



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
ENTI SHËTETËROR I REVIZIONIT
STATE AUDIT OFFICE

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- Press release -

Skopje, 21.07.2021

Gazi Baba Municipality did not pay 950 000 Euros to the Budget based on alienation and lease of construction land owned by RNM

*Since taking over competences in 2012 until 2020, Gazi Baba Municipality has been paying funds based on alienation and lease of construction land owned by RNM to inadequate payment account, which resulted in lower revenues in the Budget of RNM in the amount of **58.5 million denars** and higher revenues in the budget of Gazi Baba Municipality and the City of Skopje. The same applies to collected contractual penalty for non-compliance with the Law on Construction Land, which resulted in **1.2 million denars** less in the Budget of RNM*

The State Audit Office carried out audit of the financial statements of Gazi Baba Municipality for 2019 together with compliance audit.

The authorized state auditor identified weaknesses in the application of the **Law on treatment of illegally constructed buildings**, which affect municipal revenues on this basis. The Municipality does not prepare and submit to the Ministry of Transport and Communications annual reports on the use of funds from the fee for determining the legal status of illegally constructed buildings.

Since 2017, the Municipal Council does not adopt Annual Employment Plans proposed by the Mayor. The Municipality has no possibility for new employments even after retirement of employees on key positions, thus the number of employees in the municipality administration has been significantly reduced. To overcome the situation, the Municipality has hired several persons through a private employment agency to perform tasks of regular job positions that are not filled in line with the systematization act. However, some of these employees work on the same positions more than two years, which is not in accordance with the Law on Private Employment Agencies.

The authorized state auditor identified cases of non-compliance with the provisions of the Law on Citizens' Associations and Foundations and the Law on Sports. Namely, the municipality allocates funds to companies and associations and sports clubs without criteria or without predetermined minimum and maximum amount.

The authorized state auditor also ascertained weaknesses in the **inventory of property and liabilities**, which linger for years and do not allow adjustment of assets and liabilities of the accounting with the actual position identified with the inventory.

Concerning **capital investments**, auditors identified non-compliance with the provisions of the Law on Construction, which mostly refers to lack of reports on technical acceptance of buildings or phase construction, as well as non-compliance with contract provisions.

The authorized state auditor also ascertained **weaknesses in the application of the Public Procurement Law**, as to preparing technical documentation and bill of quantities in cases when unit prices per position are applied without specified quantity, whereby the principle of most economical offer is not always ensured.

In the **Emphasis of Matter paragraph**, the authorized state auditor pointed to strengthening fiscal capacity of local self-government units. Namely, in November 2018 the Assembly of RNM passed the Law on financial support of local self-government units and spending units established by local self-government units for financing overdue and unpaid liabilities.

With the inspection of documentation, auditors found that the Municipality Council has passed Decision on approving the Report on the total agreed amount by creditors for financing overdue and unpaid liabilities. Of the received funds, **66.2 million denars** were used as intended, and the rest of the funds amounting to **5.3 million denars** were returned by the Municipality to the Budget of RNM.

In the **Other Matter paragraph**, the authorized state auditor pointed to systemic weaknesses that are present in local self-government units, which refer to the Law on Property Taxes, Law on Communal Fees, Law on Agricultural Land and Law on Construction Land. These systemic weaknesses have financial implications on the operation of local self-government units and the competent authorities need to take measures to overcome the situation.

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