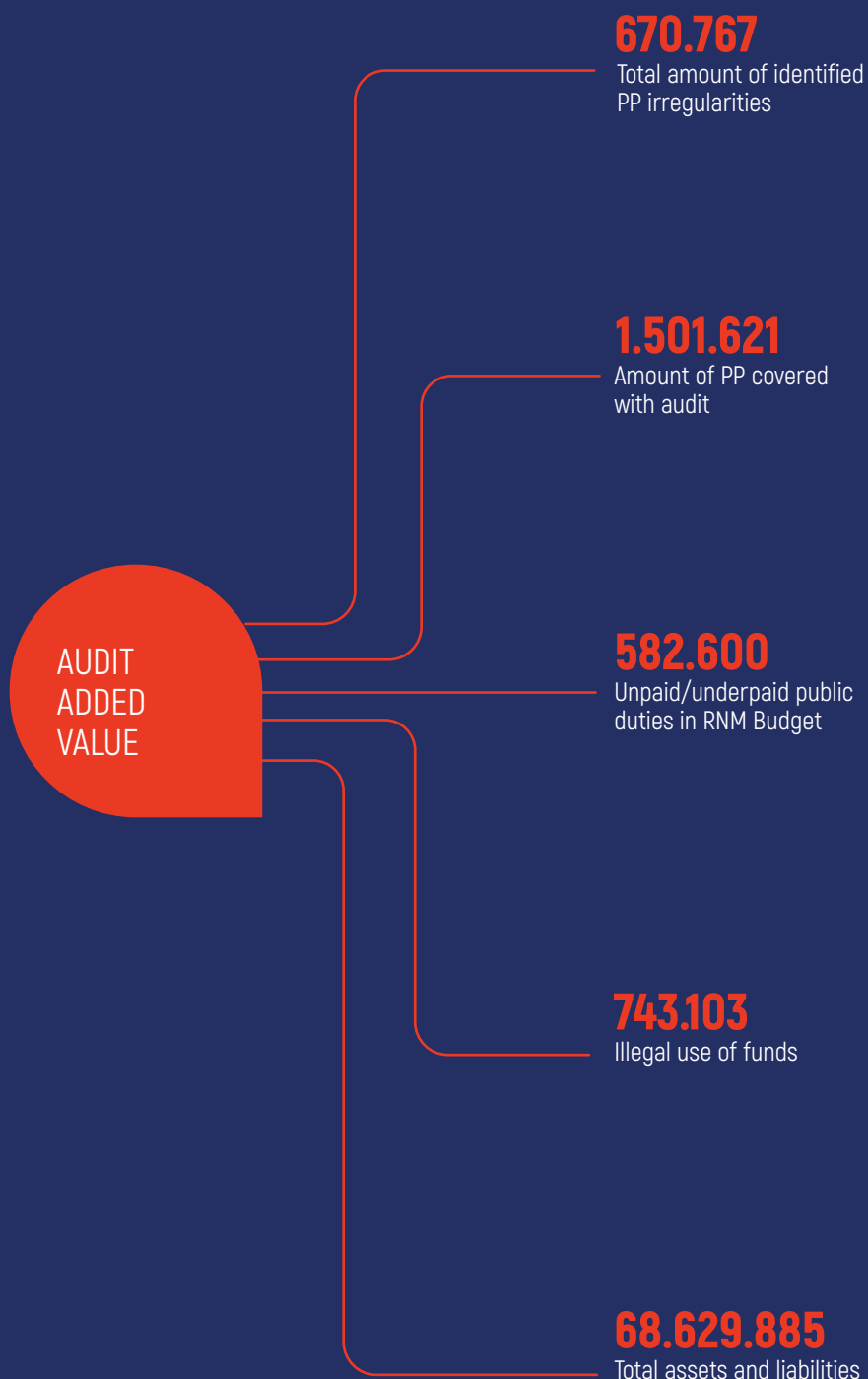
The key results of the operation of the State Audit Office in 2020 consist of:

- ✘ providing clear and effective recommendations to the state and other institutions from the public sector for improving public funds management;
- ✘ contributing to increasing transparency and accountability of the use of public funds / funds of taxpayers, and thus improving the quality of life of the citizens of the Republic of North Macedonia by delivering services in compliance with the principles of security in providing services, continuity and quality of service, transparency, availability and universal service, protection of users and citizens;

- ✘ identifying irregularities concerning tax evasion, non-payment of public duties and fees in the Budget of the Republic of North Macedonia, thus SAO provides the minimum return of invested funds from the Budget of RNM in SAO. At the same time, the competent authorities are notified to take on activities for collection of less paid funds in the Budget of RNM;

- ✘ audit on awarding public procurement contracts, with special emphasis on awarding public procurement contracts in conditions of pandemic and providing accurate information to citizens and the wider public on the use of aid (national and international) to deal with the pandemic. Also, in order to adapt the public procurement system to future challenges and to prepare competent authorities to deal with similar crises and pandemics, the audit pointed out the need of further regulation of laws and bylaws in the field of public procurement.

Some key results are graphically displayed.



in 000 denars

6 . 2 A U D I T R E C O M M E N D A T I O N S

In addition to its core mission as a supreme audit institution to communicate audit findings timely and objectively to the public office holders and the general public, SAO objective is to give clear and effective recommendations and thus to provide support to the state institutions and the beneficiaries of public funds for improving the management thereof.

In line with the State Audit Law, the legal representative of the auditee is obliged to inform the State Audit Office and the authority responsible for supervision and control of the auditee's operation on the measures taken upon findings and recommendations in audit reports within 90 days of the date of receipt of the final audit report.

The State Audit Office follows up on the implementation of audit recommendations within regular audits, follow up reviews and follow up audits, as well as through the information provided by the auditees.

With the follow-up audits in 2020, we obtained information on the implementation of recommendations contained in the audit reports from previous years, given that the status of implementation of audit recommendations is regularly updated in SAO database.

According to this information, out of 755 audit recommendations with verified status from SAO Annual Work Program for 2018, measures have been taken upon 596 recommendations, which is 79% implementation of recommendations.

Following the completion of 2019 Annual Work Program, SAO issued 429 recommendations. Auditees have taken measures upon 352 recommendations i.e. 82% implementation of audit recommendations.

Upon completion of 2020 Annual Work Program, SAO issued 604 audit recommendations. By the time of the last draft of this Annual Report, the legal deadline for feedback from auditees on measures taken upon the recommendations has not expired for 410 recommendations. Out of 194 recommendations for which the feedback deadline has expired, 59 are fully implemented; the implementation is ongoing for 83 recommendations; 22 recommendations are not implemented; 6 recommendations cannot be implemented; and auditees have not provided feedback for acting upon 24 audit recommendations.

The following tables provide data on the status categories of measures taken upon audit recommendations for 2018, 2019 and 2020.

Status of issued recommendations in final audit reports in line with the Annual Work Program

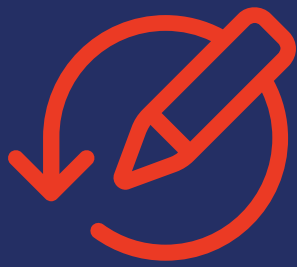
ANNUAL WORK PROGRAM 2018

STATUS OF AUDIT RECOMMENDATIONS		Number of recommendations	Share in %
1	Implemented audit recommendations	254	34
2	Ongoing implementation of audit recommendations	342	45
3	Partially implemented audit recommendations	0	0
4	Not implemented audit recommendations	136	18
5	Audit recommendations that cannot be implemented due to changed circumstances	23	3
Number of audit recommendations with verified status		755	100
6	Audit recommendations without defined status (the auditee has not provided feedback on measures taken/lack of audit reviews/the auditor did not have enough information to ascertain the status of the recommendation)	42	5
Total number of audit recommendations for which 90 days' feedback deadline has expired		797	
TOTAL NUMBER OF AUDIT RECOMMENDATIONS		797	

ANNUAL WORK PROGRAM 2019

ANNUAL WORK PROGRAM 2019		
STATUS OF AUDIT RECOMMENDATIONS	Number of recommendations	Share in %
1 Implemented audit recommendations	143	33
2 Ongoing implementation of audit recommendations	209	49
3 Partially implemented audit recommendations	0	0
4 Not implemented audit recommendations	73	17
5 Audit recommendations that cannot be implemented due to changed circumstances	4	1
Number of audit recommendations with verified status	429	100
6 Audit recommendations without defined status (the auditee has not provided feedback on measures taken/lack of audit reviews/the auditor did not have enough information to ascertain the status of the recommendation)	69	14
Total number of audit recommendations for which 90 days' feedback deadline has expired	498	
TOTAL NUMBER OF AUDIT RECOMMENDATIONS	498	

ANNUAL WORK PROGRAM 2020			
STATUS OF AUDIT RECOMMENDATIONS	Number of recommendations	Share in %	
1	Implemented audit recommendations	59	35
2	Ongoing implementation of audit recommendations	83	49
3	Partially implemented audit recommendations	0	0
4	Not implemented audit recommendations	22	13
5	Audit recommendations that cannot be implemented due to changed circumstances	6	3
Number of audit recommendations with verified status		170	100
6	Audit recommendations without defined status (the auditee has not provided feedback on measures taken/lack of audit reviews/the auditor did not have enough information to ascertain the status of the recommendation)	24	12
Total number of audit recommendations for which 90 days' feedback deadline has expired		194	
Total number of audit recommendations for which 90 days' feedback deadline has not expired		410	
TOTAL NUMBER OF AUDIT RECOMMENDATIONS		604	



7

EXECUTED AUDITS

7.1 CORE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA FOR 2019

We carried out compliance audit of the Core Budget of the Republic of North Macedonia for 2019 on:

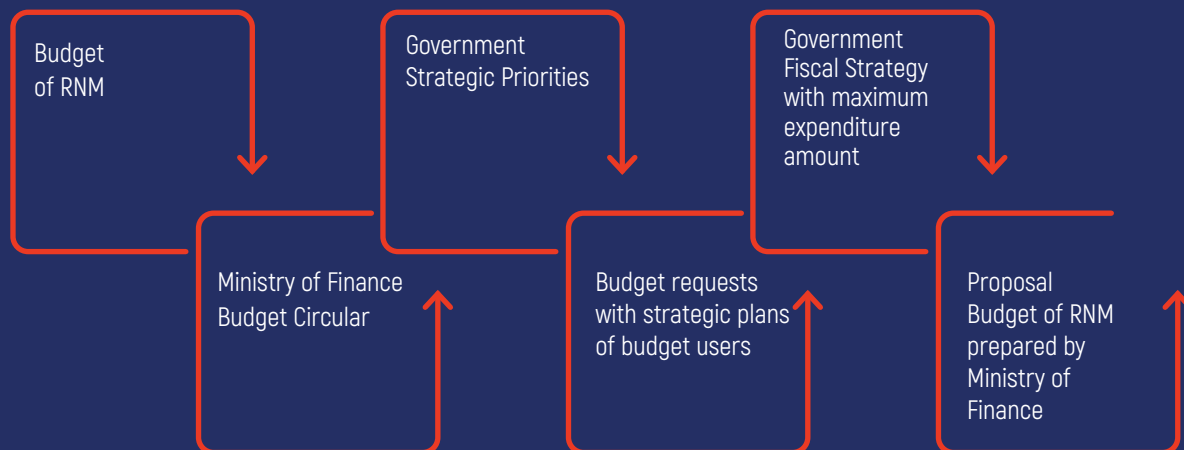
- ✘ the procedures for preparing, adopting and managing the Budget of RNM in accordance with the legislation;
- ✘ planning, recording and realization of expenditure, outflows, revenue and other budget inflows, presented in the Income Statement;
- ✘ manner of planning and collecting part of tax and capital revenues, records and control of realization thereof, as well as manner of data exchange with the Ministry of Finance;
- ✘ control procedures of IT systems for administering taxes and other public duties of the Public Revenue Office and the Customs Administration of RNM, as well as the Treasury account and records.

The Core Budget of RNM is annual plan of revenue, other inflows and funds approved with the budget for financing the basic competencies of budget users. The main goal in preparing and executing the Budget is macroeconomic stability and sustainable and stable national economic development.

The State Audit Office carried out compliance audit on the Core Budget of the Republic of North Macedonia, which covered the preparation, adoption, managing and execution of the Budget for 2020.

The Law on Budgets regulates the procedure for preparation and adoption of the Budget of RNM, the manner and deadlines for adoption of main documents, as key instruments that precede the adoption of the Budget.

PREPARING AND ADOPTING THE BUDGET OF RNM

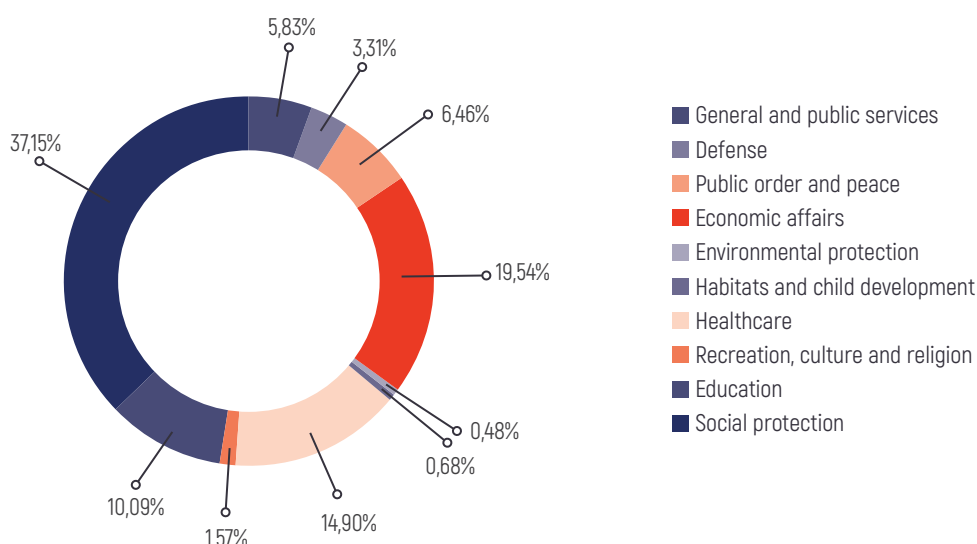


With the inspection of the procedure for planning and adoption of the Budget of RNM for 2019, the audit identified the following shortcomings:

- ✘ existing legislation does not envisage participation of the Assembly of RNM, i.e. an independent body appointed by the Assembly, in the process of adoption of the Fiscal Strategy;
- ✘ deadline for submitting budget requests to the Ministry of Finance is 20 days shorter than the final legally established deadline;
- ✘ 76% of budget users submitted strategic plans together with the Budget requests;
- ✘ budget requests do not include plans for development programs approved by the Government of RNM, due to the introduction of the new form for financial construction of multiannual capital projects; and
- ✘ The Draft Budget of RNM for 2019 was submitted to the Government of RNM as a tabular overview, without Report on non-harmonized Budget requests between the Ministry of Finance and Budget users.
- ✘ The Budget of RNM for 2019 was adopted in the amount of 155.820.123.000 denars, which is 12% or 20.823.141.000 denars less than the required funds from Budget users, while compared to 2018 Budget it is 1% higher.

The following chart shows the structure of expenditures on Core Budget accounts within the Budget of RNM for 2019, according to the functional classification of expenditures.

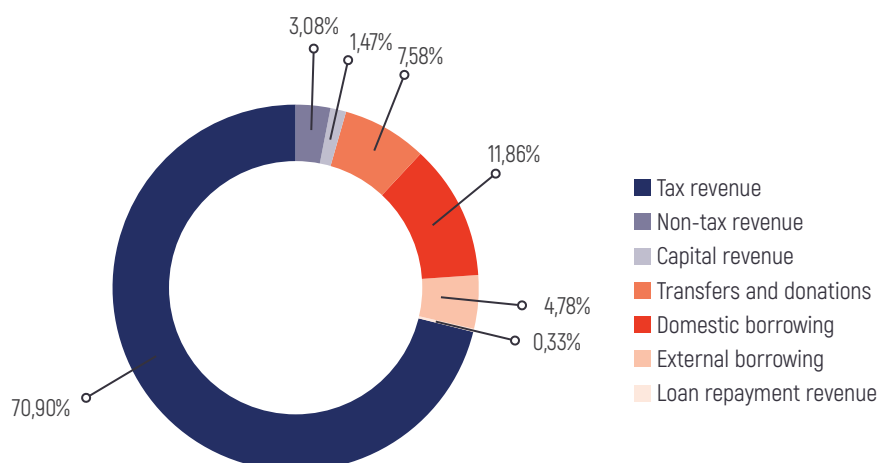
Share of budget expenditures of Core Budget accounts by functional classification, as foreseen in 2019 Budget of RNM



In 2019, the Budget was rebalanced and approved funds were reduced by 0.6%, mostly reallocations of funds between Budget users. The authorized state auditor recommended abiding by identified strategic goals of the Government when deciding on the need of Budget rebalance.

Total revenue and inflows in 2019 were realized in the amount of 160.421.708.000 denars, i.e. 5% less compared to 2018 or 4% less compared to the planned amount for 2019. The share of individual types of revenues and other inflows compared to total realized revenue and inflows in the Core Budget of RNM for 2019 is shown in the following chart:

Structure of revenue and inflows in 2019 Core Budget



Largest share in the Core Budget of RNM have tax revenues under the jurisdiction of the Customs Administration and the Public Revenue Office (PRO), realized in the amount of 113.734.588.000 denars, which represents 71% share in the Core Budget revenue. Compared to 2018, the individual tax revenues have increased, except for the profit tax, which has decreased 22%.

Taking into consideration the competencies of the PRO related to administration and control of tax revenues and public duties, there is a need to strengthen HR and technical resources, as well as to improve PRO IT systems.

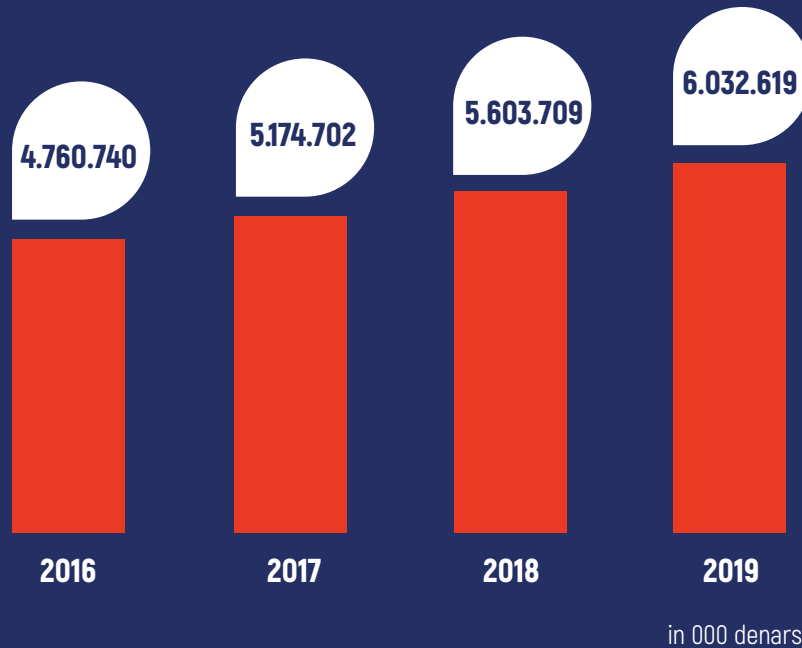
The audit found that uncollected VAT in 2019 compared to 2018 is lower by 31%, which indicates

greater promptness and timeliness of VAT collection by taxpayers. Taxpayers claims based on VAT refund in 2019 have increased by 72% compared to 2018, which indicates the possibility of lower VAT revenues in 2020.

In 2019, excises, as tax revenue, were collected in the amount of 24.708.402.000 denars; this is 4% more than in 2018. The largest share of excises comes from oil derivatives and tobacco products. Only three controls of excise bonds were performed in 2019, which points to the need of strengthening the external control system. The IT system for processing customs and excise documents was put into operation on 1 January 2020, and this should overcome most of the weaknesses in the control system.

In 2019 Core Budget, customs and customs duties were collected in the amount of 6.032.619.000 denars, which is 7.6% more compared to 2018. The collection shows an upward trend in the period from 2016 to 2019, as a result of increased import of goods.

Collection of customs and customs duties in the period 2016-2019



The authorized state auditor also concluded that the institutions responsible for planning and collecting part of capital and tax revenues need to set up complete records and control over the implementation, monitoring of timely collection, supported by complete and reliable documentation of these public revenues of the Budget of RNM.

Domestic borrowing is done by issuing short-term or long-term securities to raise funds. Inflows from domestic borrowing in 2019 have reduced compared to previous years. Policy for issuing government bonds with longer maturities was implemented, as stipulated in the Fiscal Strategy of RNM for 2019-2020, in order to optimize payments and reduce risk of refinancing.

Inflows based on external borrowing have decreased by 75% compared to 2018, when an inflow was recorded from issued Eurobond of RNM at the international capital market.

In the structure of the expenditure and outflows of the Core Budget of RNM for 2019, the expenditures for current transfers to extra-budgetary funds have the largest share of 22.34%, the expenditures for salaries, rents and allowances 17.83% and the transfers to local self-government units 12.57%.

Within realized expenditures and outflows, most significant increase is noted in capital expenditures, which are realized by 33% more than in 2018, 28% in reserves and undefined expenditures, and 18% in goods and services. Most significant decrease is noted in repayments of capital, which are reduced by 43% compared

to 2018, due to early redemption of a portion of Eurobond in 2018.

In 2019, 28.103.027.000 denars were transferred to the Pension and Disability Insurance Fund of North Macedonia, 4.40% less than in 2018.

The share of funds from the Budget of RNM for covering Fund's deficit for payment of pensions in the period from 2011-2019, ranges from 23% in 2011 to 37% in 2017, and 26% in 2019. The deficit in 2019 decreased by 10% compared to 2018, partly due to the increase of the contribution rate for pension and disability insurance in 2019 from 18% to 18.4%, thus providing more stable revenue for payment of pensions. Despite the significant reduction of the current deficit of the Fund, the structure of sources of pension funds points to the need of financial support for the Fund for payment of pensions with funds from the Budget of RNM.

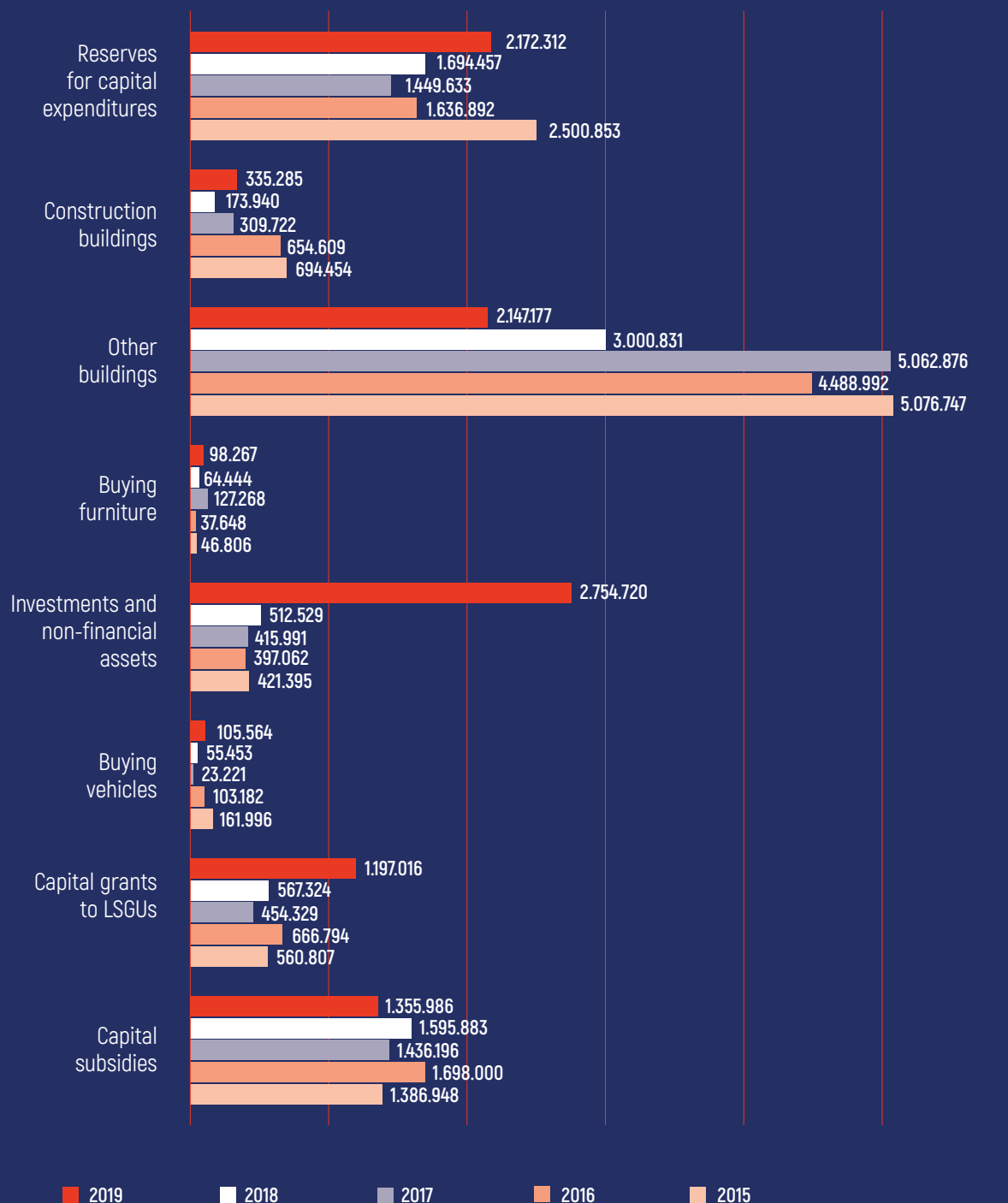
From the Core Budget of RNM through the competent ministries, subsidies in the amount of 19.097.285.000 denars were realized as current transfers to LSGUs, which is 12.57% of the total expenditure in 2019, the largest share

being block subsidies (86.76%). The Commission for monitoring development of the municipal financing system does not monitor distribution of subsidies and their earmarked use as per its competences, which does not contribute to the development of the municipal financing system.

Expenditures for subsidies and transfers in 2019 participate with 12.08% in the Budget. The most significant are expenditures for support of agriculture, attraction of foreign investments and development of free economic zone, financial support of domestic Greenfield investments, development of micro, small and medium enterprises, presidential election activities in 2019, VAT refund of 15% to citizens, and subsidizing compulsory social security contributions.

Capital expenditures amounting to 10.166.327.000 denars were recorded in the Core Budget of RNM for 2019, which is an increase of 33% compared to 2018, while the realization is 86% of the projected amount. The capital expenditures for the period 2015-2019 note declining trend in expenditures for other constructions, and an increasing trend in the investments in non-financial assets.

Core Budget capital expenditure 2015-2019



TOTAL

2019	10,166,327	2017	9,279,236
2018	7,664,861	2016	9,683,179
		2015	10,850,006

From May 2018, the Ministry of Finance publishes on its website summary reports on reported liabilities by entities. In 2019, the Financial Inspection Department has not supervised reported liabilities.

Concerning financial stability of municipalities, in 2019, no municipality has submitted decision for declaring financial instability, even though 12 municipalities have their accounts blocked. Therefore, the Ministry of Finance has not set up coordinating body for overcoming financial instability of municipalities. This situation results in municipalities generating new liabilities and

starting new capital projects, which may affect their liquidity and overall financial situation in the future, and thus the possibility of additional allocation of funds from the Budget of RNM as a financial support for these municipalities.

In the final audit report, the authorized state auditor also reported on the impact of the health and economic crisis caused by the global Covid 19 pandemic on the Budget of RNM for 2020, i.e. the impact on revenue, expenditure, inflows and outflows, as well as the state deficit in the coming period, until the situation is completely overcome.

7.2 JUSTICE

7.2.1 CONSTITUTIONAL COURT

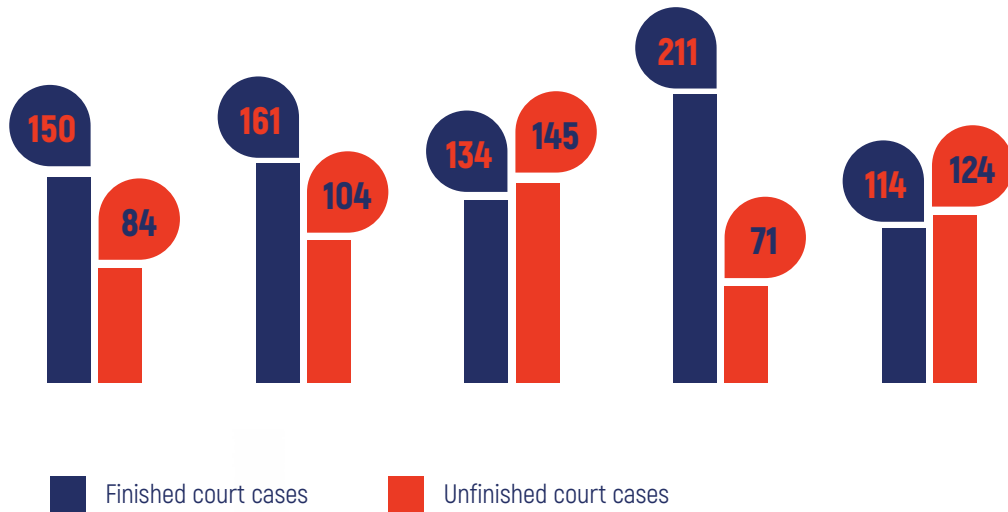
With the audit on the financial statements of the Constitutional Court of RNM for 2019, together with compliance audit, the authorized state auditor identified the following shortcomings: need for setting up internal audit, carrying out inventory of funds as prescribed by law, recording materials upon receipt and their issuance, as well as implementing public procurement procedures for procurement of goods and services for the needs of the Court.

Proceedings before the Constitutional Court start upon initiative of a citizen, group of citizens, institutions, associations, as well as upon assessment of the Constitutional Court to examine the constitutionality of a law and the constitutionality and legality of a regulation or other general act. Considering that the Constitutional Court does not adopt program

and work schedule, does not use software for automatic distribution of cases, and there are no deadlines for scheduling preparatory sessions, public hearings and deadlines for final decision on received initiatives, the authorized state auditor concluded that complete conditions are not created for unimpeded monitoring of the effectiveness in acting upon received initiatives, effectiveness of each constitutional judge, as well as the overall work of the Constitutional Court.

We made analysis on the Operation Reviews of the Constitutional Court for the period 2015-2019. It was concluded that around 60% of the total number of court cases are finished. Unfinished court cases by years is shown in the following graph:

Status of Constitutional Court cases 2015 - 2019



We have pointed out the shortcoming concerning the amendment to the Rules of Procedure of the Constitutional Court adopted in October 2020, which may have financial implications and affect the work of the Constitutional Court in the future. This amendment provides for the Constitutional Court judges to be entitled to an allowance for special working conditions, existence of high risk and confidentiality, in addition to the right to salary and other allowances.

7.2.2 SUPREME COURT

The State Audit Office audited the financial statements of the Supreme Court of the Republic of North Macedonia for 2019 together with compliance audit.

The main identified shortcomings in the operation of the Supreme Court of RNM refer to the AKMIS system and the need to intensify the activities for procurement of additional IT equipment and upgrade the software solution, as well as to strengthen human resources for its administration.

AKMIS system is an automated court case management system, which is used by all courts in RNM as a single unified application, which keeps records of court proceedings, starting from the receipt of documents, automatic distribution of cases to judges, to archiving court cases. For the needs of AKMIS system, the Supreme Court formed IT Center as a central database for all lawyers, notaries, executors, mediators, bankruptcy trustees, courts, etc., which are replicated in the local AKMIS databases of the courts. In addition, the system should also have IT part to be used for automatic and electronic distribution of court cases in public prosecutor's offices, but it has not yet been set up.

Taking into consideration the importance of this system for the entire judicial system in the country, the authorized state auditor pointed out the need to intensify activities for procurement of additional IT equipment and software upgrade, to strengthen HR for system administration, and to integrate public prosecutors' offices, for unimpeded functioning and application of the AKMIS system.

During 2020, the Law on Court Case Management was adopted and analysis was made on data on the number of unresolved court cases from previous years, newly received cases, resolved cases during the year and the number of other unresolved court cases for the period 2017 – 2019. An increasing trend of the number of resolved cases was ascertained - from 59% in 2017 it was increased by 4%, and in 2019 it is 63% of the total number of court cases, presented in detail by years in the table below:

DESCRIPTION	2017	2018	2019
Unresolved court cases from the previous year	1956	1726	1422
New court cases	2317	2189	2002
Resolved court cases	2542	2499	2167
Other unresolved court cases	1741	1416	1257

The authorized state auditor recommended setting up a working body for court case management in the Supreme Court, which is expected to increase the efficiency in resolving court cases.

7.2.3 SPECIAL PROSECUTOR FOR CRIMES RELATED TO AND ARISING FROM THE CONTENT OF THE ILLEGAL INTERCEPTION OF COMMUNICATIONS

At the request of the Primary Public Prosecutor's Office for prosecuting organized crime and corruption, we conducted compliance audit on the topic "Salaries and salary supplements and other allowances of the Special Prosecutor for crimes related to and arising from the content of the illegal interception of communications" for the period 2015 - 2019.

The audit was performed to conclude whether activities and information related to exercise of the right to salary, salary supplements and other allowances, the accuracy of calculation, recording and payment thereof for the period 2015 - 2019 are in accordance, in all material aspects, with the criteria governing this area.

The Special Prosecutor Office (SPO) was a separate office within the judicial system in the country, independent and autonomous from the Public Prosecutor's Office of the Republic of North Macedonia. SPO competencies were limited to criminal offenses related to and arising from the content of illegal interception of communications between 2008 and 2015.

SPO was established by the Law on Public Prosecutor's Office for prosecution of criminal offenses related to and arising from the content of illegal interception of communications, adopted by the Assembly of the RNM on 15 September 2015. Following the adoption of the Law on Public Prosecution on 16 February 2020 ["Official Gazette of RNM" no. 42/2020], which entered into force on 30 June 2020, the Law on Public Prosecution for prosecution of crimes related to and arising from the content of the illegal interception of communications, was abolished thus abolishing SPO as a legal entity.

Based on the performed audit, the authorized state auditor found that the exercise of the right to salary, the accuracy of calculation, recording and payment are in accordance, in all material aspects, with the relevant legislation and internal acts.

It was also found that, except for the salary supplements in 2015, the exercise of the right to salary supplements, the accuracy of calculation, recording and payment are in accordance, in all material aspects, with the relevant legislation and internal acts. Paid salary supplements for 2015 exceed the amount of paid funds for the basic salary per person.

Concerning the exercise of the right to other allowances, the accuracy of calculation, recording and payment, the authorized state auditor found that they are not in compliance, in all material aspects, with the relevant legislation and internal acts. For the period January 2016 - September 2019 SPO has paid allowances related to compliance with the principle of confidentiality and special protection of privacy in the amount of 282.896.000 denars, for which the audit did not obtain adequate legal criterion. Identified conditions related to the exercise of the right to other allowances have a degree of classification, thus a separate audit report was prepared in line with Article 29 of the State Audit Law and the Law on Classified Information.

7.2.4 OFFICE FOR MANAGEMENT OF REGISTERS OF BIRTHS, MARRIAGES AND DEATHS

We audited the financial statements of the Office for management of registers of births, marriages and deaths for 2019 together with compliance audit. The authorized state auditor concluded that in 2012 the Office started a project for implementing software for electronic registers, in order to connect all regional departments electronically. As of 31 December 2019, out of 175 registry offices only 90 are interconnected. This situation slows down centralization of citizens' data, which should enable completeness of data as well as timely and efficient provision of services for the citizens anywhere in the country.

During 2019, the Office issued 530.000 birth certificates, marriage certificates and certificates for deceased persons and earned income amounting to 36.254.000 denars. The Office has not adopted internal procedure for regulating issuance of certificates and other services for the citizens of RNM, by defining the course of activities to be performed by the Office employees, in order to act uniformly and correctly in the said process.

Mistakes are made in printing the certificates. The number of issued certificates with errors in 2019 is 21.957, i.e. 4% of all issued certificates. The Office has not determined responsibility for reimbursement of cost in case of errors in certificates. Consequently, the Office earned

3.295.000 denars less in 2019, of which 1.099.000 denars to the account of the Office and 2.196.000 denars administrative fee revenue to the Budget of RNM.

In addition, the Office does not have data on the total number of requested and issued certificates, number of incorrect certificates and total number of certificates by serial number, and did not determine responsibility for reimbursement of cost in case of errors in issued certificates. As a result, the Office earned 901.000 denars less in 2019.

The authorized state auditor concluded that for some public procurement procedures no full transparency and competition is provided between economic operators. In the paragraph Emphasis of Matter, the authorized state auditor disclosed that when conducting public procurement procedures, the Office needs to provide only the minimum criteria and documentation in the tender documentation to ensure that the economic operator is able to perform the contract; all conditions must be directly related and proportionate to the subject of the public procurement, its complexity and value.

7.3 HEALTH CARE

7.3.1 HEALTH INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

The State Audit Office performed audit on the financial statements for 2019 together with compliance audit on the entire financial operations of the Health Insurance Fund of the Republic of North Macedonia (HIF).

The authorized state auditor ascertained weaknesses in the internal controls for verification of reality and objectivity of invoiced number and types of performed medical interventions by private health institutions that have signed agreement with the Fund.

The authorized state auditor also ascertained irregularities and weaknesses in the implementation of procedures for treatment abroad for which the Fund paid 415.012.000 denars in 2019. The funds paid for medical treatments abroad for the last 6 years is given in the chart below.

Paid expenses to the Health Insurance Fund for treatment of insured persons abroad



source: HIFM

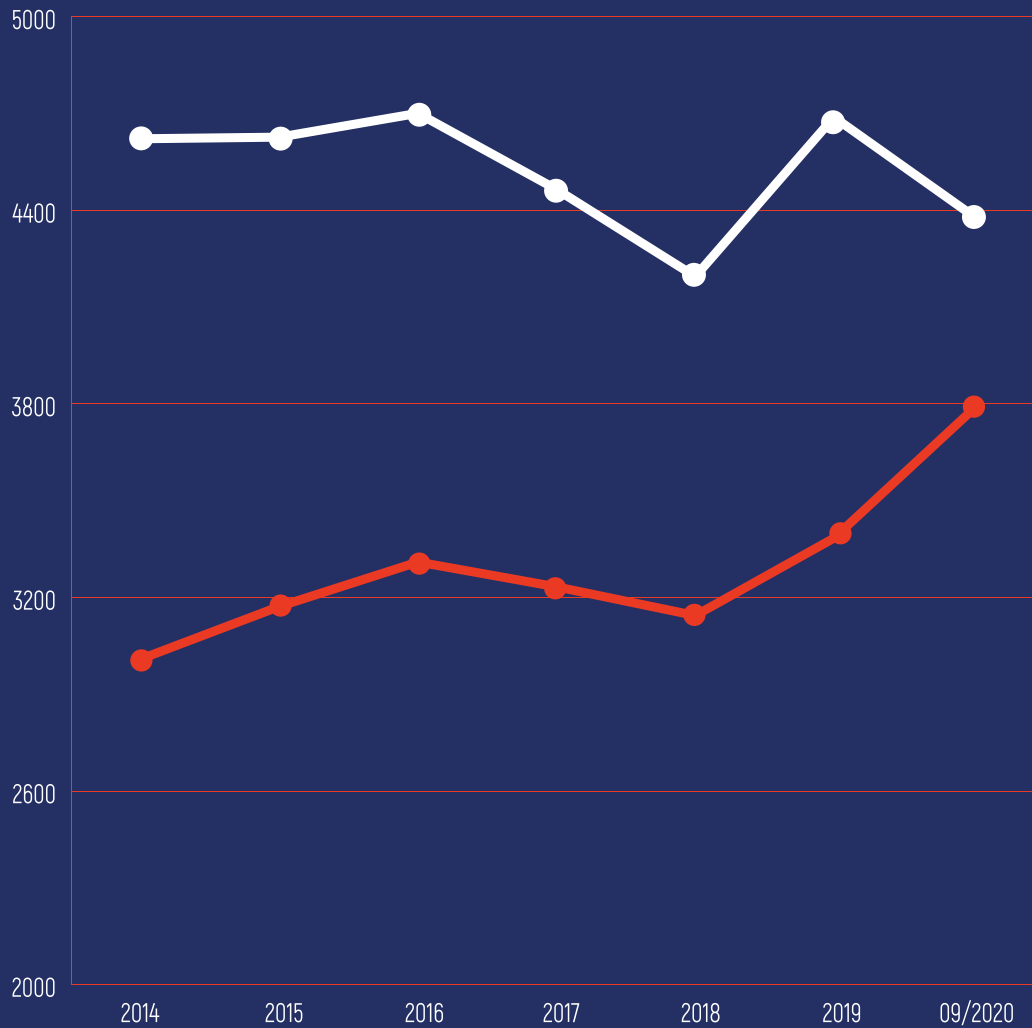
The procedure for treatment abroad is complex and long, and delays of commission decisions on referral for treatment abroad are common occurrence. Given that these patients usually have serious health problems; such delays are unjustified regardless of the reasons behind. The authorized state auditor identified cases when commissions, without legal basis, refer patients for additional and unnecessary examinations in a private health institution (PHI), additionally prolonging the procedure, although patients' requests include all necessary medical documentation to make a decision. The legal set-up of the commissions that decide on the requests for treatment does not provide adequate legal protection for the applicants; there is no system for monitoring the status of treatment abroad in the long term and no analysis is made on the success of treatments in individual hospitals.

The authorized state auditor concluded that the inventory of assets, receivables and liabilities was incomplete, not all data is entered in the inventory lists, and the accounting and factual situation is not adjusted.

The authorized state auditor disclosed shortcomings in the manner of determining the annual budget of public healthcare institutions (PHI), as well as regarding unset ratio between the level of performed services and their reimbursement by the Fund; therefore, no real procurement of services from public healthcare institutions is performed as provided for in the Law on Health Insurance. Namely, the Fund is forced to provide funds for full functioning of PHIs that are not able to realize sufficient volume of services or to fit into the existing system of evaluation of healthcare services, instead of compensating for actually performed healthcare services. As a result, PHIs are not able to fully and timely service their liabilities to suppliers leading to creation of debt.

To ascertain the effect of the current Covid 19 pandemic, we performed analysis of PHIs debt as of September 2020, which is presented in the following infographic.

Due debt movement, together with debt and outstanding liabilities of PHI for the period 2014-2020



 Movement of due debt 2014-September 2020

 Movement of debt and outstanding liabilities 2014-September 2020

+15%

As of September 2020, we identified **increase** of due debt of PHI for 15% compared to 2019

-12%

As of September 2020, we identified **decrease** of debt and outstanding liabilities of PHI for 12% compared to 2019

7.3.2 PUBLIC HEALTHCARE INSTITUTIONS

SAO 2020 Annual Work Program covered secondary healthcare PHIs in the field of: internal medicine with cardiology, general surgery, gynecology and obstetrics, pediatrics, urology, orthopedics and traumatology, infectology and neuropsychiatry, as well as specialist consultative and hospital activity in the field of lung diseases in children.

In conditions of the pandemic, these PHIs were transformed into Covid centers; in addition to their regular operation, they reallocated resources for treatment of patients infected with Covid 19.

With the audit on financial statements of PHIs for 2019 and compliance audit, the authorized state auditor, inter alia, identified the following recurrent shortcomings:

- ✘ weaknesses in the system of internal controls re written procedures for confirmation of reality and objectivity of financial documentation, control activities when signing public procurement contracts, calculation and payment of salaries and defined competencies and responsibilities of the persons involved in the process;
- ✘ irregularities in the inventory of assets and liabilities;
- ✘ lack of complete and up-to-date records of medical equipment and lack of efficient system for monitoring and maintenance of the same;
- ✘ irregularities in recording received donations;
- ✘ irregularities in recording supply of medicines and medical consumables;

- ✘ unspecified right to permanent use of facilities and land and non-compliance with the provisions of the Law on use of state-owned and municipal-owned property in leasing premises;
- ✘ unsecured completeness of revenue for performed healthcare services;
- ✘ performing and charging for healthcare services to private patients and foreigners without an act / price list adopted by the director and approved by the competent minister;
- ✘ lack of orderly and reliable documentation (monthly, quarterly and annual fiscal reports) on collected and recorded funds in the cash register based on provided healthcare services;
- ✘ lack of activities for timely collection of claims for performed healthcare services;
- ✘ untimely payment of liabilities;
- ✘ unsecured consistent compliance with the provisions of the Public Procurement Law in the procedures for awarding public procurement contracts and monitoring implementation of awarded contracts.

In the paragraph Emphasis of Matter, the authorized state auditor disclosed uncollected claims of PHIs from the Ministry of Health for performed healthcare services under Healthcare Programs from previous years. 2019 Healthcare Programs do not provide funds for payment of claims from previous years and thus the collection of these claims in the coming period by the competent ministry is uncertain.

7.4 EFFECTS FROM COVID-19 PANDEMIC

7.4.1 AWARDING PUBLIC PROCUREMENT CONTRACTS BY PUBLIC SECTOR INSTITUTIONS FOR PREVENTION AND PROTECTION AGAINST COVID-19 PANDEMIC

In conditions of pandemic and declared state of emergency, the public procurement system was not spared of the changes that occurred in many areas, both in everyday life and in the functioning of the public sector institutions. This situation increased the responsibility in conducting public procurement, since the protection of health and life of citizens directly depended thereof. For that reason, the institutions conducted urgent procurements using negotiated procedure without publishing announcement. The State Audit Office conducted compliance audit on the topic: "Awarding public procurement contracts by public sector institutions for prevention and protection against the pandemic caused by Covid 19".

In such conditions contracting authorities use non-standard solutions for conducting urgent procurements that increase the risk of non-compliance with some of the basic principles in awarding public procurement contracts, i.e. ensuring economy, efficiency, competition between economic operators, transparency, equal treatment of economic operators and proportionality in awarding public procurement contracts.

Based on the performed audit on the public procurement procedures that were carried out from 01 March 2020 to 01 October 2020 in order for prevention and protection against Covid 19, and the analysis of the working conditions faced by public sector institutions in a pandemic, the authorized state auditor identified the following:

- ✘ 88% of procurements were conducted using negotiated procedure without publishing announcement. In the absence of a precise definition of criteria for the "urgency" of procurement and the type of goods, services and works that can be procured in a time of emergency / crisis, the full justification of the urgency of some of the procedures cannot be fully confirmed;
- ✘ due to the urgent nature of procurements, the planning phase of procedures could not be performed timely, and resulted in submitting invitations for negotiation to a smaller number of economic operators, without detailed analysis of the type and quantities of supplies and equipment for protection available at the market;
- ✘ in the absence of clear definition of the characteristics of the protective equipment to be used by medical staff of PHIs, different types of equipment appeared on the market and were procured with a risk of not having the necessary characteristics and quality for proper protection and prevention in the work processes during pandemic;
- ✘ some of the tender documents were prepared without providing the economic operators with complete, accurate and precise information on the manner of conducting the public procurement procedures;
- ✘ the manner of conducting negotiated procedures without announcement does not provide equal treatment and competition between economic operators; for some public procurement procedures, negotiations were conducted with one economic operator;

- ✘ some institutions did not publish notification for voluntary transparency in the electronic public procurement system, nor a notification for annulment of a public procurement procedure, which affects the accountability and integrity of public procurement procedures;
- ✘ shortcomings that affect the objectivity in the evaluation of bids, regarding conditions and requirements of the contracting authority, which affects the equal treatment of economic operators and limits competition;
- ✘ discrepancies between awarded public procurement contracts and the tender documentation and technical specifications, which complicates the monitoring of implementation in terms of whether invoiced prices correspond to the agreed ones;
- ✘ during the realization of some contracts, there is no appropriate control system to ensure full realization of envisaged activities.

For overcoming ascertained shortcomings, SAO submitted proposal for amending the Public Procurement Law on ensuring increased implementation of the basic principles in awarding public procurement contracts.

7.4.2 NON-FINANCIAL ASSISTANCE, DISTRIBUTION AND USE BY PUBLIC SECTOR INSTITUTIONS FOR PREVENTION AND PROTECTION AGAINST COVID-19 PANDEMIC

The State Audit Office carried out compliance audit entitled "Non-financial assistance, distribution and use by public sector institutions for prevention and protection against Covid 19 pandemic" for the period 01 March 2020 – 30 November 2020, and some issues and events were covered subsequently until the date of audit completion.

The occurrence of Covid 19 pandemic caused significant disruptions in the social currents where the existing capacities of the healthcare system should respond to and prevent the spread of the pandemic.

In such conditions, the need of medical protective supplies and equipment in the healthcare system increased and large number of citizens, legal entities, foreign donors and

international organizations showed solidarity and made donations in equipment, goods and funds for dealing with the situation.

In order to confirm the status of received donations intended for coping with Covid 19, the manner of their use and treatment, recording and control, the audit included the following institutions: Ministry of Health (MoH), Protection and Rescue Directorate (PRD), Secretariat for European Affairs (SEA) and 23 Public Healthcare Institutions.

With the performed audit on the realization of activities, measures and policies for planning, receipt, distribution, recording and control over received non-financial assistance by competent institutions, the authorized state auditor concluded the following:

- ✘ the Law on Protection and Rescue does not regulate protection of the population from epidemics, epizootics and epiphytotic, which decreases the possibility of identifying risks, identifying existing resources and planning provision of resources, including assistance from international donors;
 - ✘ National Strategy for Protection and Rescue has not been adopted with action plan aimed at prevention, reduction of consequences and readiness of the protection and rescue system;
 - ✘ the preparedness plan for dealing with emergencies, crises and disasters adopted by MoH as a significant activity did not result in active implementation of planned activities before the onset of the pandemic;
 - ✘ the absence of clearly defined responsibilities of the institutions involved in the process of receipt, management (storing, safekeeping) and control of foreign donations for dealing with Covid 19 consequences affects the possibility of improper handling and non-earmarked use of donations;
 - ✘ MoH and PRD have not set up accounting records on received donations for dealing with Covid 19 pandemic;
 - ✘ donations were distributed without established criteria, which caused PRD to issue donations by that are inconsistent with distribution set up by the MoH;
 - ✘ single central mechanism for receiving donations from foreign donors at national level has not been established;
 - ✘ PHIs do not regularly update data on medical equipment within the national healthcare information system, which should contribute to the assessment and planning of donation needs in response to emergencies or crises;
 - ✘ insufficient human resources in organizational units for managing donations in the MoH and PRD, absence of authorizations with established competencies in SEA, as well as insufficient segregation of duties of employees involved in the process of receiving, controlling and distributing donations;
- From the aspect of PHIs as beneficiaries of received and distributed donations, the audit found the following shortcomings:
- ✘ in some cases, there are no donation agreements and no reports on received donations;
 - ✘ some PHIs do not have designated responsible person for managing, distributing and control over the use of received donations;
 - ✘ lack of act on the manner of receipt and handling of received donations in equipment and protective medical supplies for dealing with Covid 19;
 - ✘ some PHIs have not established accounting records of donations received, while some PHIs keep accounting and/or material records only for donations for which they have received value, and for some keep only records by quantities.
- During emergencies and crises, transparency includes a wide range of timely and public information activities. Timely sharing of information is extremely important due to the expected pressure from the media, especially in conditions of urgency, emergency and crisis.
- Concerning transparency of information on received non-financial donations by institutions, it was determined that stakeholders and citizens do not have full insight into data on received non-financial donations for dealing with the pandemic, data on donors, donations, financial value, as well as purpose of donations.

To overcome ascertained shortcoming, it is necessary to take activities for clear and precise regulation of the system for acting in crisis situations by determining competent institutions and their mutual coordination for state readiness in case of crisis; setting up single central mechanism for received foreign donations; accounting and material records for donations; as well as control over distribution of received donations from domestic and foreign donors.



7.5 LABOR AND SOCIAL POLITICS

7.5.1 PENSION AND DISABILITY INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

The State Audit Office conducted audit on the financial statements of the Pension and Disability Insurance Fund of the Republic of North Macedonia for 2019 together with compliance audit and identified the following shortcomings:

- ✘ the system of internal controls in the process of exercising the rights from pension and disability insurance (PDI) and the process of payment of pensions is regulated by several individual internal acts and procedures that do not cover all steps for organization and operation. There is no complete segregation of duties and responsibilities of employees involved in the process due to lack of employees, and the established internal controls do not always provide confirmation of data entered, accuracy and timeliness in the procedure. Due to the above, the risk of irregularities in the procedure for recognition of PDI rights increases, as well as the risk of pension payment after the expiration of the legal right;
- ✘ the Fund is facing lack of the necessary human resources: actuaries, IT employees and doctor specialists in the Commission for work capability assessment;
- ✘ weaknesses in storing and archiving data in the registry records prevent verification of reliability and completeness of registered data, which are necessary for exercising the rights of the Pension and Disability Insurance Fund. In addition, the exercise of personal and material long-term rights of some insured persons that do not have mechanisms for proving paid contributions for a certain period is violated and questioned;
- ✘ due to lack of appropriate data on employment and registration of insured persons, as well as errors in data entered by other institutions, funds amounting to 141.855.000 denars were not paid to the account intended for collection of funds from paid PDI contributions; the Fund cannot use these funds and the insured persons cannot exercise their PDI rights;
- ✘ insufficient mechanisms for forced collection of recognized damages due to unfounded payment of pensions; receivables from citizens are recorded and the low percentage of return of overpaid funds, indicate uncertainty of collection in the upcoming period;
- ✘ inadequate recording of buildings and land, as well as decisions to write off claims based on unpaid contributions results in unrealistic and non-objective presentation of funds in the financial statements;
- ✘ insufficient degree and intensity of digitization and electronic archiving of documents from microfilm tapes in the past period has an effect on the rational use of funds.

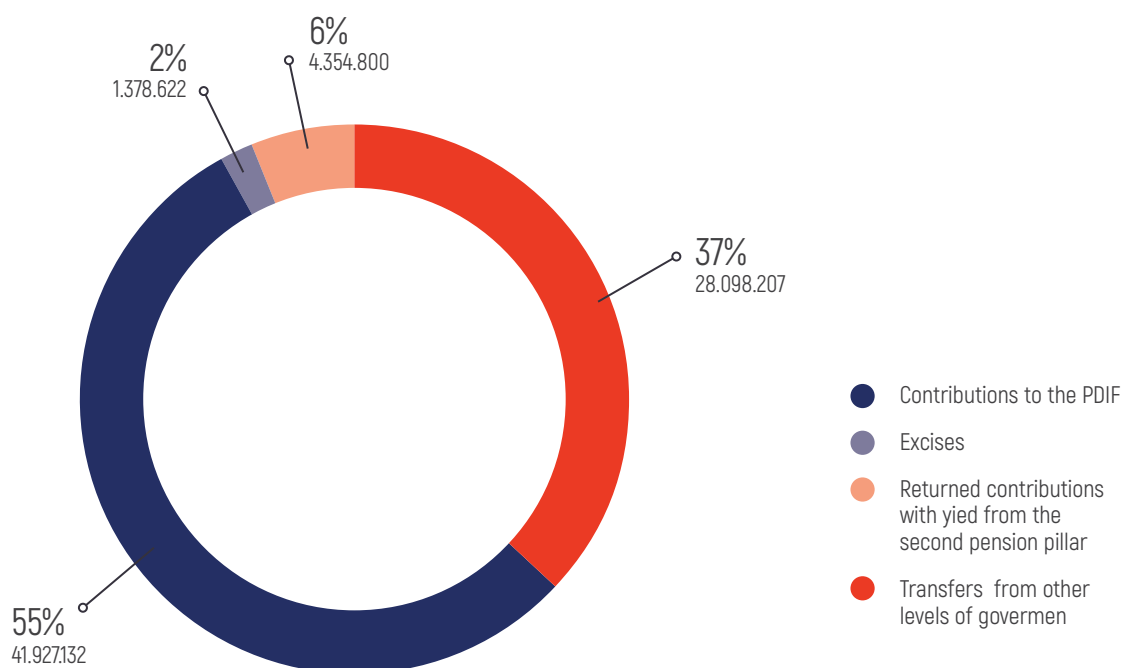
In the Emphasis of Matter paragraph, the auditor disclosed the following:

- ✘ the poor financial situation of the company for catering, rest and recreation of pensioners "Borec" in Bitola, whose founder is the Fund; and
- ✘ unfounded withdrawal of funds from the Fund's account in 2018 and 2019 in the amount of 19.056.000 denars by enforcement agents based on enforcement orders, in which pension beneficiaries appear as debtors.

In the Other Matter paragraph, the auditor reported on the structure and level of realized revenues in the reporting period, i.e. their increase because of amendments to the Law on PDI and decrease of the share of transferred funds from the Budget of RNM, as shown in the following chart:

Structure of PDIF revenue

in 000 denars



Revenue from collected PDI contributions in 2019 has increased by 10% compared to the previous year, as a result of the amendments to the Law on PDI from December 2018. These amendments provided for generation of revenue of 4.354.800.000 denars based on refunded contributions with returns from private pension companies. The increase in revenue in 2019 is still not sufficient to cover the expenditures for social benefits, which are also increasing from year to year. Namely, the expenditures for social benefits in 2019 (payment of pensions together with health insurance contribution of pensioners, transfers to the second pension pillar and disability) amount to 72.708.394.000 denars, for 333.722¹ pension beneficiaries. This amount is 6.7% higher compared to 2018.

To cover deficit of funds for payment of pensions in 2019, funds in the amount of 28.098.207.000 denars were transferred from the Budget of RNM through:

- ✘ Ministry of Labor and Social Policy in the total amount of 27.644.110.000 denars, of which 15.644.110.000 denars to cover the deficit of the Pension Fund and 12.000.000.000 denars to cover legal obligations under the PDI², and
- ✘ Ministry of Defense, in the amount of 454.097.000 denars³.

The authorized state auditor continuously points out weaknesses of the established system for determining, controlling and collecting contribution performed by the Public Revenue Office since 2009 without ensuring full up-to-date and accurate integration and timely exchange of data between the institutions. Therefore, the Fund does not have complete and precise data on the claims based on unpaid PDI contribution, nor it has the authority to collect it, which affects completeness of the revenue and realization of PDI rights of the insured for whom the contribution is not paid.

- 1 324.039 pension beneficiaries, 9.597 beneficiaries of monetary compensation for physical injury and 86 beneficiaries of monetary compensation for remaining working capacity
- 2 Funds for payment of pensions for beneficiaries of minimum agricultural pensions, military pensions and other beneficiaries, as well as for transfers to the second pension pillar
- 3 Funds for payment of pensions for beneficiaries with reduced service years for retirement, in line with the Law on Service in the Army of the Republic of North Macedonia

7.5.2 GOVERNMENT PLANNING - EFFECTIVENESS OF GOVERNMENT MEASURES FOR ADDRESSING LABOR MARKET RISKS AND PLANNING FUNDS TO OVERCOME RISKS, INTERNATIONAL PARALLEL AUDIT

The performance audit "Government planning - effectiveness of government measures for addressing labor market risks and planning funds to overcome these risks" for the period 2017 - 2020 was conducted in several institutions - Ministry of Labor and Social Policy, Employment Agency of RNM, Ministry of Education and Science, State Statistical Office, Economic Chamber of RNM, Ministry of Interior, Office of the Prime Minister of RNM, Ministry of Health, Medical Faculty Skopje and Ministry of Economy.

The audit was part of the activities set out in the international parallel audit on the topic: "Workforce 2030 - parallel audit" and the initiative to start the parallel audit resulted from EUROSAI Strategic Plan 2017 - 2023. Eight SAIs participated in the parallel audit: Israel, Finland, Italy, Bulgaria, Poland, Republic of North Macedonia, the European Court of Auditors (ECA) and South Korea.

The audit objective was to answer the question: "Are policies, measures and activities taken by the competent institutions effective and contribute to increasing employment, improving skills in line with labor market demand and retaining workforce by offering quality employment opportunities, taking into account available resources of institutions and the manner of their use?"

Labor market movements are crucial for the economic development and employment in the Republic of North Macedonia. The Government of RNM determines the strategic priorities, development policies and measures, as well as the manner of financing strategic priorities to overcome the differences between demand and supply of labor, and thus to reduce unemployment.

Data on total working age population, active population, employment and unemployment in RNM are basic statistical information necessary for analyzing and monitoring changes on the labor market. The unemployment rate in 2019 was 17.3%, which is a decrease of 5.1% compared to 2017, partly due to low activity rates.

Unemployment rate in RNM compared to unemployment rates in the region, the EU, as well as the countries of the Eurozone, are presented in the following chart:

Year	Unemployment percentage							
	EU	Eurozone	Serbia	Bulgaria	Albania	Greece	Croatia	North Macedonia
2017	7,6%	9,1%	13,5%	6,2%	13,8%	21,5%	11,2%	22,4%
2018	7,3%	8,2%	12,8%	5,2%	12,3%	19,3%	8,5%	20,7%
2019	6,7%	7,6%	10,5%	4,2%	12,3%	17,3%	6,6%	17,3%

Impact of COVID-19 on labor market conditions

Despite the trend of gradual reduction of unemployment rate in 2019, with the onset of COVID-19 pandemic the conditions on the labor market have changed significantly and acquired completely new indicators. COVID-19 pandemic has intensified and expanded globally, with huge impact on public health, economies and labor markets. The pandemic also has a strong impact

on the economic development of small and medium enterprises, especially those engaged in crafts, trade, tourism, hospitality, etc.

Unforeseen reduction in economic activity causes decline in employment i.e. an influx of unemployed people from several sectors, as shown in the following graph:

Influx of unemployed people according to predominant activity as of 31 August 2020



The authorized state auditor identified shortcomings in the following areas:

Legal framework, strategic documents and position of institutions in creating and implementing labor market policies:

- ✘ The Law on Employment and Insurance in Case of Unemployment, which regulates the issues of labor exchange, does not fully regulate the preparation, the holder/competent institution and the period of adoption of the operational plan as an annual operational document for active employment programs and measures.
- ✘ The main strategic documents that create policies in the field of labor market and education system aimed at increasing employment and quality of jobs, presented incomplete implementation of strategic goals, as a result of insufficient realization of indicators for some activities under the competence of the Employment Agency and the Ministry of Education and Science.

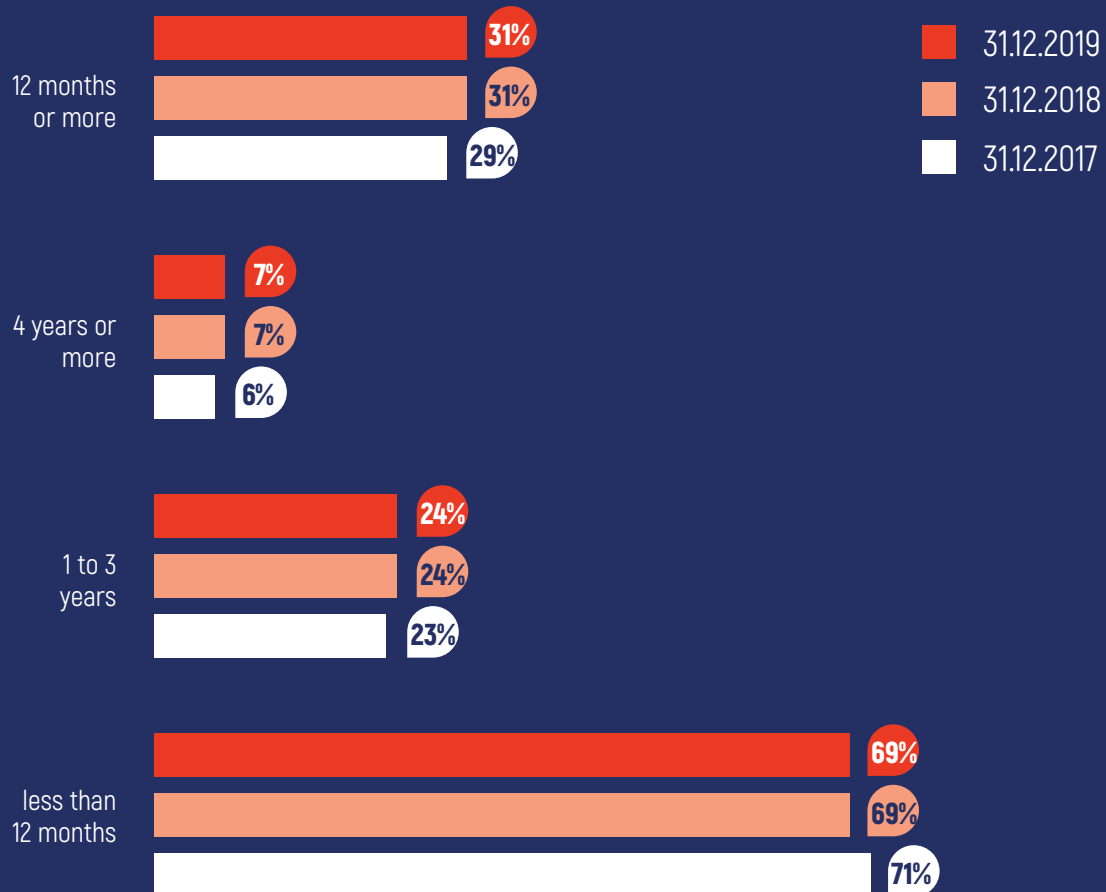
Measures, activities and effects for improving employment:

- ✘ The assessment of planning and creation of measures and activities for the labor market revealed lack of internal procedures or guidelines for more detailed regulation and description of the planning process. The planning is not sufficiently supported by detailed analyses of the sustainability and efficiency of labor market active employment programs, measures and services implemented in previous years, which would confirm the benefits or weaknesses thereof;

- ✘ The development of Skills Observatory, as a strategic tool of the Ministry of Science and Education for analyzing adequacy of skills of students in correlation with the needs of the labor market is completed. However, it does not produce data despite the fact that its start and generation of reports have been anticipated each year from 2017 to 2020 within the planned, program and strategic documents of the Ministry of Education and Science, and in many other important strategic documents. The delay in the implementation of planned activities with the Skills Observatory as a strategic tool for analyzing adequacy of skills in correlation with labor market needs is reflected in the creation of educational policies and employment policies.
- ✘ Young people in RNM face difficulties in the transition from education to the labor market. Significant number of young people are long-term unemployed, which in time lose the acquired knowledge and skills, their productivity decreases, and thus their chances of finding a job. Quality education based on analysis of the needs for knowledge, skills and competencies is necessary to reduce incompatibility of skills and labor market needs. Given the above, additional activities are necessary to strengthen further the reforms at all levels of the education system in order to produce workforce that will meet the needs of the labor market.

The analysis of waiting period for employment of young people showed that about 70% become employed within a period of up to 11 months, while 24% of young people wait for employment for a period of 1 to 3 years.

WAITING PERIOD FOR EMPLOYMENT



- ✘ The audit found that there is no sufficiently coordinated and systematic approach for creating policies and monitoring the process of implementation of the envisaged goals and activities aimed at overcoming the trend of continuous outflow of highly educated workforce. This is becoming a serious problem, which changes the labor supply and contributes to increasing non-compliance with labor demand.

Use of resources and control mechanisms in implementation of active employment policies and measures:

- ✘ the large number of vacancies in the central office of the Employment Agency of RNM and the large volume of cases impose the need to strengthen and continuously improve HR capacities for successful implementation of employment policies and measures and for achieving desired results and effects on the labor market overall.
- ✘ financial resources are important prerequisite for successful implementation of planned active measures and services on the labor market. Despite the increasing trend on annual basis, their share in the total expenditures of the Employment Agency of RNM is decreasing at the expense of funds realized for Passive Employment Measures.
- ✘ shortcomings concerning completeness of evidence and absence of regular field controls in some tested cases for active measures and policies indicate conditions that deviate from foreseen activities of the Operational Instructions and signed contracts that regulate each measure. No activities have been taken to regulate the competences to perform monitoring, as well as to introduce mandatory evaluation of programs, measures and services within the existing law.

Based on the ascertained state of affairs, the authorized state auditor issued the following conclusion:

Policies, measures and activities taken by competent institutions are not effective enough to provide employment and skills in line with labor market demand and to overcome the trend of continuous outflow of workforce from the country. There is a need for coordinated action and strengthening of activities of competent institutions for creating policies and measures aimed at increasing employment, improving skills in line with labor market demand and retaining workforce by offering quality employment opportunities.



7.6 EDUCATION

7.6.1 MINISTRY OF EDUCATION AND SCIENCE

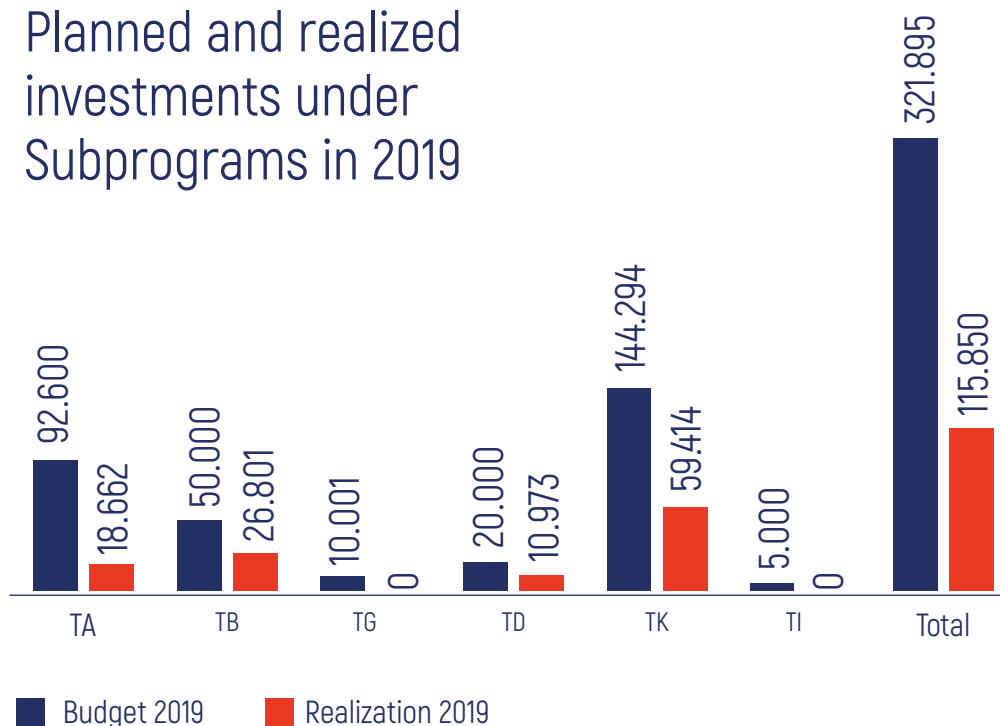
The State Audit Office audited elements of financial statements together with the compliance audit of the Ministry of Education and Science. The Income Statement elements included capital expenditures, Program T - Investments in Education, Programs for construction and reconstruction of primary and secondary schools and student dormitories, of the core budget account (637) for 2019.

The audit found weaknesses in the manner of defining programs for construction and reconstruction of primary and secondary schools and student dormitories, i.e. they do not contain data on the type of facilities, type of investment activities and individual

value. Selection of projects is done without clear, measurable and non-discriminatory criteria used for determining priorities in infrastructure activities such as the need for intervention, demographic factor i.e. number of students, working conditions, level of region's development and other indicators for creating conditions for objective selection.

The activities for construction and reconstruction of primary and secondary schools and student dormitories in 2019 amount to 115.850.000 denars, which is 36% realization of the approved 321.895.000 denars budget funds for this purpose.

Planned and realized investments under Subprograms in 2019



TA - Construction of primary schools; TB - Reconstruction of primary schools; TG - Construction of secondary schools; TD - Reconstruction of secondary schools, TC - Construction and reconstruction of student dormitories; TI - Reconstruction of dormitories

Unsecured conditions for timely start of construction works, untimely-secured building permit, interruptions of construction works, unforeseen works, and omissions of the designer and the reviewer, complicate the process of realization of the plan of dynamics and prolong deadlines for realization of construction works for several years. The poor implementation of program activities has an impact on the achievement of main strategic goals of the funding for improving the conditions for teaching in primary and secondary education and for improving accommodation facilities in dormitories.

The authorized state auditor concluded that the Ministry's department for capital investments, which controls and monitors implementation of investment programs, needs additional human resources, such as experts for control of completed work for thermal and electrical installations, which are large part of the construction works.

Due to irregularities in the handling of archived and documented material in the Ministry, there is lack of systematic oversight, managing, storing and using of documents, which creates the risk of losing documentation.

To overcome ascertained shortcomings, the responsible persons in the Ministry should undertake activities for precise definition of programs, setting up procedure with clear criteria for objective selection of structures, providing conditions for full and timely implementation of construction works, strengthening HR in Capital Investments Department and setting up the archive in accordance with the legal provisions.

In the Emphasis of Matter paragraph, the authorized state auditor pointed out that starting construction works without appropriate long-term solutions, quality building materials and functional solutions results in poor performance and additional reconstruction/rehabilitation after a short period, and thus inappropriate spending of budget funds.

7.6.2 BUREAU FOR DEVELOPMENT OF EDUCATION

With the audit on the financial statements for 2019 together with compliance audit of the Bureau for Development of Education, the authorized state auditor concluded the following:

- ✘ The Bureau lacks IT system and database on preschool, primary, secondary, specialist education, education for students with special educational needs and adult education, as an obligation arising from the Law on the Bureau for Development of Education; this affects the possibility to exchange and use of information and data by the competent institutions to improve the education system quality;
- ✘ The Bureau is obliged to publish the scientific and professional magazine "Educational Reflections" with scientific and professional papers in the field of education at least twice a year. However, since 2012 the magazine has not been prepared and published, which affects the possibility to present scientific research results in the field of education to the scientific community and to increase the transparency of scientific achievements in the field of education and their implementation in the education system in the country.

7.6.3 HIGHER EDUCATION

In 2020, the State Audit Office audited the financial statements for 2019 of three units/ Faculties of the University Ss. Cyril and Methodius together with compliance audit - Faculty of Natural Sciences and Mathematics, Faculty of Information Sciences and Computer Engineering and Faculty of Pharmacy, Skopje. The authorized state auditor identified:

- ✘ shortcomings in the system of internal controls for monitoring and control of accounting documentation without clearly defined and differentiated competencies and responsibilities in relation to confirming completeness and reliability of transactions, and lack of procedures for movement of documentation. In addition, no procedure has been adopted for determining and collecting revenues realized on different bases within the higher education activity. This shortcoming is specific for all three audited entities;
- ✘ shortcomings in calculation and payment of salaries at the Faculty of Natural Sciences and Mathematics and the Faculty of Pharmacy. The Faculty of Information Sciences and Computer Engineering has shortcomings in the payment of per diems for business travel abroad;
- ✘ shortcomings from accounting aspect at the Faculty of Natural Sciences and Mathematics, as well incomplete inventory of assets, receivables and liabilities in line with legal provisions. Incomplete inventory was also identified at the Faculty of Information Sciences and Computer Engineering.

All three faculties lack accounting policy for recording receipt and issuance of supplies, i.e. procured supplies are not recorded through the accounts of supplies and other capital. They are not subject to borrowing and return of supplies, which is contrary to the provisions of the Law on

Accounting of Budgets and Budget Users and the Rulebook on Accounting of Budgets and Budget Users.

Inventory of supplies as of 31.12.2019 was not performed, thus the state of supplies available to the faculties has not been confirmed.

Weaknesses have been identified in the application of the Law on Public Procurement, in relation to not obtained necessary documentation for proving capability of economic operators at the Faculty of Pharmacy.

In the Emphasis of Matter paragraph, the authorized state auditor highlighted the situation of untimely adoption of statutes and other general acts arising from the same, i.e. untimely compliance with changes in legislation that creates opportunity for inconsistent operation of existing universities and their units.

7.6.4 STATE STUDENT DORMITORY "TOME STEFANOVSKI SENIC"-SKOPJE

With the audit on the financial statements for 2019 and compliance audit, the authorized state auditor ascertained the following:

- ✘ not resolved right to permanent use of buildings and land;
- ✘ incomplete inventory of assets and liabilities;
- ✘ irregularities in the application of the normative on preparing food for dormitory users;
- ✘ inadequate application of legal regulations on the manner of calculation and payment of salary and salary allowances;
- ✘ inconsistencies in hiring employees with temporary service contract;
- ✘ noncompliance with cash basis accounting;
- ✘ unrecorded receivables from students in the accounting records;
- ✘ incorrect application of acts for determining price for accommodation and food for students;
- ✘ no system for up-to-date and chronological accounting records of supplies;
- ✘ incomplete records of receivables for overpaid VAT;
- ✘ irregularities in the payment of fees to Management Board members;
- ✘ irregularities in the application of the legal acts, i.e. accommodation of external users/workers in facilities intended for students and pupils;
- ✘ not ensured consistent adherence to the provisions of the Public Procurement Law.

7.7 ENVIRONMENT

7.7.1 EFFICIENCY OF MEASURES AND ACTIVITIES FOR EXPLOITATION OF MINERAL RAW MATERIALS AND COLLECTION OF FEES

We conducted performance audit on the topic "Effectiveness of measures and activities for utilization of mineral raw materials and collection of fees" to answer the question: "Do measures and activities provide effectiveness of exploitation of mineral raw materials and collection of fees in line with the principles of sustainable development?"

The scope and evidence obtained with application of audit techniques and methodology provide basis for expressing the following conclusion:

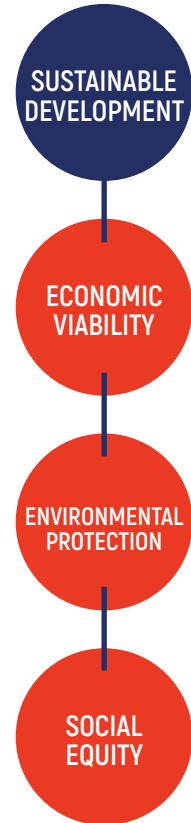
Measures and activities taken by the competent institutions are not sufficient to ensure effective management of mineral raw materials, in terms of their optimal utilization and efficient collection of concession fees, in line with the principles of sustainable development.

The lack of long-term strategic planning, frequent amendments to legal provisions, absence of bylaws,

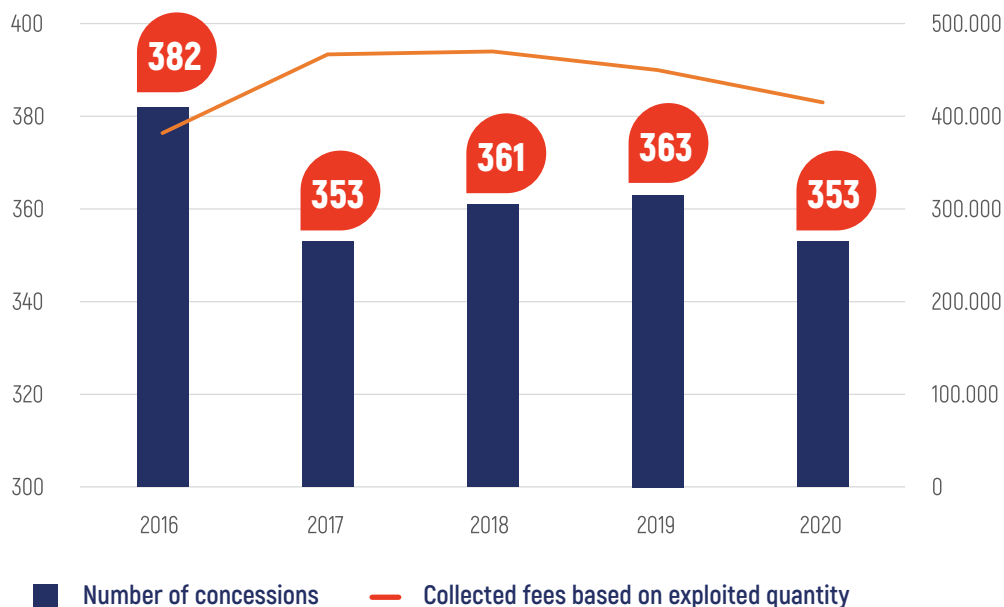
insufficient institutional cooperation and incomplete electronic database do not provide solid basis for effective policy making.

Unspecified deadlines and untimely signing of contracts prolong the procedures for granting concessions for mineral raw materials, which has negative implications on the economic interest of entities; inaccurately regulated contractual obligations of the concessionaires do not provide legal protection to the grantor in case of non-compliance.

The established system for collection and recording of concession fees does not provide completeness of revenues and possibility for checking calculations, which limits the supervision and control of completeness and reliability of revenue from concession fees.



Number of concessions and fees collected on the basis of exploited quantity



As a result of this situation, for the period 2016 - 2020 less concession fees were collected amounting to 32.562.000 denars or 529.018 Euros, of which 13.582.000 denars based on exploitation area and 18.980.000 denars based on exploited mineral raw material.

For the same period, 695.202.000 denars (11.294.584 Euros) were collected untimely i.e. with delay (83.487.000 denars based on exploitation area and 611.715.000 denars based on exploited mineral raw materials), and the Ministry of Economy has not calculated legal interest on any concessionaire.

Out of four concessionaires subject to inspection, three are excavating mineral raw materials outside the exploitation license they possess over an area of 25.546 m².

Concessionaires use different calculations i.e. some of them do not present and pay the fee for the amount of silver metal in both lead and zinc concentrate, which results in less calculated and paid concession fees.

Performing inspection supervision without defined criteria for selection of entities, incomplete implementation of planned regular inspections, partially performed control supervision upon issued decisions for elimination of irregularities, absence of independent accredited laboratory, lack of financial resources and equipment do not provide conditions for effective control mechanism.

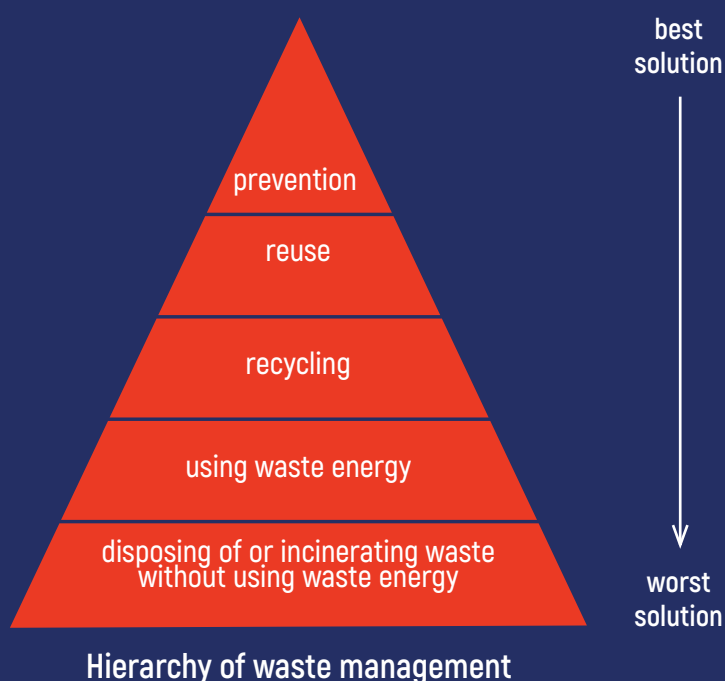
To overcome identified shortcomings, the authorized state auditor made recommendations for improvements in relation to: legal and institutional setup of the mineral resources management system; functionality and effectiveness of procedures for granting/revoking concessions for mineral resources; collection of concession fees and mechanism for supervision and control over the operation of concessionaires for optimal use of mineral raw materials in line with sustainable development principles.

7.7.2 EFFICIENT PLASTIC WASTE TREATMENT AND MANAGEMENT

The State Audit Office conducted performance audit on the topic "Efficient treatment and management of plastic waste" as part of a cooperative audit with other supreme audit institutions. The initiator of the audit was EUROSAI WGEA, and the joint report will be issued in 2021. The audit covered the period 2017-2019. The purpose of the performance audit was to answer the question **whether plastic waste is managed in a way that allows waste reduction and achievement of set goals.**

Key principles in waste management are:

- 1 principle of hierarchy
- 2 sustainable development
- 3 "the polluter pays"
- 4 principle of caution
- 5 principle of responsibility of the manufacturer
- 6 principle of the product life cycle.



The plastic waste management system includes many institutions - Ministry of Environment and Physical Planning - Department of Environment (the Ministry), local self-government units, regional waste management centers, public enterprises, legal entities and individuals providing public utilities, individual waste collectors, waste processors, legal entities handling packaging waste, State Inspectorate of Environment, etc.

- 4 Participants in the project were SAIs of Poland, Albania, Bulgaria, Hungary, Malta, Moldova, Republic of North Macedonia, Portugal, Romania, Serbia, Slovakia and Turkey.
- 5 EUROSAI Working Group of Environmental Auditing

The legislation envisages adoption of a number of strategic, planning and program documents at central, local and regional level and the auditors found out that some of these documents are not adopted and some are outdated. The above points to problems in setting up an integrated waste management system. Although certain activities have been initiated, regional waste management is not in place and there are no basic conditions for prevention of waste generation and processing.

Functional primary and secondary selection and return of plastic waste have not been established as basic preconditions for waste processing. The collected amount of plastic waste in the country is small and it usually ends up in landfills. Data from competent institutions indicate that the collected volume of selected plastic waste in the country is minimal - it represents about 14% of the total collected waste in one year, and it is mostly the result of actions taken by collective packaging waste handlers and the informal sector (individual collectors). One of the reasons for this situation is the inadequate and insignificant number of installed waste collection bins compared to the population and the index of generated waste. Less than 1% of the total collected waste in RNM is being recycled. In addition, no initiatives and activities are taken for reusing plastic waste, and there are no incentive measures to support waste processors.

Collective packaging waste handlers have central place in the plastic waste management system.

They link manufacturers/importers who place products and packaging on the market, which at the end of their life cycle create waste that burdens the environment, with legal entities and individuals who collect and transport plastic waste. The latter are also obliged to process or dispose of collected plastic waste.

The informal waste collection sector in RNM is a social group of several thousand citizens, including children, who collect and value waste through activities that are not organized and supported. The auditors found out that this informal sector is barely mentioned in the legislation, except in the part for their registration as operators of waste trade. The possibility for formalization and organization of this sector through a social enterprise or public-private partnership, which would provide them with stable income and legalize their activities, has not been considered.

In RNM, collection and transportation of municipal waste is almost entirely performed by public utility companies (PUCs) established by the municipalities and the City of Skopje, which have obtained permit from the Ministry. The auditors found out that PUCs do not have sufficient number of special vehicles for collection and transportation of packaging waste (selected waste), and due to their financial situation, some of them are not able to procure new ones.



Setting up functional integrated waste management system requires stable financial resources for regular and sufficient revenue to cover costs. Financial resources based on the Annual Program for investing in the environment and the fees collected (packaging waste management, bags for transport of goods and waste management) do not enable sustainability of the system by those who generate waste, which also affects plastic waste management and does not allow consistent application of the principle "the polluter pays".

The small amount of packaging waste management fee paid to the treasury account is due to the legal possibility for taxpayers to be exempted from paying the fee if they have signed an agreement with a collective packaging waste handler to take on obligations for packaging waste management. The collective packaging waste handler is obliged to use the profit for fulfilling national objectives through collection and processing or recycling waste generated from packaging. The audit report points out that collective packaging waste handlers independently and without restrictions decide on the manner of using realized revenue. The amount of collected fees paid to the treasury account or to the collective packaging waste handlers is insignificant, indicating insufficient funding for

encouraging activities for collection, transport, processing and disposal of packaging waste.

The established system of records and information does not provide complete, accurate and up-to-date information related to issued permits, collected, processed and deposited plastic waste. There is lack of activities for monitoring waste management at national and local level and the supervisory activities by competent institutions are insufficient.

To overcome identified shortcomings, the authorized state auditor made recommendations for improvements concerning management, treatment and handling of plastic waste aimed at waste reduction and achieving set objectives.

7.7.3 EFFICIENCY OF MEASURES AND ACTIVITIES FOR ISSUING B INTEGRATED PERMITS

Industry has significant place in the development and stability of the national economy and has direct impact on increasing employment, export growth, and improving the social life of the population. It participates with about 21%⁶ in GDP structure.

The most common industries in our country are: metallurgy, chemical-pharmaceutical industry, construction, processing industry (production of food and beverages and other food products, production of leather and similar leather products, paper production and other).

Through their activities, industrial facilities emit pollutants into water, air and soil and have major impact on the quality of the environment, the life and the human health.

Measures and activities for protection and improvement of the environment are of public interest, which requires integrated approach to action. In order to ascertain the situation in the field of integrated pollution prevention and control (IPPC) we carried out performance audit to answer the question "Do B-integrated environmental permits provide integrated prevention and control of environmental pollution from industrial activities"?

The issuance of integrated environmental permits and their implementation in the integrated pollution prevention and control is regulated by several institutions: Ministry of Environment and Physical Planning – Directorate of Environmental, local self-government units, installation operators and the State Inspectorate of Environment.

The Ministry of Environment and Physical Planning, the City of Skopje and some of the municipalities have taken measures and activities to establish a regime for issuing integrated environmental permits, but there is lack of effective system for integrated pollution prevention and control to fully cover industrial facilities and control mechanism that will monitor whether they should have an Integrated Environmental Permit (IEP) according to their capacity. According to data from the State Statistical Office, in 2019 there are 75.914 active business entities distributed in 19 sectors of activity, according to the National Classification of Activities, but the number of business entities that perform activities that require B-IEP is not known.

The existing installations that have Operational Plan Compliance Permit (OPCP) and have not yet fulfilled the obligations from the operational plans, have adverse impact on the quality of the environment, and thus they do not fulfill conditions for obtaining B-IEP. They continue to pose a danger with their activities to exceed the permissible limit values for the presence of pollutants.

Changes are needed in the provisions and implementation of some of the existing bylaws in order to ensure uniform and more accurate preparation of B-IEP, and thus to achieve greater environmental protection.

In the period 2017 - 2019, the entities subject to the audit collected fees in the amount of 7419.000 denars. Due to different interpretations and manner of

application of bylaws, differences in the manner of calculation of the fee have been ascertained, which leads to unequal treatment of installation operators, who are obliged to pay this fee. Most of the entities have not established accounting records of receivables from the operators of installations, which does not allow monitoring and regular collection thereof. The absence of proper records does not provide for timely warning or revocation of the license in case of uncollected claims.

The legal provisions do not provide precise guidelines for the earmarked spending of collected fees, and the entities did not submit evidence for their use on any grounds defined by the legal regulations.

Internal monitoring of installations is largely set up by the operators, but the information from the monitoring is not submitted to the competent ministry. A monitoring network has not been established at national and local level, and thus, it is not possible to fully monitor the situation regarding industrial installations, as well as their impact on the quality and changes in the media and environmental areas. The supervisory activities of competent institutions are insufficiently represented, which has an effect on untimely detection, prevention and control of environmental pollution caused by industrial installations.

These conditions do not allow for full control of pollution and compliance with environmental principles: "high degree of protection", "precaution", "prevention", and

at the same time affect the incorrect and incomplete compliance with the principle "polluter pays".

As a result of the ascertained shortcomings, the scope and evidence provided with the implementation of appropriate audit techniques and methodology, the State Audit Office concluded that the measures and activities taken by the competent institutions for issuing B-integrated environmental permits are not effective enough to set up an integrated system for prevention and control of pollution from industrial activities and full compliance with environmental principles.

7.7.4 FOLLOW UP AUDIT ON "EFFECTIVENESS OF POLICIES, MEASURES AND ACTIVITIES IN GRANTING WATER RIGHT"

The State Audit Office conducted audit on the implementation of audit recommendations contained in the Final Performance Audit Report from 2019 entitled "Effectiveness of policies, measures and activities in granting water right", to assess the degree of implementation of recommendations and the adequacy of measures taken.

The audit provided basis for expressing conclusion that involved entities have not taken activities and measures for implementation of audit recommendations, and thus it is necessary to take on activities for implementation of recommendations in the coming period.

The authorized state auditor found out the following:

- ✘ out of 19 audit recommendations given to entities at central level (Ministry of Environment and Physical Planning, Ministry of Finance and State Inspectorate of Environment), one recommendation is implemented, 2 recommendations are partially implemented, 9 recommendations are not implemented and implementation of 7 recommendations is ongoing;
- ✘ out of 11 audit recommendations given to entities at local level (municipalities and public enterprises), 4 recommendations are partially implemented, 2 recommendations are not implemented and implementation of 5 recommendations is ongoing.

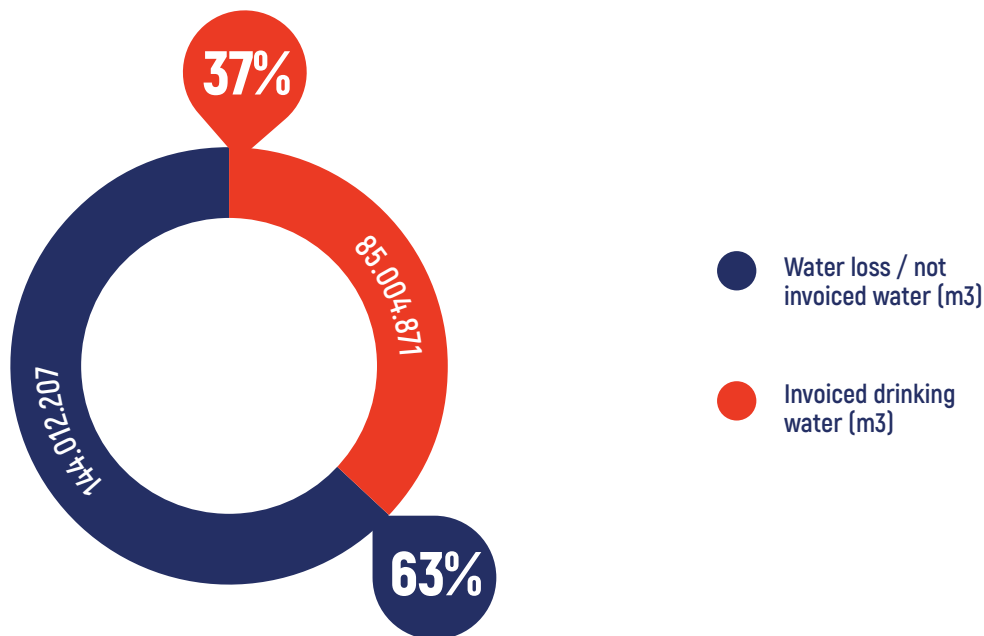
Incomplete action upon audit recommendations of the authorized state auditor resulted in payment of less funds in the Budget of RNM of at least 204.713.000 denars or 3.3 million euros as unpaid water right fees collected from end users (legal entities and individuals) by the public enterprises providing water services.

The public enterprises have presented liabilities for calculated and unpaid water right fees in the amount of at least 426.448.000 denars or more than 6.9 million euros, which is a potential revenue of the Budget of RNM.

According to the Report of the Ministry of Finance, submitted at a request of the Government of RNM, as of March 2019, the reported liabilities of 60 municipalities toward public enterprises that provide water services amounted to 348.365.000 denars or more than 5.6 million euros. The water delivered by the public enterprises for the needs of the municipalities, for irrigation of greenery and parks, fountains, street washing, etc. is not measured and invoiced in line with the real consumption in m³, and most often, it is invoiced as a lump sum according to annual municipality programs.

Following the inspection and data analysis, the authorized state auditor concluded that in 2019 the total water abstraction is 229.017.078 m³, of which 63% is not invoiced. The auditors also found that public enterprises in the following municipalities have recorded the highest percentage of water losses: Debar 84%, Dolneni 82%, Gostivar 81%, Kicevo 77%, Ohrid 72%, Krushevo 71% and Kocani 70%.

Measuring the quantity of water in 2019



The quantities of not invoiced water include physical water loss, commercial water loss due to illegal consumption and inaccuracy of water meters and data handling errors, as well as not invoiced legal water consumption, measured and unmeasured consumed water for regular sanitation and washing of reservoirs, fountains and public decorative fountains, watering public green areas, tree lines and boulevard greenery and street washing.

These conditions indicate that measures and activities taken by public enterprises for reducing water loss are insufficient and result in

less calculated and reported revenues of public enterprises, less calculated value added tax, less calculated, collected and paid water rights fees in the Budget as well as inadequate financial result of public enterprises.

The auditors concluded that the Ministry of Environment has not taken specific measures for reviewing and amending the National Water Strategy. The Strategy still does not contain specific strategic goals and priorities or measures and activities for implementation thereof, and therefore it cannot achieve its legally established role as a basic planning

document for defining, planning and developing water management.

It was also concluded that Methodology for calculating the unit of harmfulness of discharge in waters is not in place yet, thus the public enterprises do not calculate variable value of compensation for discharge in waters.

In addition, the auditors found out that Water Agency has not yet been established, even though the Work Program of the Government of the Republic of Macedonia 2017-2020 envisages establishment of Water Agency that will integrate all data on water resources collected by competent institutions using a single water management system.

The Ministry of Environment has not taken necessary activities for reviewing the existing legal solution on the manner of determining and collecting water rights fees and for providing solution for control, monitoring and efficient collection of the same.

In the period covered by the audit, inspection supervision over the water right users was performed only by the State Inspectorate of Environment i.e. by water economy inspectors, although the Law on waters provides for competencies for inspection supervision of other inspection services as well. Despite duties given by water economy inspectors, public enterprises do not take sufficient activities to eliminate identified irregularities, but also there are not enough mechanisms in the legal solutions to ensure the same.

7.7.5 FOLLOW UP AUDIT ON "AIR QUALITY", COOPERATIVE AUDIT

The State Audit Office conducted audit on the implementation of recommendations contained in the Final Performance Audit Report of 2017 on the topic "Air Quality" to assess the degree of implementation of recommendations and the adequacy of measures taken.

The audit found that out of 10 audit recommendations, 1 is implemented, for 3 recommendations the implementation is ongoing, 4 are partially implemented and 2 recommendations are not implemented. This provides basis to conclude that the problem of air pollution in RNM requires long-term systemic and integrated approach of all stakeholders (central/local level institutions,

private sector and citizens). Activities taken in the last three years, albeit a positive step, have not achieved desired effects in reducing air pollution. Supervision and control are at low level and very small part of budget funds at central and local level are allocated for implementation of planning documents' measures and thus the largest part of measures remain unimplemented.

The new set-up of the cross-sectoral group on air quality provides better institutional cooperation, management and coordination. With the closing of the Public Healthcare Committee, overlapping of competencies of the two bodies was avoided.

Institutions that are main creators and implementers of policies for improving air quality at central and local level continuously lack adequate, permanent and professional staff.

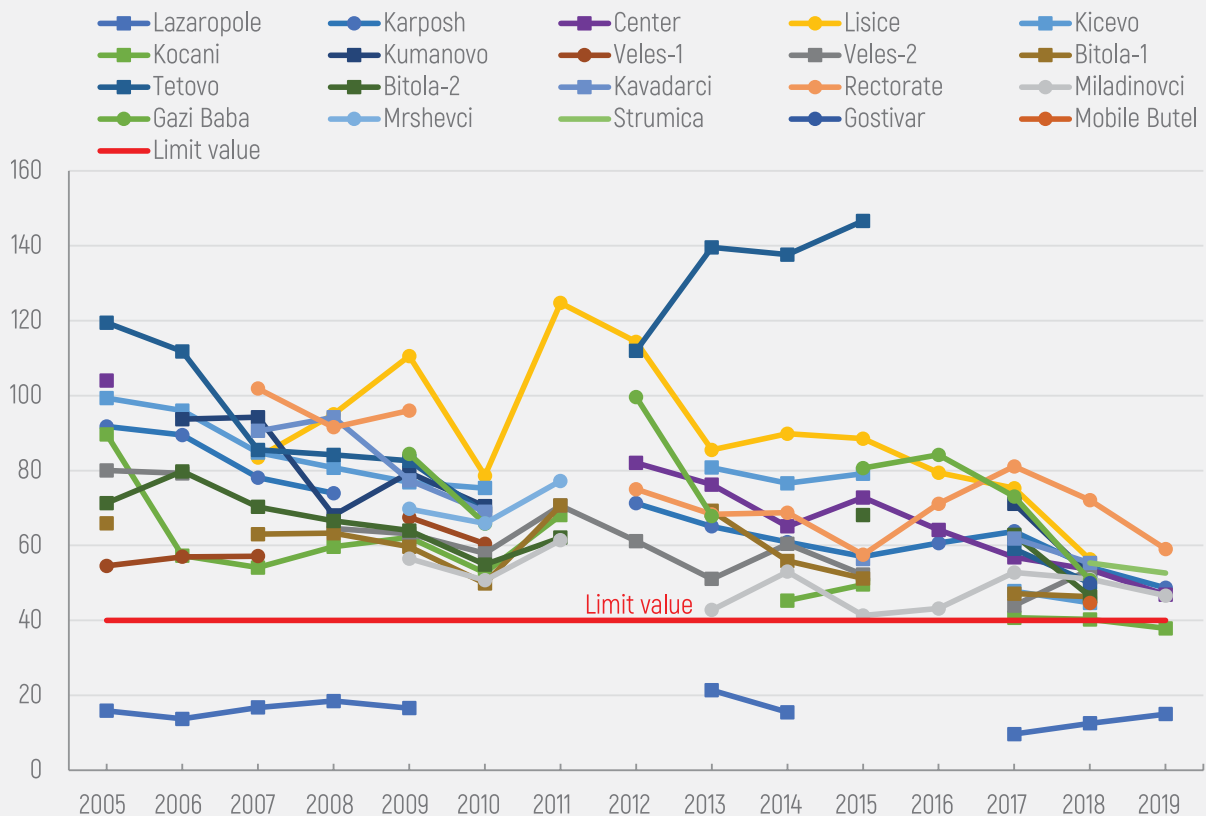
The Ministry of Environment and Physical Planning is carrying out project activities for setting up National Information System on Environment, which should provide integrated system and data access from several media (air, water, soil).

Amendments to the Law on Ambient Air Quality have been proposed for enabling prompt and efficient measures, locating responsibility and appropriate penalties for non-implementation of planning documents' measures.

Of the total number of inspections in 2017, 2018 and 2019, insignificant 1% were performed under the Law on Ambient Air Quality. The risk assessment methodology

for environmental inspection (which is in implementation test phase) and the Draft Law on Environmental Inspection (which is in the process of adoption) offer appropriate legal solution for the functioning of a single system of environmental inspection on the territory of RNM.

According to data from the State Statistical Office, the share of investments and expenditures for air protection in GDP in the reporting period 2017-2019 has decreased compared to previous years and amounts to 0.03%, while the share in the total investments and expenditures in environment is 2% in 2017 and 2018, and 2.6% in 2019. This is one reason why average annual concentrations of PM10 continue to exceed the limit values in all measuring stations except in Lazaropole.



Source: Ministry of Environment and Physical Planning

In addition to the agglomeration plans for Skopje region and the municipalities of Bitola and Tetovo, in the reporting period plans were adopted for the municipalities of Strumica, Veles and Kicevo. However, the largest number of municipalities where pollutants exceed limit values have not prepared plans to improve ambient air quality.

Due to the insufficient administrative capacity of competent institutions, monitoring of implementation of planning documents' measures is not regular and complete i.e. it is done ad hoc and at request of stakeholders (EU, media and the civil society).

Completeness of data of the Pollutants Cadaster is still not ensured because more than 50% of operators holding A and B integrated environmental permits have not submitted data.

To overcome ascertained state of affairs, the audit provided guidelines for further action of the Ministry of Environment and Physical Planning, the State Inspectorate of Environment and LSGUs on the following: strengthening administrative capacity, adopting proposed legal solutions on ambient air quality and environmental inspection, setting up comprehensive National Environmental Information System and a complete database for the Environmental Cadaster, a system for preparing and monitoring planning documents and obtaining necessary financial resources for implementation thereof.

7.8 CULTURE

7.8.1 MINISTRY OF CULTURE

In line with SAO 2020 Annual Work Programme, the State Audit Office performed audit on the financial statements and compliance audit for 2019 in the Ministry of Culture.

In the final audit report, the authorized state auditor ascertains the following state of affairs:

✘ capital transfers to local self-government units were not made in accordance with legal provisions, i.e. one municipality did not receive funds for a project even though the necessary documentation was submitted, while another municipality was paid funds without submitting necessary documentation for a project that reasonably cannot be completed by the end of the year;

✘ the Ministry has not adopted annual plan for realization of the national interest in culture, for determining general directions for realization of the national interest;

✘ the Ministry has paid 406 million denars for financing activities in the field of culture to users selected at the annual competition, without adopted internal acts with defined conditions and criteria on the manner of allocating funds for projects of national interest in the field of culture for 2019;

The audit report also points to some irregularities in the allocation of funds for projects of national interest in the field of culture as follows:

- ✘ special competition / application for cultural and artistic events is not foreseen and no criteria for evaluation of events is defined;
- ✘ large part of the costs for funded projects are paid as fees for the organizers of the events;
- ✘ some activities did not meet foreseen deadline for submission of report with project proposals for selection by commission formed by the Minister;
- ✘ funds were paid for projects with incomplete documentation without report on project realization, and payments were made in cash in amounts that exceed the legal limit.

The auditors found that the Ministry has not made an inventory of assets and sources of funds in accordance with laws and bylaws, and thus the accounting is not adjusted to the actual situation.

The Emphasis of Matter paragraph in the audit report discloses conditions that may have future financial implications, as follows:

- ✘ in December 2018, RNM Government passed a conclusion with instructions for the Ministry to proceed with amicable termination of the

public procurement contract for construction works for Dramski Teatar Skopje, because this facility is not strategic priority of RNM Government and the necessary funds were not provided for it; and

- ✘ in 2015, the Ministry as an investor for construction of building with sculptural composition in Skopje, concluded public procurement contract for construction of the building in the amount of 342 million denars, with construction period of 18 months and another contract for expert supervision in amount of 528.000 denars. As of August 2017, all construction activities have been suspended by the contractor. In January 2019, RNM Government passed a conclusion that obliges the Ministry of Culture to conduct procedure for conversion of this facility and to announce public competition for design solution.

The Other Matters paragraph in the audit report highlights that salaries of employees in the field of culture were paid by increasing coefficients and changing the basis for salary payment, without making amendments to the Law on payment of salaries.

7.8.2 CULTURAL HERITAGE PROTECTION OFFICE

The State Audit Office carried out financial audit together with compliance audit for 2019 on the Office for Protection of Cultural Heritage (the Office) and identified the following shortcomings.

The Office has not prepared Annual Report on its operation that is to be submitted to the Government nor a five-year National Strategy for Protection of Cultural Heritage with long-term policy principles for protection and use of cultural heritage.

Within 2016 budget, the Office for Protection of Cultural Heritage planned a project for research, protection, conservation, restoration, reconstruction and presentation of the Ancient Theater Skupi. The Government gave consent to conduct a multi-annual public procurement procedure from 2016 to 2019 in the amount

of 522.577.000 denars, while the scope and dynamics were defined in line with the opinion of the Ministry of Finance. By inspecting the Office budget for 2016, 2017, 2018 and 2019, the authorized state auditor determined that no funds were planned in the amount defined in Ministry of Finance opinion, upon which consent is given for implementation of this multi-annual public procurement procedure. Lack of funds in the budget of the Office for the multi-annual construction of the Ancient Theater Skupi contributed to the 7.56% contract realization by the end of 2019.

The Office business books do not have records of the construction of structures in the amount of 751.941.000 denars while they were under construction, i.e. the value of the structures was



Locality Skupi

not increased following the reconstruction and adaptation.

The Office has not carried out inventory of assets and sources of funds in accordance with laws and bylaws, and thus the accounting situation is not adjusted with the actual one.

It was ascertained that 748.280.000 denars were spent within the Reconstruction program of St. Clement University at Plaoshnik from 2010 until the day of the audit. Over the years, two main public procurement contracts have been signed for this project with several annexes. The auditors identified several weaknesses in these procedures concerning non-compliance with provisions of the Public Procurement Law, the Law on Construction and the provisions of the signed contracts. As a result, the deadlines for construction have been extended, the construction price increased, and thus more budget funds were spent while the facilities are not in operation yet.

In the Emphasis of Matter paragraph, the authorized state auditor pointed out the following shortcomings:

- ✘ there are ongoing court proceedings against the Office with uncertain outcome that may additionally burden the Office budget with interests and court costs; and
- ✘ the construction of St. Clement University at Plaoshnik as a new structure is not under the jurisdiction of the Office in line with the Law on Protection of Cultural Heritage.

7.9 TRAFFIC, TRANSPORT AND COMMUNICATIONS

7.9.1 ELECTRONIC COMMUNICATIONS AGENCY



With the performed audit of the financial statements for 2019, together with the compliance audit of the Agency for Electronic Communications (AEC), the authorized state auditor ascertained the need of harmonization of the act for systematization of jobs with the regulation, and improvement of the procedure for performing inventory of assets, receivables and liabilities.

For the needs of the audit, and in accordance with Article 27 of the State Audit Law, SAO engaged external construction experts to determine the legality of the construction activities for construction of "Antenna Pillar at Vodno-Antenna Control System and monitoring of radio frequencies on the territory of the Republic of Macedonia, without access road and without connected transmission line".

The activities for construction of the Antenna Pillar at Vodno started in 2013, based on signed contract for construction of Antenna system for control and monitoring of radio frequencies on the territory of the country, and the activities have

not been completed yet. The total value of the contract and the annexes to the contract as of June 2020, is 1.142.325.000 denars without VAT, of which 517.751.000 denars were realized as of November 2019.

The authorized state auditor pointed out shortcomings that can have financial implications and impact on the operation of the Agency in the future as follows:

- ✘ initiated court proceedings for collection of receivables in the amount of 97.159.000 denars, whose outcome may affect AEC revenues;
- ✘ recorded claim from the Ministry of Transport and Communications, based on a given deposit in previous years in a bank with ongoing bankruptcy procedure;
- ✘ donations were given in previous years for construction of a structure of public interest, which donation beneficiary has not fully realized; this may cause financial implications in the future.

Overcoming identified shortcomings requires action by competent authorities for further regulation of the legislation and bylaws, further regulation of the manner of distribution of the part of revenues intended for financing the Operational-Technical Agency, as well as for review of the amounts of the fines of AEC as the competent body for misdemeanors in line with the Law on Electronic Communications, in order to harmonize this with the provisions of the Law on Misdemeanors.

7.10 LOCAL SELF GOVERNMENT

7.10.1 LOCAL SELF GOVERNMENT UNITS (LSGUs)



In 2020, SAO conducted audit on the financial statements together with compliance audit for 2019 of the local self-government units Radovish, Kocani and Gazi Baba, and ascertained the following shortcomings.

The evaluation of the system of internal controls in different processes showed that internal control is partial or lacking and does not function in the process of revenue collection and execution of expenditures and in the process of planning the municipal budget. As a result, there is a risk of incompleteness of property tax revenues and utility fees, as well as risk of adopting unrealistic budget.

In the Municipality of Radovis and the Municipality of Kocani, a significant deviation between planned and realized revenues and expenditures of the budget is still present; despite the adopted rebalance of the budget, harmonization is not performed.

In the municipalities of Kocani and Radovish, weaknesses were identified in the collection of fees for public cleanliness and public greenery by public companies that pay the fees irregularly or do not pay the fees to the budget of the municipality.

In the municipality of Gazi Baba, from taking over the competence until 2020, the funds based on estrangement and leasing of construction land owned by RNM were paid on inadequate revenue account, which resulted in lower revenues in the Budget of RNM in the amount of 58.546.000 denars. The same applies to collected contractual penalty for non-compliance with the Law on Construction Land, which resulted in less funds paid to the Budget of RNM in the amount of 1.247.000 denars.

In the municipalities of Radovis and Gazi Baba, weaknesses have been identified in the implementation of the Law on treatment of illegally constructed buildings and no annual reports have been prepared on the use of funds from the fee for determining the legal status of illegally constructed buildings.

In all three municipalities there are problems concerning inventory of property and liabilities, which linger for years and do not allow adjustment of assets and liabilities of accounting records with the actual situation identified with the inventory.

In the Municipality of Gazi Baba, since 2017 the Municipal Council does not adopt the Annual Employment Plans proposed by the Mayor. As a result, the Municipality has no possibility to hire new employees even after retirement of some employees at high/important positions, and due to the regular retirement the number of employees has significantly reduced. The municipalities of Radovis and Gazi Baba have hired several employees through a private employment agency to perform tasks of regular job positions that are not filled in line with the systematization act; also, some of these employees work in the same job positions for more than two years, which is not in accordance with the Law on Private Employment Agencies.

In the Municipality of Radovis, no procedure has been adopted for distribution of funds from block subsidies to the municipal public institutions.

In the municipalities of Radovis and Gazi Baba, auditors identified cases of non-compliance with the provisions of the Law on Citizens' Associations and Foundations and the Law on Sports. Namely, the municipalities give funds to companies and associations and sports clubs without criteria or without determined maximum and minimum amount.

In the Municipalities of Radovis and Gazi Baba, auditors identified non-compliance with the provisions of the Law on Construction, which mostly refers to unprepared reports on technical acceptance of buildings or phase construction, and in terms of introducing the work to the contractors.

Weaknesses in public procurements have also been ascertained, especially in the part of preparation of technical documentation in cases when unit prices per item are applied without taking into account the project documentation and the technical documentation that requires specified quantities, and thus the principle of most economical bid is not always provided. Weaknesses in public procurement procedures were identified in the Municipality of Radovis and Municipality of Gazi Baba.

In the paragraph Emphasis of Matter, the authorized state auditor pointed to strengthening fiscal capacity of local self-government units, debt servicing and debt relief to suppliers. Namely, in November 2018 the Assembly of RNM adopted the Law on financial support of local self-government units and spending units established by the local self-government units for financing overdue and unpaid liabilities. For the implementation of this law, funds in the amount of 3.023.383.000 denars were transferred from the Budget of RNM for 2018 to separate accounts of the municipalities for settlement of 51% of the total reported due and unpaid liabilities.

7.10.2 CAPITAL TRANSFERS TO LSGUs FROM THE BUDGET OF RNM

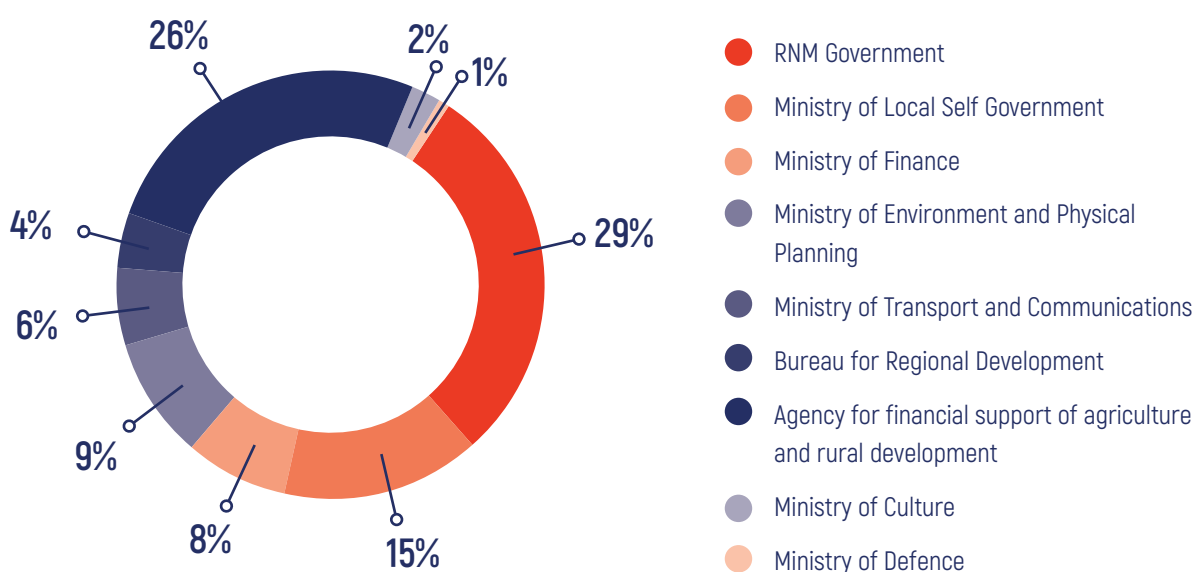
The Government of RNM in its program activities, through the budget users who are the bearers of government and budget programs, envisages measures and activities that include capital transfers from the Budget to the local self-government units (LSGUs). Through capital transfers, municipalities are assisted in exercising their legal competencies, enabling more balanced development at the entire territory of RNM and development and investments in rural areas, in order to:

- ✗ reduce disproportions in development of individual municipalities,

- ✗ improve quality of life of the population throughout the country, and
- ✗ reduce migration of the population from rural to urban areas.

It was ascertained that in the period 2017-2019, 3.038.123.000 denars were transferred from the Budget of RNM to LSGUs for capital investments in infrastructure and improvement of the environment. The share of individual budget users in the total transferred funds for capital investments in LSGUs is shown in the following graph.

Share in transferred funds by individual budget users



Taking into account the materiality and the significance of transferred funds from the state budget to LSGUs for capital investments, SAO conducted performance audit to answer the question: "Is there an effective system in place for managing capital transfers to LSGUs from the Budget of RNM?"

The performance audit focused on the established method of managing capital transfers to LSGUs in order to assess to what extent it enables effective planning, implementation, monitoring of implementation and reporting on the implementation and effects of capital investments.

The audit identified the following shortcomings:

- ✘ legislation does not prescribe unified way of acting of budget users in the management of capital subsidies;
- ✘ strategic and planning documents adopted by the Government of RNM, which are the basis for preparation of operational plans and annual programs or decisions covering capital transfer measures to LSGUs, do not contain sufficient number of parameters for unimpeded annual planning, monitoring of implementation of activities and effects of the same, and some of these documents have not been adopted;
- ✘ annual programs for measures and funds for capital transfers to LSGUs are timely adopted, but the public calls for the same are not;
- ✘ evaluation criteria for submitted projects and for the amount to be approved are different for each program and are largely unclear and imprecise;
- ✘ some decisions for selection of projects that should be financed with funds from the program are made in the second half of the current year and are not always based on performed evaluation and ranking of projects;
- ✘ financing of projects has been approved and funds have not been fully provided;

- ✘ with the budget circulars LSGUs are not informed about the amount of approved funds for capital transfers;
- ✘ The Budget of RNM does not provide clear picture of the total amount of funds intended for capital transfers to LSGUs;
- ✘ for part of the funds allocated by Government decisions, no agreements are signed with funds' users;
- ✘ long deadline from publishing public calls to signing contracts;
- ✘ advance payments, termination of contracts and unrealized funds due to delayed performance of works or not starting works in line with signed contracts for awarded public procurements;
- ✘ funds for capital subsidies are not always transferred to a special purpose account;
- ✘ monitoring of realization of capitals investments is done by the budget users through which the funds were transferred, but monitoring of realization of capital subsidies is not done by the Commission for monitoring development of the financing system of municipalities;
- ✘ some budget users and some municipalities do not submit reports on the realization of given/received funds for capital investments to the line ministries that are bearers of the programs and to the Government of RNM; and
- ✘ evaluation of the effects of realized capital investments has not been performed.

The identified shortcomings with the performance audit were the basis for expressing the following conclusion:

Multidisciplinary regulation as a system framework for drafting strategic documents for building long-term goals, policies and activities for a stable system of capital transfer management at the state level, covers different period of long-term planning and does not always have clearly defined goals, activities,

indicators and sources of funding; also, there is no methodology in place for the manner of distribution of funds for capital transfers; and thus integrated management is impeded, planning, implementation, monitoring of effects is complicated and there is no clear and complete picture of the state of transferred funds for capital investments from the Budget of RNM to LSGUs.

For effective management of capital transfers from the Budget of RNM to LSGUs, the competent institutions need to carry out activities for further regulation of mutual communication and coordination, aimed at timely, complete and effective planning, implementation, monitoring of the implementation and reporting on the effects of capital investments.

7 . 1 0 . 3 EFFICIENCY OF MEASURES AND ACTIVITIES FOR REALIZATION OF TRANSFERRED COMPETENCIES FINANCED WITH BLOCK SUBSIDIES

SAO carried out performance audit on the topic "Effectiveness of measures and activities for realization of transferred competencies financed with block subsidies".

The scope and evidence provided with implementation of audit techniques and methodology led to the following conclusion:

The Law on financing local self-government units provides for transferred competencies to be financed with block subsidies in education, culture, early child protection and protection of the elderly. The system of financing transferred competencies of municipalities is not based on the principle of financing competencies (functions) but institutions in the field of education, child and social protection and culture. It follows that decentralization

does not ensure harmonious and balanced relations between demographic, economic and cultural development of the country; there are differences due to unequal development of urban and rural municipalities, thus all municipalities cannot participate equally in the decentralized processes in all areas, especially in culture. Despite the initiative to redefine the manner and criteria for earmarked and block subsidies for municipalities, the competent ministries have not taken sufficient activities to redefine the manner of establishing criteria for earmarked and block subsidies for municipalities.

Ascertained state of affairs in education indicate that no assessment has been made to determine the necessary network of schools in each municipality, and thus there is no rationalization

of costs of gross salaries and other costs necessary for the operation of each school.

Secondary education lacks functional analysis of the network of secondary schools, especially of educational profiles that are in reality needed by the municipalities and the state.

Block subsidies for kindergartens from 2019 are calculated in line with new Decree on the methodology for determining criteria for distribution of block subsidies due to inapplicability of the previous methodology; however, the problem with the centralized and complex employment process remains, which is particularly important in kindergartens that lack human resources.

Block subsidies in culture are distributed on the basis of unchanged criteria in the said decree, and the municipalities have not adopted internal acts for distribution of funds to the institutions.

In conditions of pandemic and adopted measures for protection from Covid-19, when the education process is carried out online without physical presence, the funds for block subsidies from the Budget of RNM for 2020 and 2021 are not reduced, and thus unspent funds remain on the accounts for block subsidies of the municipalities.

7.10.4 IMPLEMENTATION OF THE LAW ON TREATMENT OF ILLEGALLY CONSTRUCTED BUILDINGS IN THE MUNICIPALITIES OF OHRID AND STRUGA

The Law on treatment of illegally constructed buildings was adopted in 2011 for systemic solution of the problem with illegally constructed buildings in the country. The Law regulated conditions, manner and procedure for registration, determining legal status and sanctioning of illegally constructed buildings, and was valid until March 2021.



The need for legalization of illegal constructions in RNM arose due to the large number of citizens with unresolved status of their facilities, as well as in accordance with internationally ratified legal acts. By legalizing illegally constructed buildings, the state started solving the long-standing problem of construction, in order to introduce order in spatial planning.

The State Audit Office conducted compliance audit on the implementation of the Law on treatment of illegally constructed buildings in the Municipality of Ohrid and Municipality of Struga, for the period 2011-2020, and certain areas, issues and events covered the period until April 2021.

By inspecting the registers of submitted requests, we identified the following:

In the Municipality of Ohrid, as of September 2020, 15.939 requests for obtaining legal status of 19.935 structures were registered. Out of the total number, requests for 5.806 structures or 30% were approved, requests for 2.544 structures or 19% were rejected, while requests for 11.585 structures are in process, i.e. the legal status of 51% of structures is still not resolved.

In the Municipality of Struga, 10.723 requests were submitted for determining the legal status of illegal structures, of which 3.049 requests or 28% were approved, 4.040 requests or 38% were rejected, 2.775 requests or 26% are in process, and 8% or 859 requests have indefinite status.

As a result of the identified shortcomings, the scope and evidence obtained with implementation of appropriate audit procedures and methodology, the authorized state auditor issued the following conclusion:

"The process of determining the legal status of illegally constructed buildings is not implemented in line with the required/expected dynamics due to the legally provided opportunity to submit incomplete requests for determining the legal status of illegally constructed buildings, which usually do not include geodetic report and property certificate for the land where the illegal structure was built; frequent changes to the law; non-compliance with deadlines set in the Law on taking certain actions; insufficient HR of the construction inspection; failure to act upon conclusions adopted by construction inspectors; complexity of the process of adopting planning urban documentation; making decisions for temporary suspension of adoption and implementation of urban planning documentation and procedures; weaknesses in the collection of fees for regulating the legal status of illegally constructed buildings, as well as partial compliance with the legal provisions in the implementation of procedures for determining illegally constructed buildings that are under the competence of the Ministry of Transport and Communications. The aforesaid results in delays of the process and failure to achieve the objectives of the Law on treatment of illegally constructed buildings, and in the end it has a negative effect on the urban development and the preservation of the World's natural and cultural heritage in the Ohrid Region.

For overcoming identified shortcomings, the authorized state auditor made recommendations to the competent persons in the Municipality of Ohrid, Municipality of Struga and the Ministry of Transport and Communications.

We point out that the following was submitted to the Assembly of RNM:

- ✘ September 2020 – Draft Law on determining the legal status of illegally constructed buildings, in a shortened procedure, with transitional and final provisions providing for proposal so that the initiated procedures continue in accordance with the law under which they were initiated, as well as a proposal that also changes the scope of illegally constructed buildings, i.e. with this draft law, illegally constructed buildings include the structures built until 1 October 2019; and
- ✘ January 2021 – Draft Law on amending the Law on treatment of illegally constructed buildings, which proposes the term of validity of the law of ten years from the day of entry into force to be extended for five years, i.e. the Law to be valid until March 2026.

7.10.5 QUALITY OF LSGUs SERVICES PROVIDED THROUGH THEIR WEB PORTALS

SAO conducted audit of the information systems as a performance audit to answer the question “Does the quality of services of LSGUs through their web portals provide level of good administration principle i.e. whether citizens exercise their rights or fulfill obligations for less time and costs”.

LSGUs are responsible for providing basic information about the services they provide to citizens and legal entities, in a manner and under conditions regulated by the statute of the municipality. They should be transparent in their work, have clear procedures for participatory decision-making and clear procedures for public and administrative services, should be accountable in the use of public funds and continuously improve life in the communities.

The audit covered the period 2016 - 2020 and the following shortcomings were identified:

- ✘ problems with the availability of web portals and their regular monitoring;
- ✘ lack of basic information and instructions for the services available to the citizens, i.e. information about the services provided to the citizens on LSGUs web portals;
- ✘ lack of complete register, i.e. list of services / e-services provided by LSGUs for the citizens and the legal entities;
- ✘ not all LSGUs publish services / e-services they provide on the web portals;
- ✘ lack of forms for all services provided by LSGUs and continuous revising of forms, as well as lack of information on service fees;
- ✘ web portals are not adapted for access of people with disabilities;
- ✘ absence of strategic planning for local economic development in the LSGU, as well as lack of strategic planning for the use of information technology;

- ✘ non-functional solution for monitoring service provision by the entities that perform public services, and absence of regular monitoring of the quality of public services at local level;
- ✘ insufficient transparency and accountability for the use of public funds on web portals;
- ✘ part of the LSGU does not provide access to public information on the web portals;
- ✘ HTTPS security protocol for access to web portals is not implemented in all LSGUs;
- ✘ insufficient implementation of basic quality management standards;
- ✘ lack of unified / uniform access to the services provided by LSGUs on their web portals; LSGUs do not follow standards for web accessibility and web portals do not provide easy navigation and access to services and information;
- ✘ insufficient human and financial resources, necessary for setting up e-services, as well as lack of analysis and defined minimum resources necessary for unimpeded provision of quality services on LSGUs web portals.

Based on the conducted audit, the authorized state auditor concluded that the existing quality of services provided by LSGUs on the web portals do not provide a level of good administration principle, do not provide effective and fast implementation of a particular service or obligation and do not provide the same treatment, equal access and availability for every citizen.

The authorized state auditor made recommendations for improving the quality of services, increasing the number of electronic public services, publishing legally prescribed information and data on the web portals and their continuous updating, monitoring the standards, providing equal, easy and faster access to public and administrative services for the citizens and other stakeholders, and increased transparency and accountability of LSGUs.

7.111 JOINT STOCK COMPANIES AND PUBLIC ENTERPRISES ESTABLISHED BY LSGUs AND THE STATE

7.11.1 PUBLIC ENTERPRISES ESTABLISHED BY LSGUs

We audited the financial statements together with compliance audit for 2019 of the Public Utility Company "Vodovod" Kocani, established by the Municipality of Kocani, and the Public Utility Company "Plavaja" Radovish, established by the Municipality of Radovis.

With the performed audit of the above public enterprises, the authorized state auditor ascertained shortcomings and the most important ones are the following:

- ✘ with the assessment of the system of internal controls in the process of determining revenues and collection of receivables from utility services, due to lack of written procedures there are risks that may have impact on the collection of receivables and the completeness of revenues;
- ✘ PE "Plavaja" Radovish has not established internal audit unit with at least one internal auditor and a head of the internal audit unit;
- ✘ water loss in the water supply system of 67.75% at PE Vodovod Kocani, and 63% at PE Plavaja Radovish of delivered water from the filter station in the water supply system, due to defects in the system, thefts, illegal connections etc., and part of delivered water is used for washing filters in the water treatment plant, watering public greenery and washing public traffic areas;
- ✘ significant amount of unpaid liabilities in the Budget of RNM and the municipality budget based on water use fee, water discharge fee, geothermal water use fee, public cleanliness fee, waste management fee and communal parking fee;

- ✘ PE "Plavaja" Radovish reported profit in a larger amount, and smaller amount of liabilities based on compensation for water use and water discharge as a liability to the Budget of RNM;
- ✘ no entry of the share capital of the public enterprises has been made in the trade register. The companies have not determined the market value of the property and liabilities, i.e. no share capital assessment has been performed;
- ✘ at PE "Vodovod" Kocani claims from buyers in the country from previous years, some of which are sued, and some are obsolete and should be written off, are not presented on the account for suspicious and disputed claims;
- ✘ at municipal level, a system for selection of generated waste has not been established as one of the preconditions for reducing the amount of the same, and to protect the environment.

In the Other Matter paragraph, the authorized state auditor pointed out the shortcomings concerning the Wastewater Treatment Plant Kocani, which was an investment of the Municipality of Kocani. After its completion, the Council made a decision for permanent use and management by PE "Vodovod" Kocani. Since the full documentation is not obtained from the Municipality, it is also not fully recorded in the business books of PE Vodovod Kocani.

7.11.2 JOINT STOCK COMPANIES ESTABLISHED BY THE STATE

We audited the financial statements together with compliance audit of the Joint Stock Company for construction and management of housing and business premises of importance for the country – Skopje (the Company) for 2019.

In 2011, the Company was registered in the Central Register of RNM as a legal successor of the Public Enterprise for Management of Housing and Business Premises of the Republic of Macedonia, based on the Law on Transformation of the Public Enterprise for Management of Housing and Business Premises of the Republic of Macedonia, concerning the property, assets, employees, rights and obligations related to the activity for construction and management of residential space and business space of importance for the country.

The audit identified the following shortcomings:

- ✘ lack of complete system of internal controls in conditions of complex and dispersed organizational set-up of the Company;
- ✘ changes in the single records of residential and business premises of importance for the country, as a statutory obligation of the Company, are not recorded timely, chronologically and completely;
- ✘ the manner of invoicing, signing, archiving, printing and recording monthly invoices for lease of business and residential space, as well as monitoring of realization in accordance with the signed agreements is not regulated;
- ✘ the annual inventory of assets and liabilities is not complete and has not been performed in accordance with the laws, bylaws and internally adopted acts, which regulate the manner of its execution;

- ✘ for the structures with ongoing construction, no separate data was submitted for each structure for the value of construction contracts, year of commencement of construction, as well as for the degree of completion;
- ✘ the records of apartments, garages, basements and business premises intended for sale, are not complete.

In the paragraph Emphasis of Matter, the authorized state auditor pointed out shortcomings that have impact on the operation of the company and the most important are the following:

- ✘ ownership, manner of management and initiated court proceedings of the hot water distribution network in the City of Skopje;
- ✘ uncertainty of the outcome of initiated court proceedings in which the Company is plaintiff for collection of receivables from legal entities and individuals, and is a defendant, as well as for provision of long-term credits by mortgaging buildings and business premises;
- ✘ separation of the two joint stock companies created with the transformation of the Public Enterprise for Management of Housing and Business Premises of the Republic of Macedonia in accordance with the law, is not fully completed;
- ✘ the conversion of the Administrative office space into commercial business space, part intended for sale and part for lease;
- ✘ the procedure for increasing the share capital of the Company by investments through issuance of new shares from the third issue through a private offer;
- ✘ realization of the housing project for socially vulnerable groups, in relation to the dynamics, the price and the deadlines for the construction works.

7.12 INSPECTION SUPERVISION

7.12.1 INSTITUTIONAL CAPACITIES OF INSPECTORATES IN RNM

Having in mind the importance of an efficient inspection system, unimpeded implementation of the inspection process, preventive action, need of preventing and eliminating irregularities and shortcomings in the functioning of the bodies, SAO conducted performance audit of the institutional capacities of inspectorates in RNM to answer the question "Do human resources, financial, material and technical capacities of the inspectorates in the Republic of North Macedonia provide effective inspection supervision?"

The inspection services in RNM are organized as state inspectorates and are independent bodies within the ministries, as organizational units within the state administration bodies or as organizational units for inspection within the municipalities. Setting up the inspection services and the performance of inspection supervision are regulated by numerous laws and bylaws. The inspection services supervise the implementation of about 270 laws and their bylaws.

Systemic framework was introduced in October 2013 and Inspection Council was established to coordinate the work and reforms of the inspection, as well as to ensure the independence of inspectorates in managing the budget, human resources and other resources for the functioning of the inspectorates.

The performance audit covered the Inspection Council, the Ministry of Information Society and Administration, the Ministry of Health, the Office for Protection of Cultural Heritage, the State Inspectorate for Agriculture, the State Inspectorate for Construction and Urbanism, the State Inspectorate for Local Self-

Government, the State Market Inspectorate and all other inspectorates by collecting data with questionnaires.

Regarding strategic and legal framework applied in the work of the inspectorates, we identified the following shortcomings:

- ✘ strategy for development of inspection services in RNM is been adopted;
- ✘ annual reports on the work of inspection services are not submitted regularly to the Inspection Council;
- ✘ records on the number of issued and active licenses of inspectors are not complete and accurate; and
- ✘ need of implementation of measures of the Government Work Program for the period 2020 - 2024, in the part of inspection services.

Regarding human resources, financial, material and technical resources available to the inspectorates, we identified the following shortcomings:

- ✘ insufficient human resources of the Inspection Council and insufficient number of inspectors in the inspectorates;
- ✘ funds for implementation of legal obligations of inspectorates and the Inspection Council are not sufficient;
- ✘ insufficient technical equipment, obsolescence and non-functional equipment of inspectorates, which affects the quality of the inspection; and
- ✘ need for reorganization and optimization of inspection services.

Regarding planning and execution of inspection by inspectorates, we identified the following shortcomings:

- ✘ need of implementation of adopted methodologies for risk assessment when planning entities subject to inspection;
- ✘ lack of integrated information system with software solution for the inspection services, which should enable connection of all data in the performance of inspection supervision;
- ✘ incomplete and out-of-date data recording from performed inspections;
- ✘ need of setting up internal control system in the procedure for performing inspection supervision;
- ✘ insufficient number of trainings for inspectors in order to increase their knowledge, skills, competencies;
- ✘ the entire administrative procedure of the inspection supervision is performed by the inspectors.

To improve and increase efficiency of inspectorates in RNM, it is necessary to strengthen their human resources, as well as financial, material and technical capacities of inspectorates. We made recommendations for action of competent institutions, whose implementation should contribute to the improvement of the whole inspection system in the country.

7.13 POLITICAL PARTIES AND ELECTION CAMPAIGNS

7.13.1 STATE ELECTION COMMISSION

The State Audit Office audited the financial statements of the State Election Commission (SEC) for 2019, together with compliance audit and audit of the approved funds for election activities of the Presidential Elections in the Republic of North Macedonia and the early elections for mayors of the municipalities of Ohrid, Novo Selo and Debar in 2019.

With the performed audit, we identified shortcomings in relation to the regular operation of SEC, as well as to the realized activities related to the election processes, as follows:

- ✘ lack of an act for defining the minimum standards for material and technical means and equipment, physical accommodation and human resources for safe, uninterrupted and economic performance of competencies related to storage;
- ✘ inconsistencies in the manner of using warehouse premises by the SEC;
- ✘ inadequate conduct in performing activities of the inventory of assets and sources of funds and adoption of acts for its approval;
- ✘ lack of complete, orderly and reliable supporting documentation for payment of fees for the persons engaged in the election process;

- ✘ inability to compare data entered by the Municipal Election Commissions with data of decisions on payment of fees for members of election bodies, which are adopted by SEC;
- ✘ when calculating remuneration for persons engaged in the supporting bodies and the election administration, non-qualitative and non-measurable criteria were applied, and
- ✘ inconsistencies in the manner of conducting the procedures for awarding public procurement contracts for the regular operation and implementation of the election processes.

In the paragraph Emphasis of Matter, the authorized state auditor disclosed the procedure for public procurement of new and upgrade of existing software solutions conducted by SEC for the needs of the early parliamentary elections in 2020, which may have financial implications and impact on SEC operations in the future.

7.13.2 POLITICAL PARTIES - REGULAR OPERATION

In accordance with the Law on Financing of Political Parties, the State Audit Office is the competent body for auditing regular operations of political parties, through the financial reporting system.

Starting from 2005, the State Audit Office audits the operations of the largest political parties in RNM, i.e. SAO audits the financial statements together with compliance audit, in line with the procedures and methodology for conducting state audit.

Political parties acquire funds for their operation under conditions and manner determined by the Law on Financing of Political Parties. According to the law, political parties are funded by:

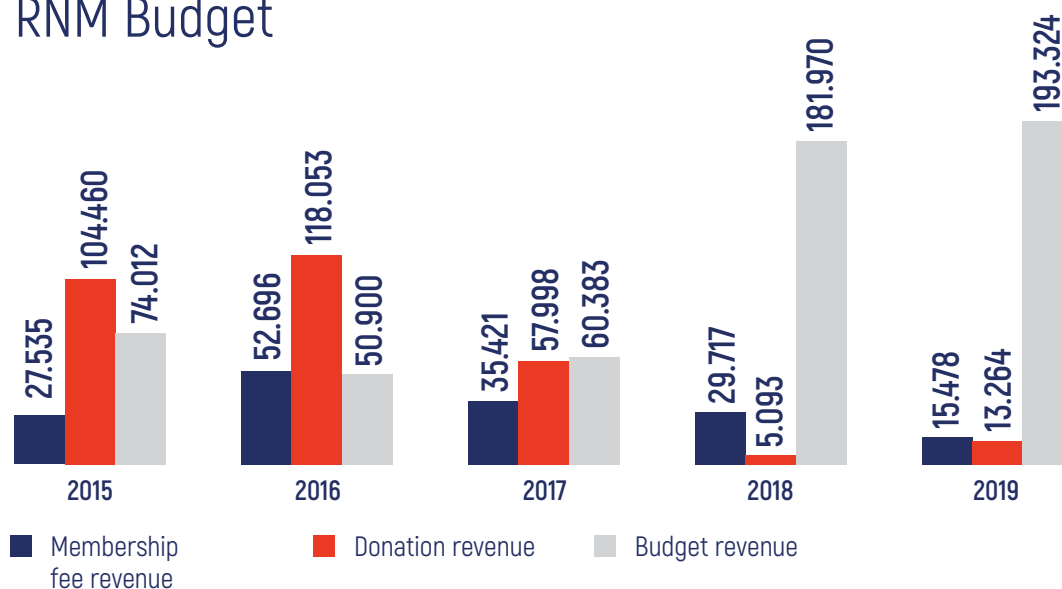
- ✘ public sources of financing, i.e. funds provided by the Budget of the Republic of North Macedonia
- ✘ private sources of financing from membership fees, loans, donations, gifts, contributions, grants, sponsorships, legacies, sale of promotional and propaganda material.

The total funds for annual financing of the political parties amount to 0.15% of the total source revenues of the Budget of RNM, which the political parties can use exclusively for achieving their goals determined by law, statute and other acts of the party.

In 2019, through the Budget section of the Ministry of Justice, funds in the amount of 315.334.000 denars were paid to the political parties for their annual financing and for setting up party research centers. These funds are 12.28% more compared to 2018, as a result of the increase of the total source revenues of the Budget of RNM.

With the analysis of revenues by types of sources of funding of the four largest political parties, we found a growing trend of the share of revenues from the Budget of RNM compared to the private sources of funding of political parties, presented in the following graph.

Revenue of political parties from membership fees, donations and RNM Budget



With the performed audits, we ascertained shortcomings that require action by the competent bodies of the political parties, in particular concerning carrying out inventory in accordance with the legislation, setting up method of collecting, paying and recording revenues based on membership fee for full confirmation of the same, as well as complete records of the property at disposal of the political parties.

In addition, with the performed audits, we continuously point out certain systemic weaknesses of the Law on Financing of Political Parties, presented in detail in the section "Systemic weaknesses" of this Report which require appropriate action.

7.13.3 POLITICAL PARTIES - ELECTION CAMPAIGN

The State Audit Office is responsible for monitoring the financing of the election campaign through the financial reporting system established by the Electoral Code and bylaws, in accordance with the methodology prescribed by the State Audit Law and international auditing standards.

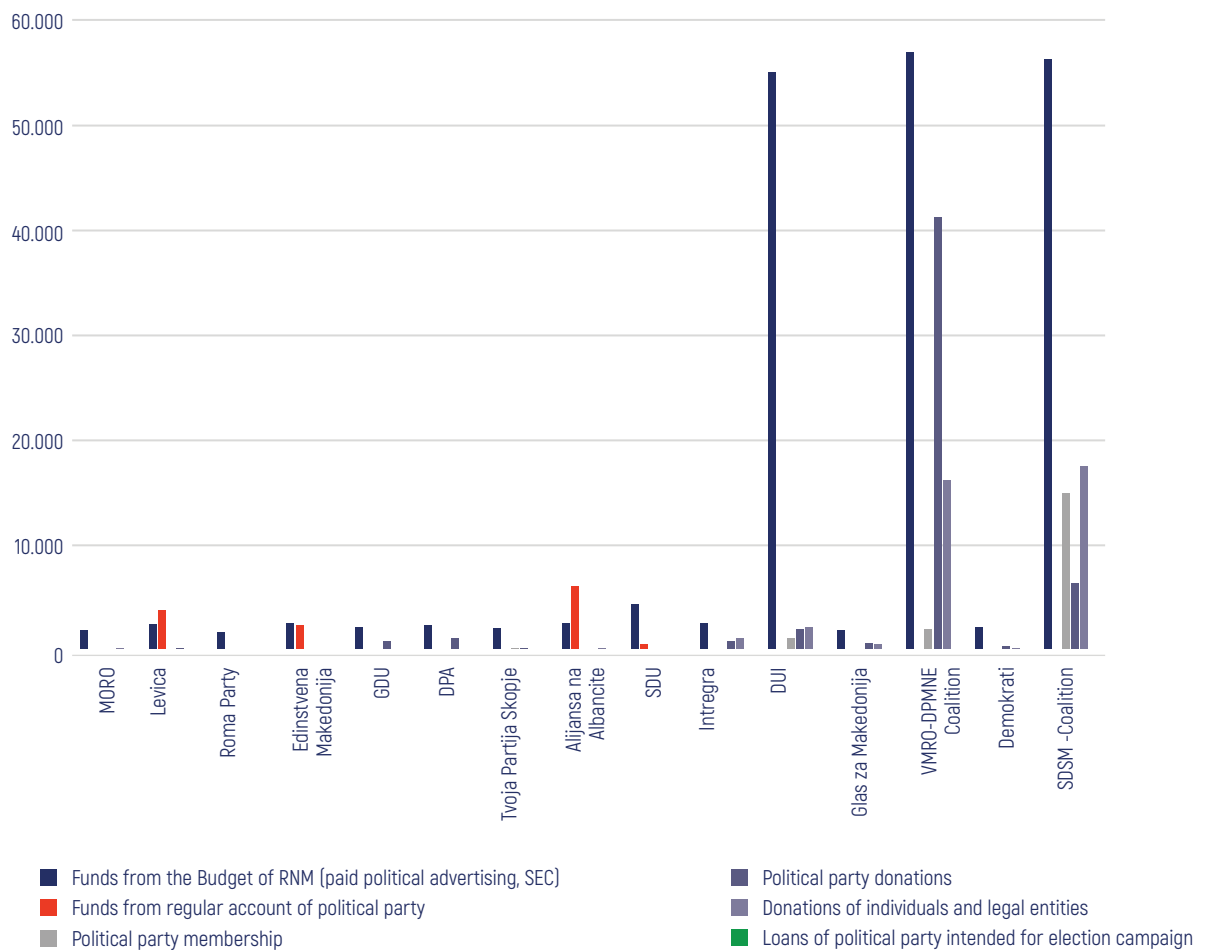
In 2020, SAO audited all fifteen (15) participants in the election campaign of the Early Elections for Members of the Assembly of RNM held in July 2020.

The authorized state auditor identified shortcomings concerning inconsistent application of deadlines for reporting and closing transaction accounts provided in the Electoral Code, financing of the election campaign with funds from sources that are not provided for financing election campaign, as well as lack of complete supporting documentation for some of the invoices for incurred expenses.

According to the Electoral Code, the election campaign is financed from the Budget of RNM, from membership fees of the political party, donations of the political party, donations from individuals in the amount of 3.000 euros in denar counter value and legal entities in the amount of 30.000 euros in denar counter value, and political party loans intended for election campaign.

From the analysis of the total sources of funding for the election campaign for the early parliamentary elections 2020, we concluded that it was funded with a total of 317.772.000 denars, and the structure of funding sources by participants is shown in the chart below.

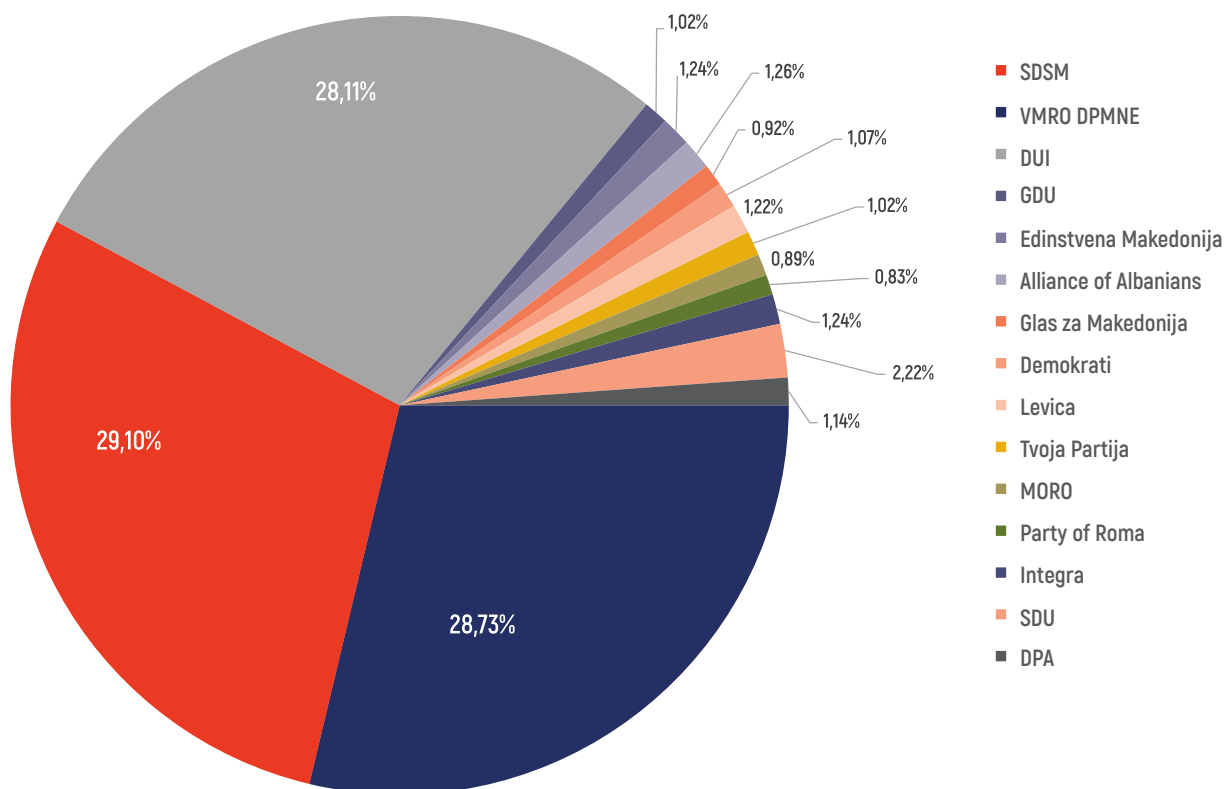
2020 Early Parliamentary Elections in RNM



With the analysis of the revenues by types of sources of financing, we concluded that 62% of the election campaign was financed with the funds from the Budget of RNM, while 38% are revenues from other sources of financing.

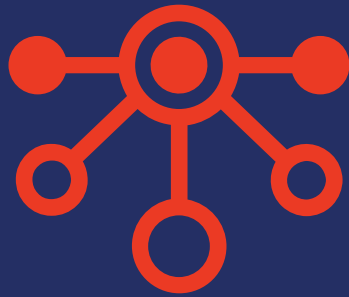
The funds for paid political advertising provided by the Budget of RNM, during the election process are paid by the State Election Commission. For the election campaign in 2020, an amount of 196.358.000 denars were paid, presented by participants in the election process in the graph below.

Funds from the Budget of RNM for paid political advertising for 2020 Parliamentary Elections



Of the total funds for paid political advertising provided by the Budget of RNM, 85.86% were paid to the three largest political parties of the ruling party and the opposition, while 14.14% to the other 12 participants in the election process that in the last parliamentary elections did not win enough MPs to form parliamentary group, as well as for political parties / candidates who are not represented in the Assembly of the Republic of North Macedonia.

In addition, with the performed audits, we continuously point to certain systemic weaknesses of the Electoral Code, presented in detail in the section "Systemic weaknesses" of this report that require action by competent authorities.



8 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 of amendments thereof. In this section, we highlight systemic weaknesses that require action by competent authorities of the executive / legislative power.

Regulation	Proposal for amendment / adoption
Law on transformation into full-time employment	Pursuant to Articles 8 and 9 of the Law on Transformation into Full-Time Employment, the institutions may hire persons based on contract for performance of physical or intellectual work, more than 1% of the total number of employees at the end of the previous year, for period longer than 24 months, based on consent obtained from the Ministry of Finance. In this way, the maximum percentage of persons who can be hired has not been determined, and thus the entities are allowed to hire persons with contract above the legally determined maximum, which calls into question the justification of the adoption of the Law on transformation into regular work relations.
Law on Personal Identification Records	<p>It is necessary to amend the Law on Personal Identification Records due to the following shortcomings:</p> <ul style="list-style-type: none">✘ lack of provisions for the manner of determining the amount of fees for issued certificates and other services performed by the Office, and✘ deadline for issuing required documents by the Office has not been determined, which creates a risk of untimely issuance of documents to the citizens. Due to the established situation, the Office in cooperation with the competent ministry needs to undertake activities to overcome identified systemic weakness.

Regulation**Proposal for amendment / adoption**

Electoral Code

To review and clarify provisions of Article 83 paragraph 2 of the Electoral Code in the part of financing election campaign with funds from the regular account of the political party and from donations from a political party, in the part of individual and total limits of funds financed / donated by physical and legal entities.

With the amendments to the Electoral Code in 2018, Article 71 was amended, which added the possibility to deposit funds on the transaction account for the election campaign from the account for regular operations of the political party and from the special accounts for funds provided by loans; It is necessary to amend Article 26 of the Law on Financing of Political Parties, which will regulate the transfer of funds from the account for regular operation of the party and from the special accounts for the funds provided with loans to the transaction account opened for the election process.

To regulate the manner for proving/confirming of donors that they are not "related persons" provided for in Article 75, with broadcasters, print media and electronic media (internet portals) when financing or giving donations to political parties.

Legal regulation of the provisions of Article 85 of the Electoral Code, in the part of the manner of acting in cases when the Total financial report presents surplus funds collected on the election campaign account, as well as when there is lack of funds and more expenditures presented than revenue, i.e. there are unpaid liabilities.

It is necessary to prescribe clear and precise criteria for allocating funds for paid political advertising funded by RNM Budget between the two largest political parties in the position, opposition and parties that did not win enough MPs to form parliamentary group or are not represented in the Assembly of RNM.

Prescribing obligation to submit report on used billboards by the municipalities in RNM and the City of Skopje.

To undertake activities for further regulation of the Electoral Code in the part of determining a competent body for monitoring and reporting on the election media representation on the electronic media (internet portals).

Regulating the manner of organizing, paying, monitoring and reporting to the competent authorities on the internet representation made by the participants in the election campaign through social networks.

To reconsider the deadline for payment of donations, i.e. it is necessary to determine donations to be paid no later than the day of completion of election campaign.

Regulation	Proposal for amendment / adoption
Electoral Code	<p>Adjustment of Article 84-b, paragraph 8 of the Electoral Code, which will enable the Ministry of Finance to regulate the manner of keeping business books and preparation of financial report for the election campaign with a bylaw, taking into account all types / sources of campaign funds, especially when they do not involve cash inflow to the transaction account.</p> <p>Adjustment of the Electoral Code, concerning Penalties and misdemeanor provisions for providing fines for the electronic media (internet portals) in case of non-submission of Report on advertising space used by each participant in the election campaign and the funds paid and claimed on that basis.</p> <p>Nomo-technical regulation of the Electoral Code because certain articles have no sequence and the provisions of certain articles have wrong reference.</p> <p>The Assembly of RNM to oblige the Legislative-Legal Commission to determine consolidated text of the Electoral Code and to harmonize the terminology with the Constitution and the legal system.</p> <p>Due to the large human and financial resources needed to conduct the elections abroad compared to the insignificant turnout of citizens who are temporarily working or staying abroad during the elections, it is necessary to reconsider the provisions of the Electoral Code governing conditions and manner of voting in the diaspora so to reduce the costs of the state for organizing elections and to create appropriate way of exercising the constitutional right to vote of citizens who are temporarily working or residing abroad during the elections.</p>
Law on Accounting for Non-Profit Organizations	<p>It is necessary to undertake activities for amending and supplementing bylaws that regulate the manner of accounting of non-profit organizations, which will ensure consistent compliance with the accounting principle of "modified occurrence of business changes, i.e. transactions".</p>
Law on Financing of Political Parties	<p>To adopt more specific guidelines for regulating the manner of payment and registration of membership fees as a source of funding for political parties for the purpose of uniformity in the accounting and confirmation of the legally established limit for each member separately, taking into account the financing of the election campaign for a particular process.</p>

Regulation

Proposal for amendment / adoption

Law on Public Employees

Pursuant to Article 14 of the Law on Public Sector Employees, the public sector in RNM consists of employees that have status of administrative employees, and employees that have status of support - technical staff. The provisions of this Law, the provisions of special laws, the regulations adopted on the basis of this Law and the special laws and collective agreements are applied to the employees in the public sector. The amount of the salaries and other benefits of administrative employees is determined in accordance with the Law on Administrative Servants, while for the persons performing technical and support work, distributed in groups, subgroups incorporated in the systematization act, there are no provisions that regulate the method of calculating salaries.

The absence of provisions for determining the salaries of employees who perform technical and support work causes diversity in the calculation and amount of salaries of this category of employees.

In the Constitutional Court of RNM, calculation of the salary for this category of employees is regulated in the signed employment contracts by determining number of points for the respective position. The point value in 2019 is determined by the Decision on determining the value of the point for salaries of support staff by the Secretary General. According to this Decision, the value of the point for calculating the salary is determined in the amount of the value of administrative staff.

To overcome ascertained shortcomings, the state administration bodies in cooperation with the competent ministry need to take activities for initiating amendments to the laws and bylaws and to determine criteria for calculating the salary of employees performing technical and support work.

Law on treatment of illegally constructed buildings

The need to adopt a new law arises due to lack of effects achieved with the previous law. Frequent changes in the Law on treatment of illegally constructed buildings, concerning the opportunity for submitting incomplete requests, as well as the performed aerial photogrammetric surveying of the entire territory of the country, lack of coordination between commissions and construction inspectors and no action of local construction Inspectors, leads to construction of new buildings or extensions and upgrades of buildings without building permit; there is a risk of their legalization from several aspects and these structures are built after the adoption of the Law.

Regulation	Proposal for amendment / adoption
Law on Electronic Communications	<p>With the performed audit on AEC, the audit ascertained the need of reviewing Article 29-a of the Law on Electronic Communications; according to this Article, the Agency is obliged to transfer part of the funds realized from the revenues from fees as funds intended for financing the activity of OTA, for providing adequate financial, human and technical resources for implementation of its competencies, as follows:</p> <ul style="list-style-type: none"> - 50% of total revenues realized by the Agency for the previous calendar year of the revenues of annual fees that operators pay for market surveillance; and - 10% of total revenues realized by the Agency for the previous calendar year of the revenues of annual fees for use of radio frequencies by the holders of approvals for use of radio frequencies. <p>Having in mind that the Agency uses as basis for calculation the part of the revenues that refers only to collected receivables from the current, and not from previous years, the audit opinion is that it is necessary to clearly regulate the manner of distribution of the part of revenues that will be intended to fund OTA.</p> <p>AEC is the competent body for misdemeanors defined in Articles 182 to 185 of the Law on Electronic Communications. Pursuant to Article 183 of this Law, if the legal entity or sole proprietor does not fulfill obligations for payment of fees within the legal deadlines or amounts, a fine in the amount of 10.000 euros in denars counter-value is envisaged for the committed misdemeanor.</p> <p>Having in mind that the amount of revenues realized by the operators, as well as the funds they pay to the Agency differ depending on the size of the operators, the audit opinion is that the fine determined is not proportional to the offense. Therefore, the legislator needs to reconsider the said fine, in order to harmonize it with the provisions of the Law on Misdemeanors.</p>

Regulation	Proposal for amendment / adoption
<p>Law on the Bureau for Development of Education</p>	<p>Article 14 paragraph 1 line 1 of the Law stipulates the obligation of the Bureau for setting up IT system and database for preschool, primary, secondary, specialist education, education for students with special educational needs and adult education.</p> <p>Given the importance of the information system for providing data in the field of education and its contribution to the improvement of the education system in the country, the audit pointed out the need to take action for clear definition of its contents, the manner of collecting, entering, using and exchanging information and data with competent institutions, in order to contribute to the development and promotion of the entire educational activity in RNM.</p>
<p>Law on Value Added Tax</p>	<p>The Law on Value Added Tax does not regulate VAT exemption related to elections, and the Minister of Finance has not adopted bylaw on the manner of taxation of value added tax on the turnover of ballots and election material required for implementation of elections, given the fact that the funds are provided in full from the Budget of RNM.</p>
<p>Law on Judicial Service and Law on Judges' Salaries</p>	<p>The Law on Judicial Service stipulates that the years of service are valued in the amount of 0.5% of the basic salary applied for the education background and salary supplement for the job title, for each completed year of service, and up to 20%, while in the Law on Judges' Salaries it is valued with each year started.</p> <p>The above causes different regulation of the same rights of employees in the same institution, and it is necessary to take action for harmonization of these provisions of the Laws.</p> <p>The provisions of these laws regulate certain rights of judges and court officials differently. Namely, the maximum amount of allowances for judges for special working conditions, existence of high risk and confidentiality is 35% of the basic salary of judges, and for the same allowances court clerks can receive 25% of the basic salary.</p> <p>The audit opinion is that it is necessary to review the legal solutions for harmonization thereof in order to equalize the rights of employees in accordance with the Constitution of RNM.</p>

Regulation	Proposal for amendment / adoption
<p>Law on Courts and Law on Judicial Service</p>	<p>According to the provisions of these laws, the judicial service consists of court clerks, persons employed in the courts who perform technical and support work and the judicial police.</p> <p>Article 3 paragraph 2 of the Law on Judicial Service stipulates that employees in the courts that perform technical and support work do not have the status of court clerks and the Law on Public Sector Employees and the general regulations on labor relations apply to these employees. The amount of salary and other allowances of court clerks and other court employees are determined by law and by collective agreement in accordance with Article 109 of the Law on Courts.</p> <p>The system of salary and salary allowances of court employees is determined by the provisions of the Law on Judicial Service.</p> <p>Pursuant to Article 78 of the Law on Judicial Service, salaries of employees who perform technical and support work in the courts are within the frames of salaries determined for administrative-technical court clerks depending on the level of education, the job position, according to the act of systematization and work experience, without regulating the manner of determining salaries of this category of employees.</p> <p>The absence of provisions for determining salaries of employees in the courts that perform technical and support work, causes differences in calculation and in the amount of salaries of this category of employees.</p>
<p>Law on Organization of State Administration Bodies</p>	<p>In 2004, for performing administrative, professional and other activities in the field of protection of cultural heritage, the Law on Protection of Cultural Heritage established the Office as a body within the Ministry of Culture. The work of the Office is regulated by Article 144, 144-a, 144-b, 144-c and Article 145 of the Law. In the Law on Organization of State Administration Bodies, the Office is not envisaged as a body within the ministry, and thus there is a collision of the Law on Organization of State Administration Bodies with the Law on Protection of Cultural Heritage.</p>
<p>Law on Protection of Cultural Heritage</p>	<p>Regarding the operation of the Office for Protection of Cultural Heritage, the Law on Protection of Cultural Heritage does not provide precise provisions for control of the Office operation, except for submitting annual report to the Government of RNM, which appoints the Office's Director. Also, the Law does not provide for organizational structure with managerial and administrative bodies. This situation contributes to the lack of control over the entire operation of the Office.</p>

Regulation

Proposal for amendment / adoption

Law on Culture

Projects / events of commercial nature of great interest by the public are financed in addition to the financial support from the Ministry of Culture, the users use the provision of Article 23 paragraph 1 item 8-a of the Law on VAT, which refers to VAT exemption for ticket sales. The tax exemption for ticket sales is not intended to be presented by the user as financial support for the project. The audit opinion is that financing of commercial projects as projects of national interest needs to be further adjusted because financing of projects as projects of national interest and in a minimum amount of 5% can be used only to obtain the right to tax exemption. Tax exemption on this basis needs to be presented as a subsidy or financing with budget funds, because if the event was not selected as a project of national interest for that event the organizer must calculate and pay VAT.

Sharing facilities of national institutions with the beneficiaries for realization of a project of national interest without compensation should also be regulated and recorded as a subsidy, i.e. financing of a project of national interest, and should be calculated as approved funds for project financing.

In order to level the salaries of employees in institutions in the field of culture, the competent ministry has requested institutions to sign new collective agreements at the level of the institution in order to apply new coefficients. Also, for administrative staff in the national institutions in the field of culture, the gross salary will be calculated in accordance with the job coefficients determined in the collective agreement for culture at the level of the institution.

New Collective Agreement at the level of culture was signed; with the entry into force of this Collective Agreement, the collective agreements at the level of the employer ceased to be valid.

With the new Collective Agreement, inter alia, the coefficients are changed as well as the base for calculating the basic salary, which increases the right to salary.

Taking the aforementioned activities when no amendment has been made to the Law on Payment of Salaries in RNM leads to inappropriate acting and determining higher monthly right to payment of salary to the entities in the field of culture.

Regulation	Proposal for amendment / adoption
Law on utility 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> <p>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.</p> <p>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.</p> <p>Due to insufficiently precise legal solution, the utility fee for using music in public places is not charged by the municipalities.</p>
Law on Agricultural Land	<p>Pursuant to Article 33 of the Law on Agricultural Land, the Ministry of Agriculture, Forestry and Water Economy may give state-owned agricultural land for use by way of lease and usufruct. The funds from the lease are paid to a special account within the treasury account, and the revenues are distributed in a ratio of 50% for RNM and 50% for the municipalities, the municipalities in the city of Skopje and the city of Skopje, depending on the location of the agricultural land that is leased. The funds from the lease of state-owned agricultural land collected in the current year are distributed to the municipalities, the municipalities in the City of Skopje and the City of Skopje that have real estate tax revenue of over 80% compared to the planned in the previous year according to data from the treasury records.</p> <p>According to the legal solution, the municipality is not informed on the amount of funds to be paid, and the Ministry is not legally obliged to submit the lease agreements for state-owned agricultural land to the municipalities for the land located on their territory.</p>

Regulation	Proposal for amendment / adoption
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 Construction Land	<p>Regarding the contractual penalty arising from non-compliance with the obligations of signed agreements for alienation of construction land, Article 76 paragraph 10 of the Law on Construction Land provides for "The funds from the collection of contractual penalty referred to in Article 75 paragraph (1) item 7 of this law are distributed in ratio of 20% for the Republic of North Macedonia and 80% for the municipalities, i.e. the municipalities in the city of Skopje, depending on the location of the construction land", without specifying that the funds are distributed between the municipalities in the City of Skopje and the City of Skopje, in ratio of 50% for the municipality from the area of the City of Skopje and 50% for the City of Skopje.</p>
Law on Primary Education	<p>The Law on Primary Education does not regulate the right of ownership of school buildings and property of primary schools; Government Decision was passed for transfer of the founding rights and obligations over the existing primary schools to the municipalities in the City of Skopje and transfer of the right to ownership of facilities to the municipalities, i.e. the municipalities of the City of Skopje for the schools in their area.</p>
Law on Secondary Education	<p>The legal provisions for primary and secondary education do not define the manner in which the need for construction and extension of a new school building will be determined, i.e. the competent ministry does not give a prior opinion, elaboration regarding the need to start construction, but only gives an opinion for the establishment of a school when the building has already been built. The absence of provisions for criteria that will cover the initial part of the need for construction and extension of a new facility, school, creates a risk that the constructed building will not be fully used for the purpose for which it was built.</p>

Regulation	Proposal for amendment / adoption
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.</p> <p>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> <p>According to the Law on Public Sector Employees, public sector employees are categorized into four basic groups, and professional firefighters employed in territorial firefighting units have the status of authorized officials in the field of security; they belong to group II - jobs of officials with special authorizations, i.e. persons who have employment in public sector institutions in the field of security, defense and intelligence for the purpose of performing special authorizations, subgroup 10 - other authorized officials in the field of security, defense and intelligence. Within each subgroup, several categories of jobs are determined by a special law or collective agreement.</p> <p>The Law on Firefighting defines three categories of jobs: Category A - Senior Management Firefighters, Category B - Managing Firefighters and Category C - Professional Firefighters. Under category A, 5 levels of managerial positions are determined, and under category B and C, 4 levels of positions are determined. According to Article 5 of the law, due to the type and nature of the work they perform, the amount of salary of professional firefighters in firefighting units is 20% higher than the salary of other employees with appropriate training for municipal administration, whose rights and salary obligations are regulated by the Law on Administrative Servants.</p> <p>Exercising the rights of employees in TPPE of salary higher than 20% of the salary of other employees with appropriate professional training for jobs in the municipal administration is a legal provision that is not precise enough, given that the structure of employees in municipalities is very different and depends on several factors.</p> <p>Clear and concise legal solution is needed to determine the salary of professional firefighters to overcome the established shortcomings.</p>

Regulation	Proposal for amendment / adoption
Law on Higher Education	<p>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.</p> <p>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.</p> <p>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.</p>
Law on Employment and Unemployment Insurance	<p>The law does not fully regulate the preparation, the holder, the competent institution for implementation and the period of adoption of the Operational Plan (OP) as an annual operational document for active employment programs and measures, as well as the manner of allocating funds for measures and services.</p> <p>Also, the law does not provide for adoption of bylaw that will regulate in more detail the issues related to the planning, development, financing and approval of programs, measures and services for employment, supervision and implementation procedure. These activities are defined by Operational Guidelines issued annually by the EARNM based on the OP adopted by the MLSP.</p>
Law on Secondary Education Law on Vocational Education and Training	<p>It is necessary to harmonize the Law on Secondary Education and the Law on Vocational Education and Training with the provisions of the Law on the National Qualifications Framework. The need to define the roles and responsibilities of key stakeholders in the implementation of the Macedonian Qualifications Framework is also necessary. The National Qualifications Framework (NQF) is an instrument for establishing qualifications system, which provides the basis for qualifications acquisition and quality of qualifications, as well as an instrument for communication between stakeholders and for reforming the education and training system.</p>

Regulation	Proposal for amendment / adoption
Law on Protection and Rescue	<p>With the amendments to the Law on Protection and Rescue in 2008, the protection of the population from epidemics, epizootics, epiphytotic is exempted from the law. Excluding epidemics from the regulation reduces the possibility of creating or rapidly activating protection and rescue system that will include identifying risks of future pandemics and infectious diseases, assessing their potential impacts, identifying existing resources and planning the need of providing resources through donations using the mechanism for international cooperation for effective prevention and early warning of a possible crisis situation. This situation indicates the need to amend the Law on Protection and Rescue, which will include protection of the population from epidemics, epizootics, epiphytotic and its harmonization with international regulations.</p>
Law on Pension and Disability Insurance	<p>Starting from 2004, Article 130, paragraph 6, stipulates the obligation for the beneficiary of a disability or family pension based on disability to report to a mandatory control examination, which is performed within one year and no later than two years. Until the final decision, the beneficiary is paid a pension, and in case the mandatory control examination confirms that the person does not have disability, claims are calculated for unfounded payments that represent significant outflow of funds from the budget of the Fund. On the other hand, the legal solutions do not regulate employment suspension in conditions when temporary disability pension is granted, due to which the insured persons whose disability pension is revoked remain unprotected in terms of employment rights and obligations. In order to overcome these shortcomings, the Fund has repeatedly submitted initiatives to the competent ministry for amendments to this Law, but until the day of the audit, the changes have not been made.</p>

Regulation**Proposal for amendment / adoption**

Water Law

Determining the amount of fees for water right is done in accordance with the Law on Waters, and the payers of the fee for water right are the legal entities and natural persons that have a license for water right. The legal entities that manage the water supply system are obliged to calculate and pay the fee for water use, and the legal entities that manage the sewerage system are obliged to calculate and pay the fee for water discharge and are obliged to pay calculated fees monthly on a separate payment account within the treasury account. In addition, it is envisaged to calculate the variable value of water discharge fee, which is determined in the discharge permit based on "unit of harmfulness" and is calculated by the person discharging untreated wastewater into recipients.

The current legal solution results in incomplete information for the Ministry of Environment, as a budget user responsible for full and timely collection of fees for water law, on the amount of fee to be paid by the permit holders, and on the amount of paid fee, i.e. there is no efficient system for monitoring, control and supervision of calculation and collection of fees for the water right. In addition, the absence of a bylaw to determine the "unit of harmfulness" for the water discharge impedes calculation and collection of the variable part of the fee for water discharge.

It is necessary to adopt legal solution for the water right fees to have the treatment of public duty and to regulate monitoring, control and supervision of proper calculation, collection and payment in favor of the respective treasury accounts. It is also necessary to develop and adopt Methodology for calculating the unit of harmfulness for water discharge.

Law on Health Insurance

We emphasize that although the establishment of commissions for acting upon requests for treatment abroad of the Health Insurance Fund is in accordance with the Law on Health Insurance, setting up and decision-making of two commissions in the first instance and within the same body is not in accordance with Article 14 of the Law on General Administrative Procedure; this Law does not provide for the possibility for a second instance commission to participate and decide in the first instance. Therefore, adequate legal protection is not provided, considering that in case of change of the positive into negative opinion by the second instance commission in the first instance procedure, the applicant has no opportunity to file second instance appeal to another commission, except to the same second instance commission that participated in the decision in the first degree. The responsible persons in the Health Insurance Fund need to initiate amendment to this legal solution.

Regulation	Proposal for amendment / adoption
<p>Law on Packaging and Packaging Waste Management</p>	<p>The Law on Packaging and Packaging Waste Management does not precisely provide for:</p> <ul style="list-style-type: none"> ✘ monitoring whether all producers / importers that generate packaging waste that was first placed on the market in RNM have signed agreements with collective packaging waste handlers; ✘ calculation of the amount of packaging waste management fee to be paid by taxpayers who have signed agreement with collective packaging waste handlers for taking over obligations for handling packaging waste at the expense of collective handlers; ✘ distribution of realized revenues by the legal entity for handling packaging waste (collective packaging waste handler) and introducing restrictions for spending these funds.
<p>Law on Waste Management</p>	<p>We identified the need for further regulation of the Law in the part of:</p> <ul style="list-style-type: none"> ✘ determining number and type of necessary organizational-technical means, including waste collection vessels and specialized vehicles for plastic waste collection, taking into account the number of inhabitants and the population density in the area, the number of waste generators, the average quantities of waste generation in the area, spatial - geographical layout, condition of the road network and similar parameters; ✘ determining opportunities for formalization and organization of the informal waste collection sector, which would provide them with stable income and legalization of their activities; ✘ necessary field inspection by an expert team of the Ministry of Environment and Physical Planning before approval of the contents of the Environmental Impact Assessment Study or approval of the Elaborate for Environmental Protection; ✘ prescribing manner of calculation of the guarantee / insurance, which is one of the conditions for obtaining a license for performing the activity of storing, treatment and / or processing waste and the term of its validity; ✘ Amendment to Article 106 paragraph 4 to overcome legal weakness, i.e. by adding the expression "permit for waste treatment and / or processing", in order to separate the treatment and processing as activities, which will enable import for those legal entities that perform treatment but not waste processing; ✘ improving the manner of issuing and filling in the transport form, as a single document with a serial number. Also, setting up electronic forms, so that it would be available to all entities, and would reduce the risk of its duplication and abuse; ✘ calculating waste management fee based on a fixed fee per m2 of apartment / house or flat fee (lump sum) for a household, and trying to calculate the fee based on the amount / weight of waste collected or the number of members in one household.

Regulation

Proposal for amendment / adoption

Law on
Environment

We identified the need for harmonization and further regulation of the Law on Environment, as follows:

- ✘ to set up a system (register) at national and local level that will fully cover industrial installations that emit harmful substances into the environment with their activities, as well as a control mechanism that will monitor whether they have appropriate integrated environmental permit (IED);
 - ✘ Article 129 and Article 142-a of the Law, which should define the obligation to pay fees for B-IED and PCOP and a provision for adopting decision and deadline for calculating the fee.
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9 FINANCIAL STATEMENTS



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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 - Сметка на основен буџет на Република Северна Македонија 020021504063119, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2020, 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.

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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 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 ефективноста 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 основен буџет на Република Северна Македонија 020021504063119 заклучно со 31 декември 2020 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 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 2020 година.

Скопје, 08.06.2021

Овластен ревизор

Стојан Јорданов



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје



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БИЛАНС НА ПРИХОДИ И РАСХОДИ

				<i>во денари</i>
Опис на позицијата	Образложение	Буџет 2020	Реализирано 2020	Реализирано 2019
Приходи	3.1.			
Неданочни приходи	3.1.1.		2.159.127	313.021
Трансфери и донации	3.1.2.	5.600.000	550.363	6.237.342
Вкупно приходи		5.600.000	2.709.490	6.550.363
Расходи	3.2.			
Тековни расходи				
Субвенции и трансфери	3.2.1.		-	6.000.000
Стоки и услуги	3.2.2.	2.850.000	193.370	-
Вкупно тековни расходи		2.850.000	193.370	6.000.000
Капитални расходи				
Капитални расходи	3.2.3.	2.750.000	-	-
Вкупно капитални расходи		2.750.000	-	-
Вкупно расходи		5.600.000	193.370	6.000.000
Остварен вишок на приходи			2.516.120	550.363
Даноци, придонеси и други давачки од вишокот на приходи				
Нето вишок на приходи		-	2.516.120	550.363
Распоредување на вишокот на приходи				
Дел од нето вишокот на приходи за пренос во наредна година		-	2.516.120	550.363
Обврски за данок на добивка				
Вкупно распоред на вишок на приходи		-	2.516.120	550.363

Скопје, 23.02.2021

Данче Ангеловска

Советник за буџетска контрола
и плаќања
Данче Ангеловска



Главен државен ревизор
Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2020	2019
Актива			
Тековни средства	4.1.		
Парични средства	4.1.1.	2.516.120	550.363
Побарувања од купувачите во земјата	4.1.2.	9.341.850	9.857.161
Побарувања од вработените	4.1.3.	-	625.634
Активни временски разграничувања	4.1.4.	-	-
Вкупно тековни средства		11.857.970	11.033.158
Постојани средства	4.2.		
Нематеријални средства	4.2.1.	-	-
Материјални средства	4.2.2.	-	-
Вкупно постојани средства		-	-
Вкупна актива		11.857.970	11.033.158
Вонбилансна евиденција - актива		-	2.686.027
Пасива			
Тековни обврски	4.3.		
Краткорочни обврски спрема добавувачи	4.3.1.	-	-
Пасивни временски разграничувања	4.3.2.	11.857.970	11.033.158
Вкупно тековни обврски		11.857.970	11.033.158
Извори на средства	4.4.		
Извори на капитални средства		-	-
Ревалоризациона резерва		-	-
Вкупно извори на деловни средства		-	-
Вкупна пасива		11.857.970	11.033.158
Вонбилансна евиденција - пасива		-	2.686.027

Скопје, 23.02.2021

Данче Ангеловска

Советник за буџетска контрола
и плаќања
Данче Ангеловска



Главен државен ревизор
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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 - Сметка на основен буџет на Република Северна Македонија 020021504063710, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2020, 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.

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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 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 ефективноста 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 основен буџет на Република Северна Македонија 020021504063710 заклучно со 31 декември 2020 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 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 2020 година.

Скопје, 08.06.2021

Овластен ревизор

Стојан Јорданов

Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје




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БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	во денари		
		Буџет 2020	Реализирано 2020	Реализирано 2019
Приходи				
Трансфери и донации	3.1.	97.658.000	93.954.316	85.960.278
Вкупно приходи		97.658.000	93.954.316	85.960.278
Расходи				
Тековни расходи				
Плати, наемнини и надоместоци	3.2.1.	81.828.000	78.848.799	69.010.875
Стоки и услуги	3.2.2.	13.230.000	12.822.949	14.806.601
Разни трансфери	3.2.3.	200.000	191.194	988.505
Вкупно тековни расходи		95.258.000	91.862.942	84.805.981
Капитални расходи				
Капитални расходи	3.3.	2.400.000	2.091.374	1.154.297
Вкупно капитални расходи		2.400.000	2.091.374	1.154.297
Вкупно расходи		97.658.000	93.954.316	85.960.278
Нето вишок на приходи - добивка по оданочување		-	-	-

Скопје, 23.02.2021


 Советник за буџетска контрола
 и плаќања
 Данче Ангеловска

Главен државен ревизор

Максим Ацевски




БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2020	2019
Актива			
Тековни средства	4.1.		
Побарувања од купувачи	4.1.1.	218.497	218.497
Побарувања од вработените	4.1.2.	115.066	55.635
Активни временски разграничувања	4.1.3.	7.512.232	7.219.349
Залихи	4.1.4.	1.730.460	1.695.241
Вкупно тековни средства		9.576.255	9.188.722
Постојани средства	4.2.		
Нематеријални средства	4.2.1.	5.363.237	4.148.615
Материјални средства	4.2.2.	9.647.697	9.066.704
Вкупно постојани средства		15.010.934	13.215.319
Вкупна актива		24.587.189	22.404.041
Вонбилансна актива		-	-
Пасива			
Тековни обврски	4.3.		
Краткорочни обврски спрема добавувачи	4.3.1.	734.647	799.051
Краткорочни обврски за плати и други обврски спрема вработените	4.3.2.	6.777.584	6.420.299
Пасивни временски разграничувања	4.3.3.	333.564	274.130
Вкупно тековни обврски		7.845.795	7.493.480
Извори на средства	4.4.		
Извори на капитални средства		16.485.605	14.864.425
Ревалоризациона резерва		255.789	46.136
Вкупно извори на деловни средства		16.741.394	14.910.561
Вкупна пасива		24.587.189	22.404.041
Вонбилансна пасива		-	-

Скопје, 23.02.2021


 Советник за буџетска контрола
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 Главен државен ревизор
 Максим Ацевски

ПРЕГЛЕД НА ПРОМЕНИ НА ИЗВОРИ НА СРЕДСТВА

О П И С	Државен јавен капитал	Останат капитал (запиши на материјали, резервни делови и ситен инвентар и хартии од вредност)	во денари
			Вкупно
Состојба 01.01.2020 година	13.215.319	1.695.242	14.910.561
Зголемување по основ на:	7.572.643	845.051	8.417.694
Зголемување на вредноста (капитализација)	7.362.990	845.051	8.208.041
По попис 2020	-	-	-
Ревалоризација	209.653		209.653
Намалување по основ на:	5.777.029	809.832	6.586.861
Амортизација	5.587.635		5.587.635
Издатници		809.832	809.832
По попис 2020	189.394		189.394
Состојба 31.12.2020 година	15.010.933	1.730.461	16.741.394



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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 - Сметка на буџет на донации Проект од Меѓународна организација ИНТОСАИ, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2020, 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 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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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 буџет на донации Проект од Меѓународна организација ИНТОСАИ заклучно со 31 декември 2020 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 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 2020 година.

Скопје, 08.06.2021


Овластен ревизор

Стојан Јорданов



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје



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Опис на позицијата	Образложение	Буџет 2020	Реализирано 2020	во денари
				Реализирано 2019
Приходи				
Трансфери и донации	3.1.	613.861	613.861	
Вкупно приходи		613.861	613.861	-
Расходи				
Тековни расходи	3.2.			
Вкупно тековни расходи		-	-	-
Капитални расходи	3.3.			
Вкупно капитални расходи		-	-	-
Вкупно расходи		-	-	-
Нереализирани средства од буџетот		613.861	613.861	-
Даноци, придонеси и други давачки од вишокот на приходи - добивка пред оданочување				
Нето вишок на приходи - добивка по оданочување		613.861	613.861	-

Скопје, 23.02.2021


 Советник за буџетска контрола
 и плаќања
 Данче Ангеловска


 Главен државен ревизор
 Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2020	2019
Актива			
Тековни средства	4.1.		
Жиро сметка	4.1.1.	613.861	-
Вкупно тековни средства		613.861	-
Вкупна актива		613.861	-
Пасива			
Тековни обврски	4.2.		
Пасивни временски разграничувања	4.2.1.	613.861	-
Вкупно тековни обврски		613.861	-
Вкупна пасива		613.861	-

Скопје, 23.02.2021


Советник за буџетска контрола
и плаќања
Данче Ангеловска


Главен државен ревизор
Максим Ацевски

ABBREVIATIONS

RNM	Republic of North Macedonia
SAO	State Audit Office
SAI	Supreme Audit Institution
EU	European Union
OSCE	Organization for Security and Co-operation in Europe
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
EUROSAI	European Organization of Supreme Audit Institutions
CEF	Center of Excellence in Finance
AMS	Audit Management System
IT	Information technology
IAARNM	Institute of Certified Auditors of RNM
SPP	Public Prosecutor's Office for prosecution of criminal offenses related to and arising from the content of illegal interception of communications
LSGU	Local Self-Government Units
HIF	Health Insurance Fund of RNM
PHI	Public healthcare institutions
PDF	Pension and Disability Insurance Fund of RNM
EARNM	Employment Agency of RNM
PRO	Public Revenue Office of RNM
VAT	Value Added Tax
GDP	Gross Domestic Product
PUC	Public Utility Company
PE	Public Enterprise
JSC	Joint Stock Company
MoS	Ministry of Education and Science
MLSP	Ministry of Labor and Social Policy
MoH	Ministry of Health

PRD	Directorate for Protection and Rescue
SEA	Secretariat for European Affairs
AEC	Agency for Electronic Communications
SEC	State Election Commission
IPA	Instrument for Pre-Accession Assistance
AKMIS	Automated court case management computer system
SIGMA	Support for Improvement in Governance and Management
OECD	Organization for Economic Co-operation and Development
IDI	INTOSAI Development Initiative
WGEA	EUROSAI Working Group on Environmental Audit
ITWG	EUROSAI IT Working Group
TFA&E	EUROSAI Audit and Ethics Task Force
TFMA	EUROSAI Municipal Audit Task Force
WGPD	INTOSAI Public Debt Working Group
WFD	Westminster Foundation for Democracy
CPD	Continuous professional development
IPSAS	International Public Sector Accounting Standards
AJM	Association of Journalists of Macedonia
MoF	Ministry of Finance
NPAA	National Program for the Adoption of the Acquis
IEP	Integrated environmental permit
PCOP	Permit to comply with operational plan
LEC	Law on Electronic Communications
FTP	File transfer protocol
RESIS	Institute for Social Development Research

