



**STATE AUDIT OFFICE**



---

# **ANNUAL REPORT 2011**

# CONTENTS

<b>AUDITOR GENERAL OVERVIEW</b> .....	3
---------------------------------------	---

<b>ABOUT THE STATE AUDIT OFFICE</b> .....	5
---	---

COMPETENCE .....	7
ORGANIZATION .....	7
BUDGET .....	10
PROFESSIONAL TRAINING OF STATE AUDITORS .....	12
AUDITING STANDARDS AND METHODOLOGY .....	13
INFORMATION TECHNOLOGY AND IT AUDIT .....	14
2011 AUDIT ACTIVITIES THROUGH FIGURES .....	15
CONDUCTED AUDITS AND ISSUED REPORTS .....	16
AUDIT FINDINGS .....	22
PUBLIC PROCUREMENT .....	23
AUDIT OPINIONS .....	25
MEASURES TAKEN UPON AUDIT REPORTS .....	27
COOPERATION WITH COMPETENT AUTHORITIES .....	29
TRANSPARENCY .....	31

<b>AUDIT ACTIVITIES</b> .....	33
-------------------------------	----

CORE BUDGET, BUDGET BENEFICIARIES AND THE SPENDING UNITS OF THE BUDGET OF THE REPUBLIC OF MACEDONIA .....	35
NATIONAL FUNDS .....	40
JUDICIARY .....	44
POLITICAL PARTIES .....	45
HEALTHCARE .....	48
CULTURE .....	50
ECONOMY, TRANSPORT AND COMMUNICATIONS .....	53
AGRICULTURE, FORESTRY AND WATER ECONOMY .....	61
PASTURE MANAGEMENT .....	62
LOCAL SELF GOVERNMENT .....	63
PERFORMANCE AUDIT .....	67

<b>INTERNATIONAL COOPERATION</b> .....	77
--	----

INTERNATIONAL COOPERATION .....	79
---------------------------------	----

<b>INDEPENDENT AUDITOR'S REPORT</b> .....	84
---	----



## AUDITOR GENERAL OVERVIEW

State Audit Office operation in 2011 was marked by the new State Audit Law adopted in 2010 which provided sound basis for further strengthening of the operational capacities, as well as functional and financial independence in line with the Lima and Mexico Declarations. The adoption of UN General Assembly Resolution for strengthening independence of Supreme Audit Institutions on 22 December 2011 is the crowning success of SAIs efforts for strengthening their independence and for ensuring recognition of the Lima and Mexico Declarations. The UN Resolution clearly recognizes that SAIs can accomplish their tasks objectively and effectively only if they are independent from the audited entity and protected against outside influence, and if they have important role in promoting greater efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the UN Millennium Development Goals.



In 2011 we made significant progress in implementing the development strategy and achieved considerable flexibility in the selection of auditees. The new organization and systematization of the State Audit Office from February 2011 resulted from the harmonization with the Law on Civil Servants. It enabled regrouping of auditees, and consequently more rational allocation of SAO internal resources. The effect of these positive changes was an increased number of performance audits, extended scope of auditees and increased number of auditors involved in this type of audits.

Last year we devoted considerable attention to the quality assurance function, implementation of recommendations through follow-up audits, professional training and ethical promotion of employees.

Internationally the State Audit Office has strengthened its presence by joining activities of several working bodies in relation to the implementation of EUROSAI Strategic Plan 2011-2017 and promotion of ethics and integrity among SAIs and public administration institutions.

The credit for realization of these activities goes to the employees of the State Audit Office. I sincerely thank them for their dedication and professionalism over the last year.



In the upcoming period our priority remains the finalization of MPs initiative of February 2011 for amending the Constitution to define the State Audit Office as an independent institution for external audit in the Republic of Macedonia, and reaffirming the communication with the Parliament with regard to better understanding of audit reports and cooperation in line with European practice.

The opinion of the independent external auditor (selected by the Parliament in line with the new State Audit Law) on the financial statements of the State Audit Office for 2011 is enclosed within the Annual Report.

Tanja Tanevska, M.Sc.



# ABOUT THE STATE AUDIT OFFICE





6



## COMPETENCE

---

State Audit Office (SAO) competences were laid down in the State Audit Law adopted for the first time in 1997. In the past years the Law was amended several times for the purpose of its harmonization with the basic principles of the Lima Declaration of guidelines on auditing precepts.

The new State Audit Law was adopted in May 2010 due to the necessary harmonization of the operation of the State Audit Office with the standards and criteria of the European Union in this field, and primarily with the Mexico Declaration on Independence of Supreme Audit Institutions. In addition, the State Audit Law was harmonized with the Law on Civil Servants in order to establish the status of state auditors as civil servants.

As an independent external auditor SAO conducts audit on the public revenues and public expenditures in line with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI), thus fulfilling its mission for timely and objective informing of the Parliament, the Government and other public office holders on the findings of the conducted audits.

## ORGANIZATION

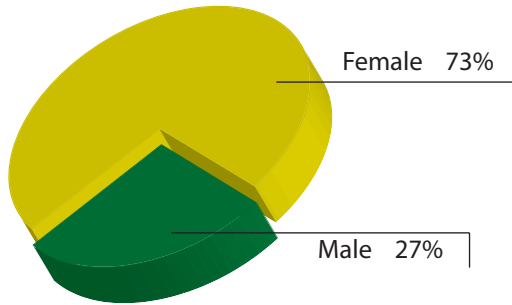
---

SAO is headed by an Auditor General. The Auditor General has a Deputy and they are both independent in the performance of their tasks. The Auditor General and the Deputy Auditor General are appointed and dismissed by the Parliament.

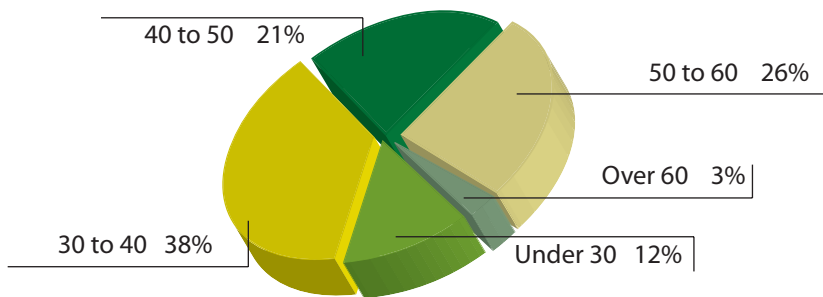
State audit is conducted by 94 employees - authorized state auditors, state auditors and administrative support. They are organized in eleven departments (out of which seven are audit departments) and two units. State audit is conducted by 79 auditors (33 are authorized state auditors).

96% of the employees have university degree in economy, law, information technology and other fields, and the percentage of employees with master's degree continuously increases.

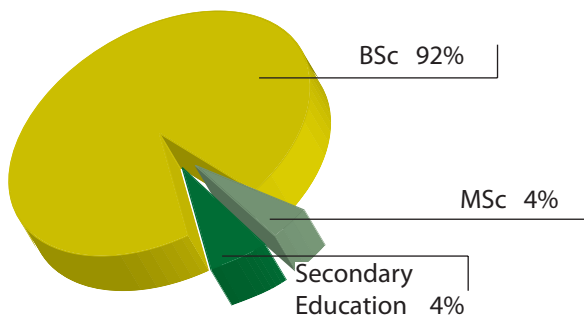
### Structure of employees by gender

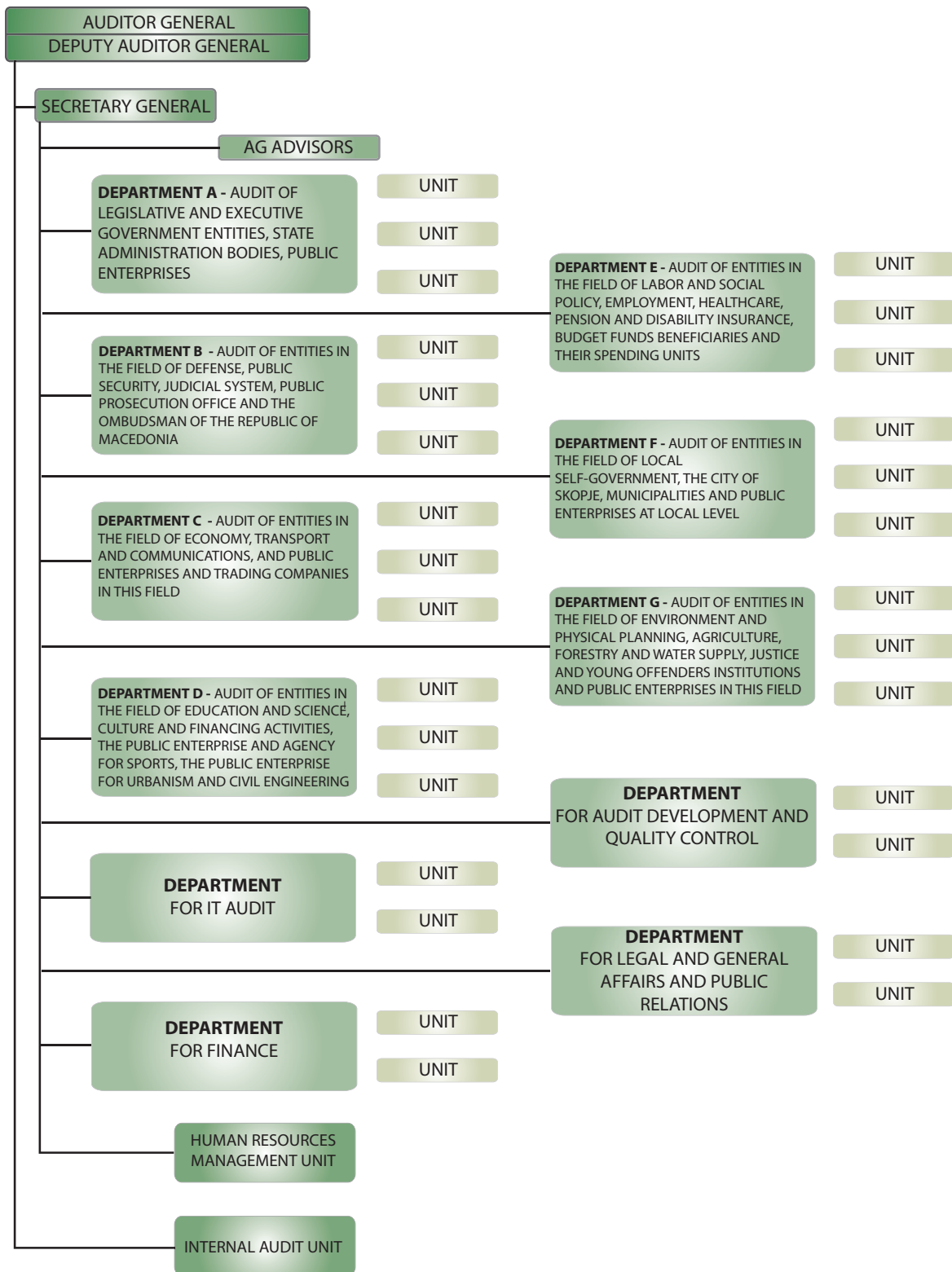


### Age structure of employees



### Structure of employees by education level

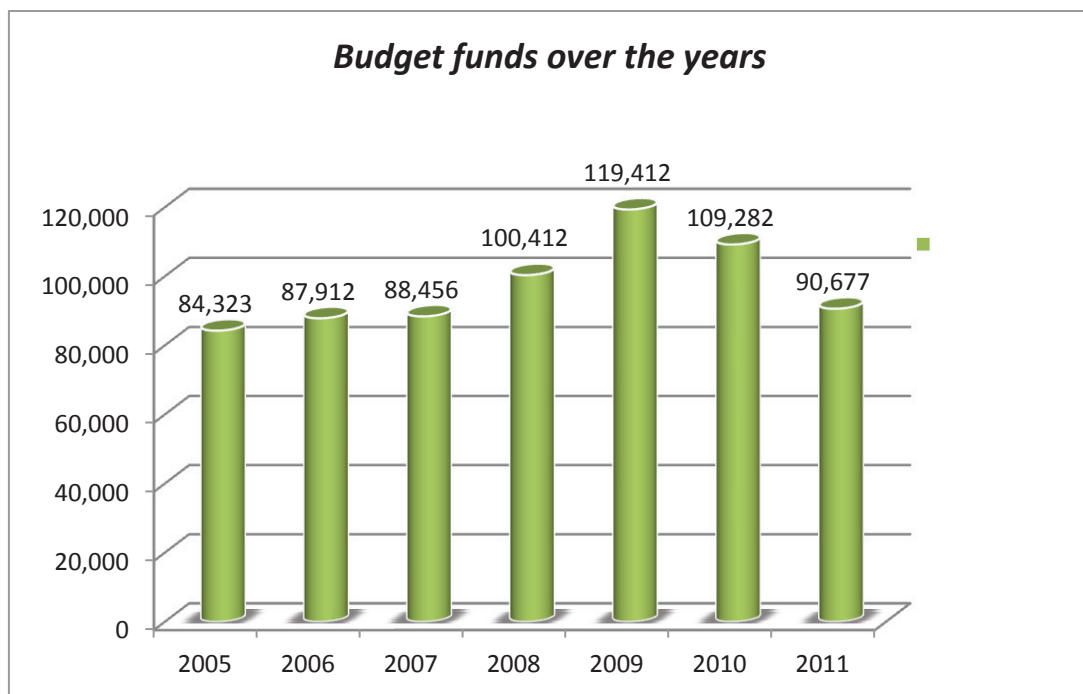




## BUDGET

In compliance with the new State Audit Law (Official Gazette of RM, no. 66/10,145/2010) SAO operation is financed by the Budget of the Republic of Macedonia. The necessary funding proposed by SAO is approved by the Parliament of the Republic of Macedonia.

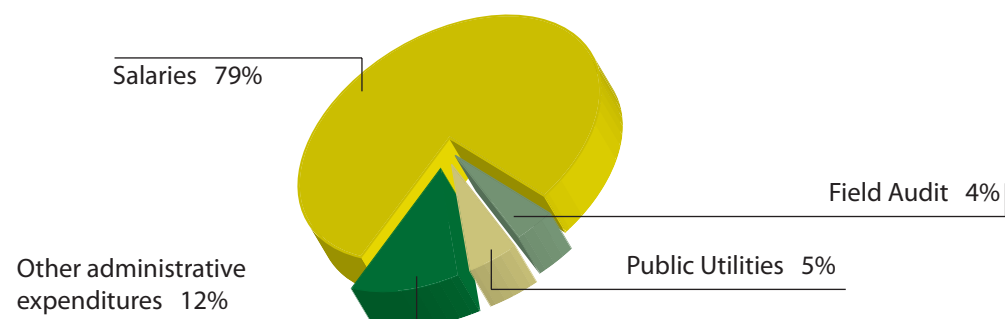
SAO total budget in 2011 amounted to 90.677 thousand denars. 68% were from the Central Budget and 32% were from SAO self-generated income. SAO self-generated income derived from collecting state audit fee for certain category of auditees before the new State Audit Law became effective.



In terms of the structure of SAO expenditures 79% are intended for salaries of employees, 4% for conducting field audits, 5% for utilities and 12% for other administrative costs.



## ***Expenditures in 2011***



SAO financial statements are audited by an external audit company selected by the Parliament of the Republic of Macedonia. The independent auditor's report is integral part of SAO Annual Report and is being reviewed by the Parliament together with the Report.

## PROFESSIONAL TRAINING OF STATE AUDITORS

In line with the strategic objectives for strengthening professional and technical skills of state auditors and the other employees in 2011, SAO organized trainings in the following areas:

1. Improving accounting skills
  - » Training on accounting policies and principles for public enterprises
  - » Training on accounting policies and principles for budgets, budget users and local self-government units
2. Conducting performance audit
3. Improving skills in using MS Office 2007
4. Workshop on „Working styles and efficiency of teams.“

All training sessions were conducted by the authorized state auditors and state auditors in the State Audit Office, except for the workshop „Working styles and efficiency of teams „, which was conducted in cooperation with external trainers.



## AUDITING STANDARDS AND METHODOLOGY

---

SAO continuously monitors new developments in methodology and audit practice, as well as the need for harmonization with international standards. It provides development of audit methodology and application of best practice in audit work. In this regard the translation of international standards of SAIs (ISSAIs) in Macedonian continued, with the purpose of their harmonization and publication, and allowing their practical implementation.

In 2011 continued the activities for monitoring recent and ongoing developments in the field of auditing standards and methodology, aimed at updating existing manuals and guidelines.

In this regard, the Guidelines for audit quality assurance became effective on 1 January 2011 which provides for establishing an independent function for quality assurance and its practical implementation on completed audits. Together with the Guidelines for Quality Control the whole process of audit quality assurance is completed.

In the same period SAO adopted a new Guideline for delivering audit reports with updated List of legal representatives, auditees' responsible persons in the audited period, authorities responsible for supervision and control of operations of the auditee (to which copies of audit reports are delivered as well); New Guidelines for numbering audit reports with internal classification of auditees (legal entities) and updated Form for completing and submitting information on measures undertaken upon recommendations given in final audit reports (Form: IZPM) with Instructions for filling out.

## INFORMATION TECHNOLOGY AND IT AUDIT

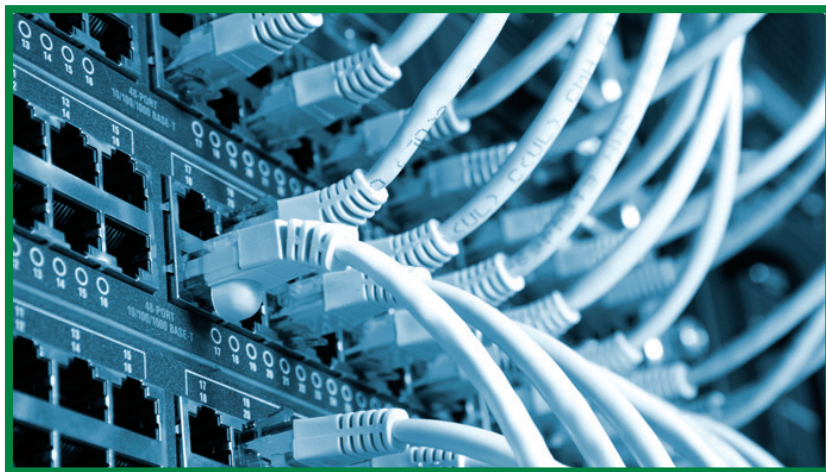
One of the strategic objectives of the State Audit Office is the application of information technology and its rational and efficient utilization in the audit.

In this context, the implemented systems for centralized storage and data exchange, electronic mail, the filing system, the internal information system for employees, as well as the integrated financial information system are operational. A new system for analyzing audit reports' data was set up in 2011.

Internet access is provided for auditors doing fieldwork.

Computer Assisted Audit Techniques (CAATs) are integral part of the financial audit, as well as the application of IDEA software in analyzing electronic data generated from the financial statements.

Audit of information systems which process data for preparation of auditee's financial statements, has identified lack of/or inadequate data backup, as well as lack of written and approved IT policies and procedures on safety measures and managing information systems in accordance with legal regulations, standards and best practice. Written and approved IT policies and procedures provide more efficient protection of information systems, accuracy and reliability of records and improve the overall institutional effectiveness.



## 2011 AUDIT ACTIVITIES THROUGH FIGURES

77	AUDITS
144	REGULARITY AUDIT REPORTS
7	PERFORMANCE AUDIT REPORTS
148	AUDITED ENTITIES
1213	AUDIT FINDINGS
725	AUDIT RECOMMENDATIONS
118	FOLLOW UP REVIEWS OF IMPLEMENTATION OF RECOMMENDATIONS
354	IMPLEMENTED RECOMMENDATIONS
182.846	MILLION DENARS AUDITED PUBLIC REVENUES
129.500	MILLION DENARS AUDITED PUBLIC EXPENDITURES
151	AUDIT REPORTS SUBMITTED TO THE PARLIAMENT
8	AUDIT REPORTS SUBMITTED TO THE PUBLIC PROSECUTION OFFICE
2	AUDIT REPORTS SUBMITTED TO THE STATE COMMISSION FOR PREVENTION OF CORRUPTION

## CONDUCTED AUDITS AND ISSUED REPORTS

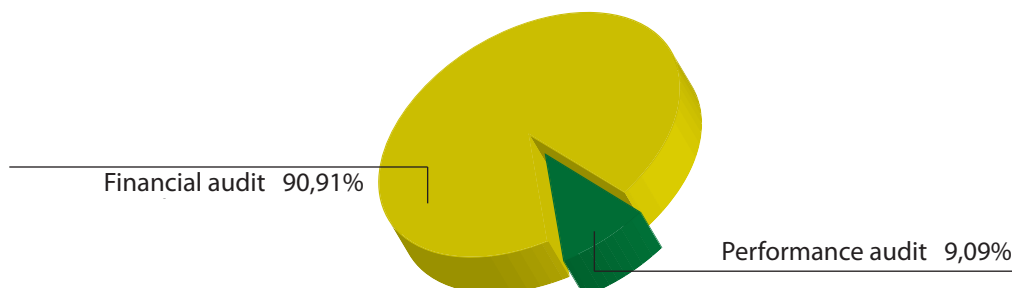
BIn 2011 SAO conducted 77 audits, out of which 70 were financial audits and compliance audits and seven performance audits.

Total number of 151 audit reports was issued upon completed audits - 144 financial audit reports and seven performance audit reports.

The table below presents information on the number of conducted audits and issued reports within the last two years:

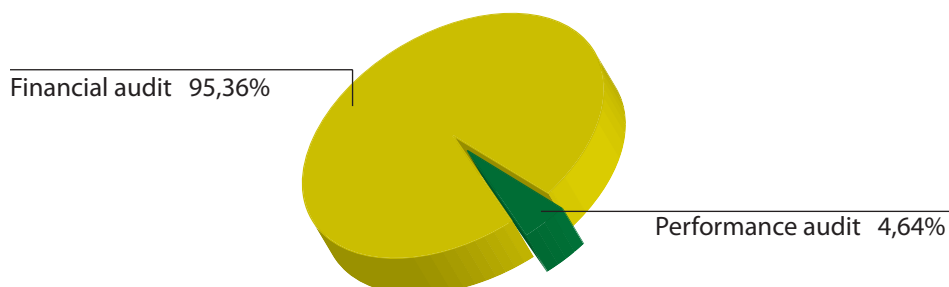
### Conducted audits and structure

Type of audit	2011	2010		
	Number of conducted audits and structure			
	Number	Structure in %	Number	Structure in %
1	2	3	4	5
Financial audits	70	90,91	77	88,50
Theme audits / Special purpose audits	/	/	2	2,30
Compliance audit	/	/	1	1,15
IT audit	/	/	1	1,15
Performance audit	7	9,09	6	6,90
<b>Total number of audits</b>	<b>77</b>	<b>100,00</b>	<b>87</b>	<b>100,00</b>



### Issued reports and structure

Type of audit	2011		2010	
	Number of issued reports and structure			
	Number	Structure in %	Number	Structure in %
1	2	3	4	5
Financial audits	144	95,36	192	95,05
Theme audits/ Special purpose audits	/	/	2	0,99
Compliance audit	/	/	1	0,50
IT audit	/	/	1	0,50
Performance audit	7	4,64	6	2,96
<b>Total number of audits</b>	<b>151</b>	<b>100,00</b>	<b>202</b>	<b>100,00</b>



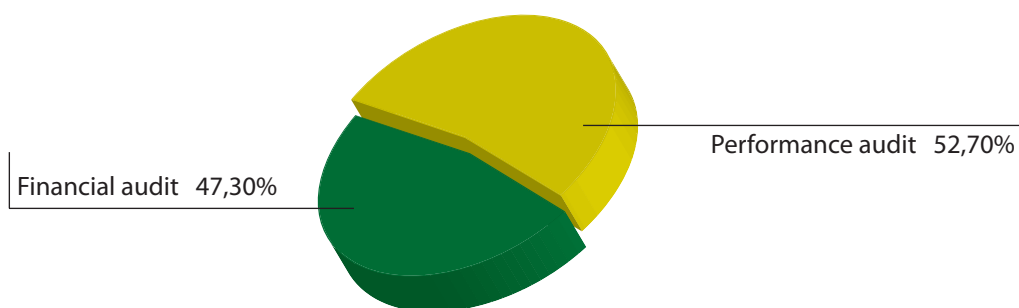
### Auditees by type of audit

Total number of 148 auditees was covered by different types of audit of accounting records, documents, analyses, economy of administrative activities, and efficient use of resources and effectiveness of operation as opposed to the achieved objectives.

The following table presents the structure of auditees by different types of audit.



Type of audit	2011		2010	
	Auditees	Structure in %	Auditees	Structure in %
1			2	3
Financial audits	70	47,30	81	47,93
Theme audits/Special purpose audits	/	/	12	7,10
Compliance audit	/	/	1	0,59
IT audit	/	/	3	1,78
Performance audit	78	52,70	72	42,60
<b>Total number of audits</b>	<b>148</b>	<b>100,00</b>	<b>169</b>	<b>100,00</b>



## 18 Follow up audit on the implementation of recommendations

In 2011 SAO conducted 68 follow up audits on the implementation of recommendations in order to identify the degree of their implementation; recommendations of 118 final audit reports were reviewed.

Follow up audits	2011	2010	Index (2/3) in %
1	2	3	4
Number of follow up audits	68	72	94,44
Number of audit reports on which implementation of recommendations was reviewed	118	122	96,72

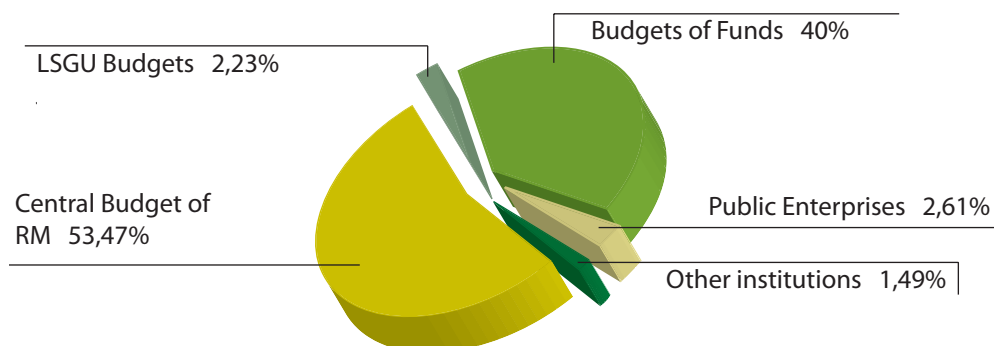
## Audited public revenues in 2011

The table below illustrates the total amount of audited public revenues in 2010 financial statements

(in million denars)

Audited public revenues	2011		2010	
	Revenues	Structure in %	Revenues	Structure in %
1	2	3	4	5
Central Budget of RM	98.133	53,67	97.665	60,27
Budgets of local self-government units and their unit beneficiaries	4.073	2.23	7.453	4,61
Budgets of funds	73.151	40,00	52.712	32,53
Public enterprises	4.765	2,61	1.381	0,8 5
Other institutions	2.724	1,49	2.827	1,74
<b>Total</b>	<b>182.846</b>	<b>100,00</b>	<b>162.038</b>	<b>100,00</b>

The structure of audited public revenues in 2011 presented in the annual accounts for 2010 is the following: the Central Budget revenues participate with 53,67%, the revenues of the budgets of local self-government units participate with 2,23%, the revenues of the budgets of national funds participate with 40%, the revenues of public enterprises with 2,61% and the revenues of other institutions participate with 1,49%.



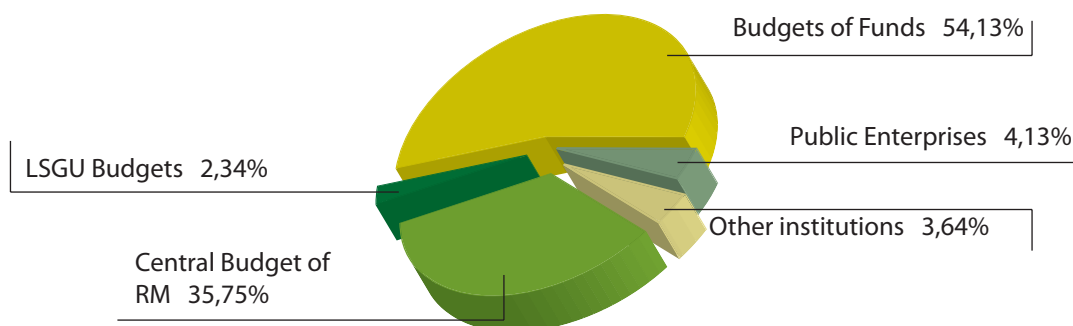
## Audited public expenditures in 2011

The structure of audited public expenditures in 2011 presented in the annual accounts for 2010 is the following: the expenditures of the Central Budget beneficiaries participate with 35,75%, the expenditures of the beneficiaries of local self-government units' budgets participate with 2,34%, the expenditures of the budgets of national funds participate with 54,13 %, the expenditures of public enterprises participate with 4,13 % and expenditures of other institutions participate with 3,64 %.

(in million denars)

Audited public expenditures	2011		2010	
	Expend.*	Structure in %	Expend.*	Structure in %
1	2	3	4	5
Central Budget of RM	46.296	35,75	34.353	36,41
Budgets of local self-government units	3.035	2,34	6.463	6,85
Budgets of funds	70.098	54,13	49.395	52,35
Public enterprises	5.352	4,13	1.459	1,55
Other institutions	4.719	3,64	2.685	2,85
<b>Total</b>	<b>129.500</b>	<b>100,00</b>	<b>94.355</b>	<b>100,00</b>

\* Expenditures

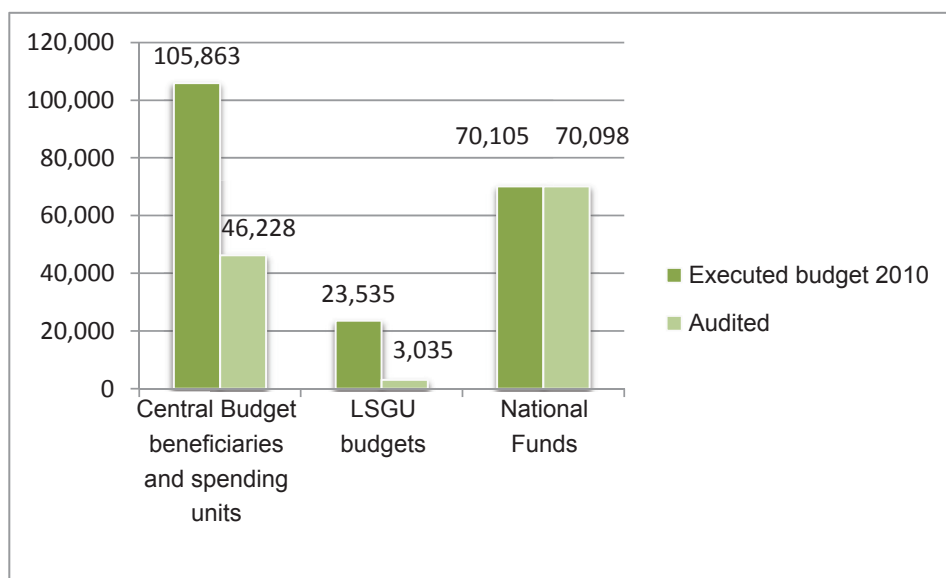


## Audited expenditures in relation to the total executed budgets of Central Budget beneficiaries and spending units, Local self-government units (LSGU) and national funds in 2011

(in million denars)

	2011			2010		
	Executed budget 2010	Audited	Part.* in %	Executed budget 2009	Audited	Part.* in %
1	2	3	4(3/2)	5	6	4 (6/5)
Central Budget beneficiaries and spending units	105.863	46.228	43,67	103.907	34.353	33,06
LSGU budgets	23.535	3.035	12,90	19.904	6.463	32,47
National Funds	70.105	70.098	99,99	70.019	49.395	70,55
<b>Total</b>	<b>199.503</b>	<b>119.361</b>	<b>59,83</b>	<b>193.830</b>	<b>90.211</b>	<b>46,54</b>

\*Participation in %



## AUDIT FINDINGS

While implementing 2011 Annual Programme for operation the authorized state auditors and the state auditors identified 1213 findings. Most of the findings (299) relate to the financial statements and are identified in 94 audit reports. Findings regarding non-compliance with legislation and regulations (270) are identified in 78 audit reports, while findings concerning illegal use of funds (163) were noted in 60 audit reports.

The analysis also shows that findings regarding the internal controls system (77) were noted in 49 audit reports and six audit reports present eight findings relating to the IT systems.

### Overview of Findings

Type of finding	Findings	
	Number	Participation in %
1	2	3
Findings re internal control system	77	9,42
Findings re noncompliance with legal regulations	270	33,05
Findings re financial statements	299	36,60
Findings regarding illegal spending of funds	163	19,95
Findings re IT	8	0,98
<b>Total:</b>	<b>817</b>	<b>100,00</b>
Systemic weaknesses	128	
Emphasis of matter	164	
Performance Audit Findings	104	
<b>Total:</b>	<b>1213</b>	

## PUBLIC PROCUREMENT



In the frames of the planned audits in 2011, the state audit office audited public procurement as well and identified the following irregularities in the planning, implementation and realization of public procurements:

14,84% of the irregularities relate to realized procurement without public procurement procedure.

Around 10% of the irregularities relate to the bid opening phase, bid documents evaluation and preparation of reports on the evaluation.

The phase of signing contracts with the selected bidder relates to 8,71% of the total number of identified irregularities, i.e. not signing contracts with the selected bidders, or signing contracts with different costs, and different conditions and other elements of the bid.

Some irregularities (7,42%) relate to weaknesses in the realization of signed contracts (warranties, prices, quantities, payment terms and other conditions other than the ones defined in the contracts).

7,10% of irregularities were identified in the bidding documentation i.e. it is not prepared in line with the Law on public procurement or it does not include all necessary elements as prescribed by the same Law.

Irregularities were also identified in the application of the Law on public procurement in the process of decision making on public procurements (5,81%) which frequently does not include all necessary elements (type of contract, quantity, amount and source of funds, manner and procedure for awarding public procurement). The same percentage relates to the omissions in the planning phase.

The irregularities relating to the manner of awarding public procurement contracts participate with 5,48% in the total number of findings re public procurement. The same percentage relates to the shortcomings concerning criteria for awarding public contracts that are not in accordance with the Law on Public Procurement.

Other weaknesses and irregularities in the public procurement have minor significance and materiality.

No	TYPE OF IRREGULARITY	Part (in %) in the total no. of findings re PP
1.	Not implemented procedures for PP / realized PP before signing PP contract / realized procurements with old contracts from previous years.	14,84
2.	Weaknesses in the bid opening phase, bid documents evaluation and preparation of reports on the evaluation in line with the Law on PP	10,00
3.	Weaknesses in the phase of signing contracts with selected bidders (not signing contracts with selected bidders, or signing contracts with different prices, and different conditions and other elements of the bid etc.)	8,71
4.	Weaknesses in the realization of signed contracts (warranties, prices, quantities, payment terms and other conditions other than the ones defined in the contracts)	7,42
5.	Bidding documentation is not prepared /does not include the elements prescribed by the Law on PP	7,10
6.	Weaknesses in the planning phase (type of contract, selection of proper procedure, planned quantities, dynamics, planned funds, submitting the plan to PP Bureau, amending the plan etc.)	5,81
7.	Weaknesses in the phase of decision making on PP	5,81
8.	Criteria for awarding PP contracts which are not in accordance with the Law on PP	5,48
9.	Awarding PP contracts / bypassing PP procedures prescribed by law	5,48
10.	Other irregularities	29,35
	<b>Total:</b>	<b>100</b>



## AUDIT OPINIONS

---

The main objective of the audit of financial statements is to enable the auditor to express an opinion as to whether

- » financial statements truly and objectively present the financial condition and results of the financial operations, and
- » the activities, financial transactions and information reflected in the financial statements are in accordance with the relevant legislation, guidelines and established policies.

In accordance with the objectives set in the audit reports, auditors expressed opinions on both the financial statements and the compliance with the laws and regulations.

The opinions expressed in the audit reports on financial statements for 2010 are as follows: 46,55% unqualified (positive) opinions, 26,72% qualified opinions, 12,93% adverse opinions and 13,79% disclaimer of opinion.

On the compliance with the laws and regulations 30,66% are unqualified (positive) opinions, 33, 58% are qualified opinions, 32,12% are adverse opinions and 3,65% are disclaimer of opinion.

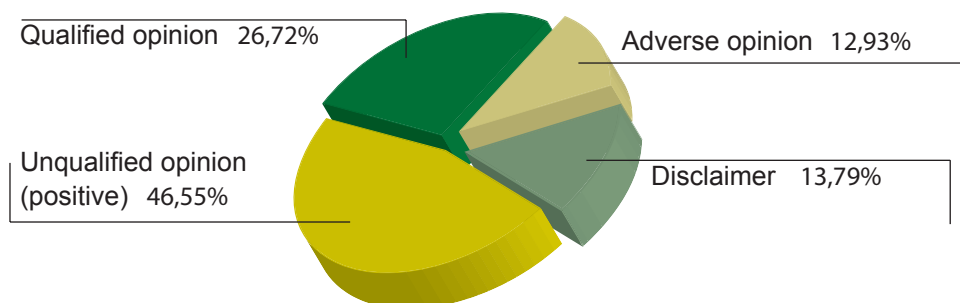
Given the broad mandate of the state audit including 1461 auditees, SAO annual programme for operation covers the auditees where annual audit is mandatory under the State Audit Law, as well as selected number of auditees in line with the selection criteria prescribed by the State Audit Office.

Below is an overview of the expressed opinions on the financial statements and on the compliance with laws and regulations in 2010 presented in the audit reports of 2011.

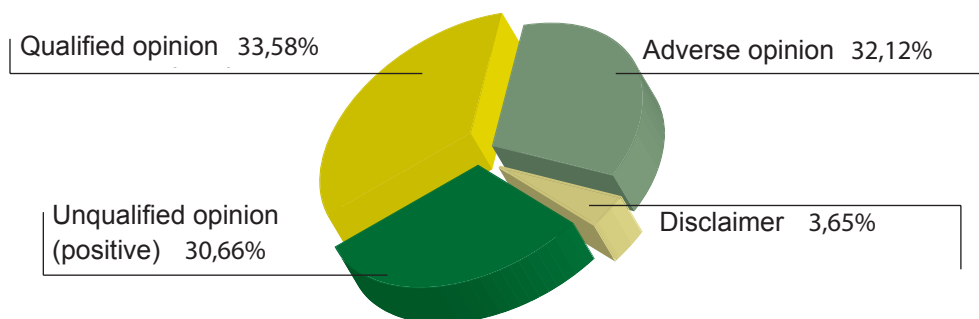
## Expressed opinions on financial statements and compliance with laws and regulations

Audit opinion	Financial statements		Compliance with laws and regulations	
	Number of reports	Structure in %	Number of reports	Structure in %
	2010	2010	2010	2010
Unqualified opinion (positive)	54	46,55	42	30,66
Qualified opinion	31	26,72	46	33,58
Adverse opinion	15	12,93	44	32,12
Disclaimer	16	13,79	5	3,65
<b>Total</b>	<b>116</b>	<b>100,00</b>	<b>137</b>	<b>100,00</b>

### Structure of expressed opinions on financial statements



### Structure of expressed opinions on compliance with laws and regulations



## MEASURES TAKEN UPON AUDIT REPORTS

---

For the purpose of achieving the main audit objective - taking care of public funds and improvement of public funds management, as well as timely detection of deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy in public funds management, the State Audit Office indicates clear and effective recommendations intended for taking steps for elimination or prevention of such deviations and violations in the future.

According to the State Audit Law, the legal representative of the auditee is obligated to notify the State Audit Office, as well as the competent body for supervision and control, on the measures taken upon the findings and recommendations of the audit report within 90 days of receipt of the final report.

The State Audit Office follows the implementation of recommendations of audit reports in the frames of the regular audits, the special purpose audits and the reviews of implementation of recommendations, as well as through received information from the auditees.

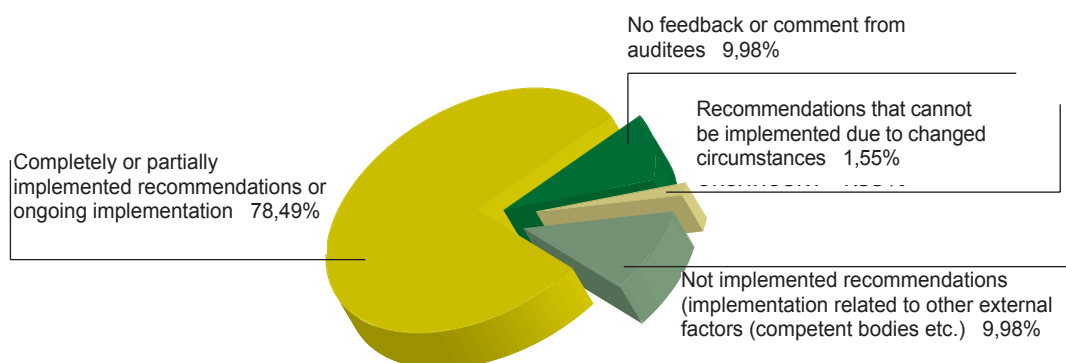
Upon completion of audits from the Annual Programme for 2011, the State Audit Office has given 725 recommendations. Until the date of preparation of the Annual Report for 2011, the deadline for feedback from auditees for 274 recommendations has not expired. Out of 451 recommendations, 354 have been implemented completely or partially, or the implementation is in progress, 45 recommendations have not been implemented (related to other competent bodies/external factors or discrepancies), 7 recommendations cannot be implemented due to changed circumstances, and auditees have not provided feedback or have not commented on 45 recommendations.

General conclusion is that auditees acted upon SAO recommendations. The analysis of collected data shows that out of 451 recommendations upon which the auditees were obligated to take measures until the date of the preparation of this Annual Report, 354 recommendations have been fully or partially implemented (78,49%), which is high percentage of realization.

For continuous follow up of the implementation of recommendations, the State Audit Office will continue using different approaches for gathering information on measures taken upon given recommendations including those that require longer implementation period. For that purpose the State Audit Office uses software for analyzing data and other information from audit reports.

The following table presents the status categories for measures taken upon recommendations for 2011 and 2010:

Description	2011		2010	
	No	Structure in %	No	Structure in %
Completely or partially implemented recommendations or ongoing implementation	354	78,49	440	84,13
Not implemented recommendations (implementation related to other external factors (competent bodies etc.))	45	9,98	64	12,24
Recommendations that cannot be implemented due to changed circumstances	7	1,55	0	0
No feedback or comment from auditees	45	9,98	19	3,63
<b>Total</b> <b>(number of recommendations for which feedback deadline of 90 days has expired)</b>	<b>451</b>	<b>100,00</b>	<b>523</b>	<b>100,00</b>



## COOPERATION WITH COMPETENT BODIES

---

The cooperation with the Parliament of the Republic of Macedonia continues in several directions.

To this end and in line with the State Audit Law, the State Audit Office submitted its 2010 Annual Report on conducted audits and operation for review to the Parliament.

At the plenary session held on 29 July 2011 the Parliament reviewed SAO Annual Report and adopted conclusions aimed at supporting the implementation and promotion of activities of the State Audit Office in accordance with the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and other professional bodies for developing and introducing professional standards.

Pursuant to the obligations stipulated by the State Audit Law, in 2011 the State Audit Office submitted 151 final audit reports to the Parliament.

Development of the cooperation with the Parliament remains one of SAO priorities. Therefore in December 2011 preparations started for realization of a project with the Netherlands Court of Audit for further development of sustainable and effective professional relations between SAO and the Parliament. The project is to be implemented during 2012. The project plan includes preparation of a manual intended for the Members of Parliament on how to use audit reports.

The cooperation with the Public Prosecution Office (PPO) of the Republic of Macedonia continues. PPO reports on acting upon audit reports in individual reports. During the reporting period eight audit reports that included findings on possible misdemeanor or criminal act were submitted to the Public Prosecution Office.

In 2011 SAO submitted two audit reports to the State Commission for Prevention of Corruption. With regard to the activities for preventing and detecting corruption, the State Audit Office continued its cooperation with all relevant authorities and is a signatory of the Protocol for cooperation for the prevention and repression of corruption and conflict of interests. In this context the State Audit Office participated in the preparation of the National Programme for prevention and repression of corruption and the National Programme for prevention and reduction of conflict of interest for the period 2011 – 2015. SAO representative also participates in the work of the Inter-ministerial body for prevention of corruption.

In addition, the State Audit Office participates in the realization of the National Programme for the Adoption of the Acquis through the activities envisaged in Chapter 3,23 Judiciary and fundamental rights, Area: Anti-corruption Policy, and Chapter 3,32 Financial Control, Area: External Audit.

During October 2011, the State Audit Office signed a Memorandum for Cooperation with the Audit Authority for auditing the instrument for pre-accession assistance (IPA). The Memorandum defines the cooperation between both institutions in terms of data exchange, technical assistance, realization of joint trainings, etc.

## **TRANSPARENCY**



By maintaining transparency of the results of its operations, the State Audit Office in 2011 continued to pursue one of its five strategic objectives defined in SAO Development Strategy 2010 - 2014.

The priority commitment in the past year in terms of transparency was to inform the public on the spending of public funds. It was achieved by publishing final audit reports on SAO web site continuously during 2011.

In this context SAO operations in 2011 were the focus of interest to the general public and the media. It is evident through the published information, newspaper articles, comments and other articles in daily informative and weekly/monthly printed and electronic publications.

The public interest during the past year can be supported by the number of visits on SAO official web site (140 267 visitors).

In 2011 the State Audit Office provided answers to reporters from various media. Twenty three requests were submitted to SAO in line with the Law on Free Access to Public Information and SAO answered within the statutory deadlines.





## AUDIT ACTIVITIES

---





## MAIN ASPECTS OF THE SITUATION IDENTIFIED AFTER CONDUCTED AUDITS IN 2011 ON THE CORE BUDGET OF THE REPUBLIC OF MACEDONIA, THE BUDGET BENEFICIARIES AND THE SPENDING UNITS OF THE BUDGET OF THE REPUBLIC OF MACEDONIA

### Core Budget

The main objective of the preparation and execution of the Budget of the Republic of Macedonia is macroeconomic stability and sustainable and stable national economic growth. The procedures for drafting, adopting and executing the Budget, as well as for reporting on the Budget execution are based on the following principles: comprehensiveness, budget balance, distinctiveness, economy, efficacy, effectiveness, transparency and sound financial management. The compliance audit on the Core Budget in 2011 paid special attention to Budget planning, planning and collecting Budget tax and capital revenues, the recording thereof, as well as to Budget execution - operations of the Treasury account and its records, in order to obtain reasonable assurance about whether procedures for Budget planning, adoption and execution of the planned funds ensure reflection of budget beneficiaries' strategic needs. Moreover, the audit was to determine whether the established recording and coordination among the institutions ensures completeness, accuracy and timeliness of planning and collecting Budget taxes and capital revenues, and whether control procedures operate efficiently and properly in terms of preventing or disclosing errors in the treasury operations and recording.

For achieving timeliness, comprehensiveness and transparency of the Budget preparation process it is necessary to ensure timeliness in the commencement of the budget process and its preparation, compliance of submitted budget circulars and their completeness, and harmonization of strategic plans of budget users with the strategic Government priorities. It is necessary all participants involved to carry out their activities within the legal deadlines.



The largest part of the capital revenues realized in the Budget of the Republic of Macedonia are revenues whose realization is within the competence of the line ministries i.e. Ministry of Economy, Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, and Property and Legal Affairs Office. In order to verify the timeliness, accuracy and completeness of realized capital revenues in the Budget of the Republic of Macedonia, and their planning, it is necessary to set up a planning procedure, to establish an organizational form that will do the planning, as well as to have mutual cooperation between the Ministry of Finance and the line ministries in terms of continuous exchange of data and information on the expected and realized revenues.

In addition, the state administration responsible for awarding contracts for realization of capital revenues (concessions and other types of public-private partnership, contracts for use, availability, protection and conversion of agricultural land, contracts for selling and leasing land or land concessions) should establish complete record thereof, continuous monitoring of the realization of obligations under these contracts and undertaking measures for failure to act upon them, as well as regular and timely submission of data to the Ministry of Finance.

Customs Administration of the Republic of Macedonia and the Public Revenue Office realized the highest percentage of tax revenue with over 74% of the total revenues in the Core Budget. Data exchange on collected tax revenue between Customs Administration and the Ministry of Finance is done online, i.e. "in real time", while data exchange with the Public Revenue Office is done by submitting daily reports on transactions or payments made. The established method for data exchange reduces the risk of unrealistic planning of tax revenue in the Budget.

The Government approves funds from the Budget as a financial plan i.e. right on spending of individual budget users, which (funds) are not integrated in the budget users' annual financial plans. Given that the main objective of the preparation and execution of the Budget is macroeconomic stability and sustainable and stable national economic growth, it is necessary to have transparent procedure for preparation, adoption and execution of the Budget i.e. available to the general public in all phases of the realization of the Budget of the Republic of Macedonia.

Funds for unforeseen circumstances are planned in the Central Budget as a permanent and current budget reserve. We recommend allocation of current reserve funds for activities that cannot be planned during the budget preparation by different

budget users. This practice imposes the need for further specification in the Law on Budgets i.e. establishing criteria for allocation of reserve funds as contingency or possibility for approval of funds if appropriations are insufficient.

## **Parliament of the Republic of Macedonia**

The audit conducted on the Parliament of the Republic of Macedonia has identified the need of:

- » regulating the base for calculating salary of MPs for the purpose of complete legal regulation of the right on salary of MPs (coefficients and base),
- » establishing criteria for evaluating justification of absence of MPs in line with the Law on MPs,
- » a bylaw for prescribing criteria for the manner of giving and receiving gifts, reporting and assessment thereof, storing and recording items that have become public property by way of gift, and
- » reviewing the legal solution of the right on compensation for using private vehicles for business purposes.

## **Secretariat for European Affairs**

Starting from 2003 the Government of the Republic of Macedonia has established a practice of granting funds for postgraduate studies abroad through the Secretariat for European Affairs. Without raising an objection to the activities and efforts of the competent authorities for promoting education and providing highly educated personnel, as well as promotion of professionalism, expertise, efficiency and effectiveness of the administration through trainings and recruitment of new staff that will be actively engaged in the process of accession of Macedonia to the European Union, the auditors point out that in line with the Law on organization and operation of the state administration, these activities are listed within the competence of the Ministry of Education and Science.

## **Ministry of Information Society and Administration**

Within the Programmes for operation for the period 2008-2012 the Government of the Republic of Macedonia envisages implementation of a series of projects aimed at developing information and communication technologies in Macedonia. The implementation of these

projects is under the competence of the Ministry of Information Society and Administration. For consistent implementation of activities within the Programmes for operation of the Government and realization of projects, the auditors deem it necessary to emphasize that the aforementioned should be planned adequately/in detail in the annual work programme of the Ministry with defined individual activities, deadlines for their execution, responsible persons for implementation, indicators for the level of implementation, and necessary funding and resources, in order to monitor the dynamics of the realization of projects, identification of potential problems, and suggestions and solutions for overcoming these problems.

## **Agency for Management of Confiscated Property**

The Agency for Management of Confiscated Property that carries out seizing, storing, evaluating and recording of confiscated property, property gains and confiscated items, is still using locations and warehouses for which it has not obtained legal right to use them. In addition, the Agency has not performed handover of confiscated property with the previously responsible entities (courts and Customs Administration) and has not done appraisal of the confiscated items.



The Agency for Management of Confiscated Property in cooperation with the Government, Ministry of Justice, Ministry of Interior and the courts should undertake activities for ensuring conditions for complete take over, storing, recording and managing of confiscated property. This will provide the Republic of Macedonia as the owner of the property with accurate, reliable and complete data on the amount, type and quantity of confiscated property that would ultimately contribute to increased revenue in the Budget of the Republic of Macedonia.

## **Protection and Rescue Directorate**

As part of the Programme for operation of the Government of the Republic of Macedonia for 2010 and in line with the Action Plan for cleaning rivers and coastline of Prespa Lake there were activities for cleaning drainage canals and river basins in Macedonia. The

funds for these activities were approved and allocated from the commodity reserves. Pursuant to the Law on commodity reserves, these reserves are used in case of war, emergency situations, natural catastrophes, environmental disasters, as well as in case of considerable market disruption. The activities planned in the Programme for 2010 relate to regular activities for cleaning riverbeds and Prespa Lake.

Protection and Rescue Directorate generated funds from collection of premiums for property insurance against fire from the insurance companies. The Directorate does not have data on the total collection of this type of insurance premium and the amount that insurance companies are obligated to pay. It is necessary to introduce timely and complete communication and exchange of information between the Directorate and the Agency for Insurance Supervision, as a competent authority for control of the operation of insurance companies, with a legal possibility for additional supervision whenever it is estimated that it is in the interest and for protection of the insurees, as well as for complete collection of entitled revenues. In addition, the auditors found out proceedings regarding planning, implementation and realization of public procurement which are not in accordance with the Law on Public Procurement. For the purpose of rational and efficient use of budget funds it is necessary to undertake measures and activities for prescribing and adopting policies and procedures for the manner of conducting public procurement and its consistent implementation.





## NATIONAL FUNDS

---

### Funds for managing health care system, social policy and pension system

SAO 2011 Annual Programme for operation covered the national funds responsible for managing the healthcare system, social policy and pension system.

The true assessment on how successful are these funds in their operations is given by the patients who are users of healthcare services, the people who depend on social welfare and the pensioners who deservedly request to receive what they have been putting aside during their whole service life.

General conclusion is that the current system of contributions for compulsory social insurance insufficiently compensates the needs of the national funds, particularly because contribution rates have been reduced and unemployment rate has increased, resulting in increased deficit of financial assets in the funds. This lack of funds is compensated by transfers from the Central Budget, which increases dependability of national funds from this type of resources. This is not a system solution according to which budgets should be recharged from regular service of social contributions.



## Employment Agency of the Republic of Macedonia

The Employment Agency of the Republic of Macedonia does not have complete information on the number of structures available; a number of structures do not have legal title, while for other structures the property and legal relations have not been cleared and the structures have not been recorded in the Cadastre. There is a discrepancy in the act for payment of salaries by positive legislation which ultimately results in different amount of salary in different employment centers for the same jobs, the same kind of workload and duties. This causes inequality between employees and unequal approach in valuation of completed tasks.



## Pension and Disability Insurance Fund of the Republic of Macedonia

The method of transferring budget funds for the needs of Pension and Disability Insurance Fund of Macedonia through the Ministry of Labor and Social Policy does not present real picture of the budget amount of the abovementioned Ministry and the transfer of budget funds on the account of the Pension and Disability Insurance Fund the Ministry does not have an important role that would give added value on this process. For more efficient use of resources, the transfer of budget funds from the Core Budget of the Republic of Macedonia should be made directly on the account of the Pension and Disability Insurance Fund.

As the collection of contributions for pension and disability insurance is under the jurisdiction of the Public Revenue Office since 2009, the Fund has incomplete information about the amount of claims on the basis of the contribution, which is necessary for organizing activities for the following period and for the dynamics of the payment of contributions by the obligers. In addition, for the period until 2008 the Fund has outstanding claims based on the contribution because some obligers are in liquidation or bankruptcy, some are inactive or not paying contributions, while others are not in compliance with the Law on Companies.

## Health Insurance Fund of the Republic of Macedonia

Health Insurance Fund of Macedonia is a purchaser of health services rendered by health care institutions and the highest percentage of the Fund's budget is being used for this purpose. The system of compensation for services of public health care institutions in the amount of the contracts and not in the amount of invoiced/rendered healthcare services, results in unequal treatment of those health care institutions that either carry out healthcare services completely or the healthcare services surpass the amount of the contracts, compared to those who have not provided sufficient healthcare services to justify the contracts.



## National Roads Agency and PE Makedonija Pat

Matters pertaining to the management, construction, reconstruction, maintenance and protection of national roads are under the competence of the Agency for National Roads. For the activities in relation to the maintenance and protection of national roads as well as for toll payment, the Agency is signing contract with the Public Enterprise (PE) for maintenance and protection of national and regional roads Makedonija pat - Skopje. Audit was conducted on both the Agency and the Public Enterprise. Without denying the activities undertaken by the management of the above entities and the competent authorities, the auditors point out that the work of the PE has reduced liquidity and solvency, which significantly affects the processes and the continuity. The PE presented large amount of expenditures for damages, interests and court expenses, as well as obligations to clients, obligations for value added tax and inconsistencies in the procedures for awarding public procurement contracts.

In the following period activities should be undertaken re:

- » Adoption of a Strategy for development and maintenance of national roads that would be used as a basis for preparation of a five-year i.e. annual programme for construction, reconstruction, maintenance and protection of national roads;
- » Modernization of the toll payment system and minimization of the human factor, and

- » Legislative changes that were to be introduced pursuant to the Law on transformation of the Public Enterprise for maintenance and protection of national and regional roads “Makedonija pat”.



## JUDICIARY

The grounds for organization and jurisdiction of the courts, selection and dismissal of judges, their rights and obligations, and provision of funds are regulated by the Law on courts.

The organization of the judiciary is unique. The judicial system of the Republic of Macedonia is comprised of 27 Basic Courts, four Courts of Appeal, Administrative Court, Higher Administrative Court and Supreme Court.

The Judicial Council is an autonomous and independent judicial body responsible for ensuring independence of the judiciary.

Funds for the operation of the judiciary and the Academy are provided by the judicial budget which is a separate section of the Budget of the Republic of Macedonia entitled «Judiciary». Matters relating to planning, allocation of funds, execution and reporting on the execution of the judicial budget are under the jurisdiction of the Court Budget Council.



44

In the following period the courts should address and improve specific state of affairs concerning:

- » available funds for financing the judiciary;
- » staffing in courts, professional training of judicial service and other employees;
- » recording capital goods in the business books based on reliable and orderly documents;
- » awarding public contracts; and
- » proper and sufficient workspace, equipment and IT technology.

## POLITICAL PARTIES

The method and procedure for obtaining financial resources, availability of funds, political party operation, financial - material operations and reporting of political parties is regulated by several laws and bylaws. The audit of the regular operations accounts and the election campaign accounts for the early parliamentary elections held on 5 June 2011, identified irregularities in several areas.



### **Transparency and publicity of data contained in the Annual Account and the Annual Report**

Political parties have an obligation to publish their annual account and the annual financial statement on their web site, in at least one daily newspaper and in the Official Gazette of the Republic of Macedonia (the annual financial statement).

Some political parties did not present data for the publication of their annual accounts and data for publication of their annual financial statement in the Official Gazette as prescribed by the law.

The amendments to the Law on financing political parties abandoned the aforementioned obligation, i.e. political parties are obliged to publish the annual account and the annual financial statement only on party's website.



## Accounting policies and financial statements

Some political parties did not undertake activities for timely and complete recording of capital goods in business books.

Acknowledging revenues and expenditures is not always done by all political parties in accordance with the modified accounting principle which affects the objectivity and validity of financial statements.

Political parties have not arranged the mutual rights and obligations with the landlords of the business premises used as election headquarters or regional branches of the political parties, which prevented establishing the amount of total expenditures in the financial statements.

Election campaign service providers have not consistently complied with the provisions of the Electoral Code (for the manner of invoicing for services rendered and presenting the approved discount, for submitting notification on the approved discount to SAO), which affects the Financial Statement on the revenues and expenditures for the election campaign.

Election campaign organizers not always present all given discounts in the Financial Statement on the revenues and expenditures for the election campaign.

There is no written act / contract for arranging mutual rights and obligations between coalition partners which will serve as a basis for allocation of appropriations from the Budget of the Republic of Macedonia.

46

## Systemic weaknesses

The auditor found out several systemic weaknesses which authorities need to overcome in the following period:

- » Lack of bylaw on the form, contents and manner of keeping the Register of donations;
- » Presence of accrual accounts in bylaws which regulate the form and contents of financial statements of nonprofit organizations;
- » Not regulated obligation for reporting on the period between the deadline for submitting the financial statement on the election campaign and the payment of funds from the Budget of the Republic of Macedonia, i.e. the budgets of the municipalities and the City of Skopje, for each vote won on the election (the account should be closed after this payment is made). Consequently, the financial statement does not include transactions

that occurred subsequent to the preparation of the financial statement and prior to the day of closure of the election campaign account;

- » Lack of legal provisions for further handling of outstanding obligations in relation to the election campaign after the closure of the election campaign account;
- » In practice, donated funds for the election campaign can be associated with a particular expenditure only for certain legal entities where you can locate a specific expenditure (broadcasters, printed media etc.) but not for individuals or legal persons who donate funds;
- » It is not defined whether donor-legal person can donate up to 5% of its total income earned in the previous year to each participant in the election campaign or whether that is the total maximum amount a legal person can donate during one election campaign;
- » Competent authorities need to undertake necessary measures and actions for reviewing the maximum prescribed limit of 180 denars per registered voter as permitted level of funding for election campaign;
- » It is necessary to define more specifically Article 84 of the Election Code - does the prescribed maximum limit of funds for financing the election campaign (180 denars per registered voter) include the discount given by legal persons.



## HEALTH CARE

### **Public healthcare institution (PHI) for the needs of public healthcare institutions, university clinics, the bureau and the emergency center - Skopje**

In the period after the transformation of the Public healthcare institution University Clinic Center (PHI UCC) Skopje until 31 December 2010, the newly established PHI has made payment of obligations which are not reimbursed by the Health Insurance Fund of Macedonia. This is contrary to the provisions of the Decision for establishing PHI in relation to the debts and other liabilities incurred by PHI UCC Skopje, which stipulates that the funds should be provided by the Health Insurance Fund of Macedonia. Consequently, PHI is financially burdened with interests for delayed payment of liabilities toward PHI creditors, notices and appeals before competent courts.

This condition could ultimately put at risk the regular operation of the clinics as it affects PHI operation in relation to the regular supply of heating, electricity, water, food, medicines and medical supplies, sterilization, medical gases etc.



48

### **PHI Healthcare Centre – Skopje**

Healthcare Centre – Skopje is facing many outstanding receivables from concessionaires which do not settle their obligations on time. Legal proceedings are initiated for the large portion of the receivables, but they cannot be collected due to unsecured contracts and prolonged trials. The privatization of the primary healthcare protection has increased the expenditures, as well as the problems of Healthcare Center. For overcoming this situation the auditors proposed tripartite agreement between the Healthcare Center - Skopje, the concessionaires and the Health Insurance Fund of Macedonia that would clearly define the interrelations. Thus, the funds payable to the Healthcare Center by the concessionaires would be reimbursed directly from the budget of the Health Insurance Fund.

With regard to the realization of Programme activities, the Ministry of Health allocates funds to PHIs and supervises the realization thereof based on submitted invoices and progress reports re Programme activities.

In case of absence of written criteria and established procedure for allocation of funds per programme, funds are approved as a total amount per Programme for all PHIs. Hence there is no transparency in the allocation of funds to individual PHIs and there is no possibility for harmonizing the activities undertaken with the approved funds per Programme. As a result, the collection of receivables on these grounds from the Ministry of Health cannot be done in full.

Pertaining to the activity for treatment of insured people with diabetes who are on insulin therapy, it should be emphasized that the above mentioned activity is now under the jurisdiction of the University Clinic of Endocrinology, and the Healthcare Centre only delivers insulin to end users through the insulin pharmacies within the Healthcare Centre. There are no financial records for stocks of insulin neither at the University clinic nor in the Healthcare Centre. The University Clinic has not made an inventory of insulin therapy in warehouses within the Healthcare Centre, while the Healthcare Centre has done only physical counting. Lack of records might lead to mistreatment of insulin.

## CULTURE

In 2011 SAO conducted audit on the financial statements and compliance audit in culture related institutions in order to locate possible weaknesses in their operation and to point out the need for addressing and improving the identified state of affairs.

For this purpose SAO conducted audit on the Ministry of Culture responsible for creating and implementing the culture policy, as well as audit on four national institutions established by the Government of the Republic of Macedonia and four public institutions established by the City of Skopje.

The analysis of results of conducted audits has revealed the following:

### Ministry of Culture

In order to improve the conditions identified with the audit, the Ministry of Culture should timely prepare a National Strategy for culture and establish measurable criteria for selection of projects included in the annual programme of the Ministry. Changes of the annual programme should be transparent and public and follow the same procedure for adoption of the programme. The Ministry should amend contract provisions for project financing in order to include more precise purpose of the appropriations, which would strengthen the financial control and discipline over funds spending.

Concerning identified omissions in the realization of public procurement, the Ministry should set up criteria for selecting the most favorable economic operator that would ensure competition in the procedure and quality performance of contracted work, timely planning of all activities arising from the project documentation, timely initiation of procurement procedures under the Law on public procurement and consistent compliance with all requirements provided in the announcements for awarding contracts.



## Public and national institutions in the field of culture

SAO conducted audit on the public institutions “Koco Racin” and Youth Cultural Center (cultural centers) from Skopje, the Museum of the City of Skopje and the national institutions - Conservation Centre of Skopje, Ohrid Summer Festival, Nature and Science Museum of Macedonia, Macedonian Opera and Ballet, which operate in the area of protection, conservation and restoration of cultural heritage, culture mediation, museum and stage - musical activities. The following state of affairs was identified:

- » There are shortcomings in the organizational structure and internal controls and lack of procedures for defining and segregating duties and responsibilities of employees in terms of verifying the completeness and reliability of documentation for recording events, paying liabilities and collecting receivables. This situation is also a result of limited human resources;
- » Not aligned internal regulations on the manner of organization and systematization of job positions (Rulebook on systematization and Collective agreement of the institution) as well as the calculation and payment of salaries and allowances in line with applicable laws and regulations;
- » Dividends paid in fees for royalties without the prescribed criteria for selection and amount of remuneration.
- » Fees for copyright work have been paid without prescribed criteria for selection and amount of fee.
- » Fees have been paid to persons continuously engaged by contract work and temporary employment due to insufficient number of employees, without prior consent from the Ministry of Culture and the Ministry of Finance. This enables subjective approach to selection decisions;
- » The income from leases was paid on the account of self-generated revenue of the institutions, instead on the account of the Budget of RM as provided by the Law on use and disposal of items of state authorities.
- » Revenue is generated from selling tickets, advertising material and supplies on consignment without debt entry and debt payment records of those who handle the materials and supplies. Inventory of assets and sources of assets on 31 December 2010 is of poor quality, incomplete and contrary to the legal regulations. Properly and timely recording of receivables from leases that provides true picture of the planning of assets and their earmarked use and enables undertaking measures for regular collection is not introduced.
- » The audit identified unrealistic budgeting of self-generated income in Macedonian Opera and Ballet, and obligations created for realized expenditures that cannot be

fully covered. At the end of the year the obligations are transferred to the account of the Core Budget and the Ministry of Finance intervenes by adding funds if the agreed amount for program activities is surpassed. This kind of operation is contrary to the Budget Law, the Law on Execution of Budgets and the Law on Culture.

Regarding the implementation of the Law on Public Procurement the auditors identified shortcomings in:

- » Adoption and harmonization of the public procurement plan;
- » Implementation of procedures for awarding public contracts;
- » Following deadlines for submission of bids and sending notifications on selection of most favorable economic operators and for contracting;
- » Expanding the range of procurement of goods and services not included in the contracts;
- » Dividing contracts on several individual contracts with lower value;
- » Signing annexes to the basic contracts for exceeding the agreed amount and scope of procurement;
- » Actions by the committee for public procurement in the evaluation of tenders pursuant to the criteria, and
- » Monitoring of the realization of contracts.

The auditors point out that the following has not been implemented:

- » Decision of the Government of RM from 2000 for transferring ownership right of real estate property (cultural centers) from the Republic of Macedonia to the municipalities;
- » Decision of the City of Skopje from 2004 for assuming founding rights of the institution; and
- » Agreement from 2005 between the Government of RM and the City of Skopje for transferring immovables, equipment, employees and other work assets from the Republic of Macedonia to the City of Skopje.
- » These acts are legal basis for registration of ownership right in the cadastre of real estate i.e. the cadastre of land (public book), registration of changes in the court register and in the Central Register.

### Ministry of Transport and Communications

The State Audit Office conducted audit on several institutions in the area of economy, transport and communications. The audit on the Ministry of Transport and Communications identified weaknesses in: the completeness and accuracy of presented obligations due to lack of records for programme activities realized in 2009, budgeted and paid in 2010; the recording of obligations in the amount of funds available at the time of payment, and not based on the total amount of accounting documents. SAO recommendation to the Ministry is to establish consistent accounting system in order to present comprehensive and updated status of obligations.

With reference to the application of the Law on Public Procurement, the auditors identified imprecise requirement for the technical i.e. professional capacity of the consultancy team for carrying out continuous and regular supervision of the manner of conducting concession activity. The contracting authority for this type of procurement should accurately define the minimum requirements for economic operators in order to qualify as technically and professionally capable and in proportion to the subject of the public contract.

SAO identified weaknesses in and exceeding of undertaken contractual obligations in relation to the time of delivery in the realization of the public contract. SAO recommends that the Ministry should ensure monitoring of the contracts regarding the deadline for delivery of the subject of procurement.

### Systemic weaknesses

In large number of contracts for selling construction land in 2010 the buyers did not respect the deadline for obtaining approval from the competent authorities for construction of the planned structure. The abovementioned can be used as grounds for unilateral termination of the contract by the Ministry. The prolonged deadlines for construction have brought into question the fulfillment of policies and objectives of the sale of construction land in the first place. During 2011 the Ministry has undertaken additional activities for providing building permits, except for cases with administrative barriers in the procedure for issuing permits.

In determining the initial price in procedures for selling construction land, the purpose of the sale is taken from the detailed urban plan of the municipalities and the City of Skopje.



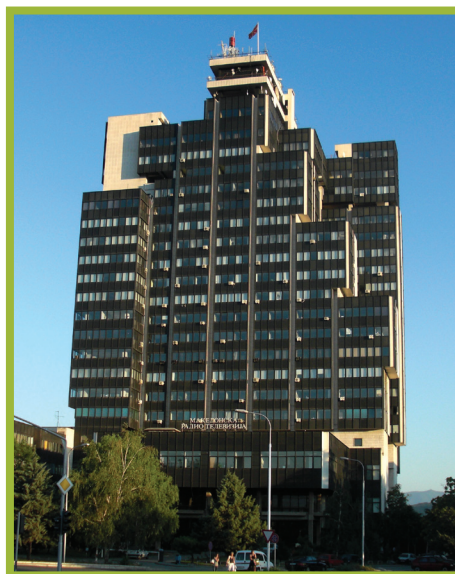
Sometimes the purpose is not in line with the classification of purposes prescribed by laws and bylaws. The Ministry and the municipalities (which have taken over the jurisdiction over this matter in 2011) must specify all factors that define the initial price in the announcements for sale.

## **PE Macedonian radio and television (MRT)**

MRT has not set up complete system of internal controls for ensuring economy and transparency in public funds management related to recording events, purchasing programs and co-broadcasting programs. In this context, MRT managing bodies should adopt a written act on the manner and procedure for signing contracts for program activities, which would establish a mechanism for control and monitoring of the implementation and realization of program rights.

In 2010 MRT calculated the salary of its employees based on the Collective Agreement from 2006 and the Rulebook on organization and systematization from 2004, which have underwent more than ten amendments. The competent managing bodies of the enterprise should undertake concrete measures for developing and implementing new acts on organization and systematization of jobs in line with the new developments and needs of MRT, with the intention of proper organization and utilization of employees.

The audit identified that the system for keeping the register of payers of the broadcasting fee i.e. the data generated from the system are not complete. This creates a risk of incomplete estimation of receivables and income from broadcasting tax. MRT estimates claims based on data on collected funds. In order to create an updated database, better collection and proper records MRT should establish cooperation with state authorities that have registries of physical and legal persons, as well as with the Public Revenue Office which (starting from January 2011) calculates, determines and collects broadcasting fee. This recommendation also applies to the institutions that realize revenue from the broadcasting fee in line with the Law on Broadcasting, the Public Broadcasting Company and the Broadcasting Council.



MRT generates income from radio and television advertisements. The price list for marketing services adopted in 2006 is not approved by the founder. Shortcomings were identified in special offers as well as in other offers for major global broadcastings. These offers are not approved by the managing bodies and the billing did not state the time for advertising, length of advertising, the price per minute. In order to improve the system of internal controls it is necessary to adopt written procedures on the manner of delivering marketing services, selling media time, manner of signing contracts and manner of invoicing which would ensure transparency and legality of the procedure.

According to the Law on Broadcasting, certain MRT program services are financed from the Budget and approved by the Parliament of the Republic of Macedonia. In March 2010 the Parliament adopted six decisions for approval of MRT financial plans for regular and investment activities within several program services. However, in 2010 the Budget has not transferred funds for this purpose. Funds from the Budget were transferred in the period from 2007 to 2010 based on the rehabilitation program for financial insolvency, small and inefficient collection of broadcasting fee and insufficient income on other grounds, and for the purpose of endurance of the public broadcaster of the Republic of Macedonia. SAO recommends that the Parliament should undertake measures for overcoming this unfavorable situation and to ensure continuity in the operation of the public broadcaster.

## **PE Macedonian Broadcasting (MRD)**

MRD has not adopted Pricelist for the fee for commercial broadcasting companies that use public electronic communication services in transmission and broadcasting of program services. The absence of such pricelist affects the amount of realized income of MRD, as well as the coverage of costs of regular operation. Therefore, it is necessary to draft and adopt a Pricelist with prior consent from the Government of the Republic of Macedonia.

MRD does not have control activities when calculating income from leasing premises. The procedure for signing contracts, particularly in the part for drafting minutes for installing equipment on site is not followed completely. We recommend complete adherence to the adopted written procedures by the persons responsible for calculation and payment of claims. Some users were not regularly and timely invoiced, although they were using the premises and had equipment installed on several locations, due to lack of signed contracts. Therefore it is necessary to ensure regular and continuous monitoring and



control of changes arising from changing or construction of new structures on the locations, as well as regulation of all changes in the contracts.

PE MRD is not provided with funds for covering costs of broadcasting the Parliamentary Channel and other programs, for equipment maintenance and for financing the transmission of the program for expatriates. This has a negative effect on the financial operation of the enterprise as the expenditures are covered by the collected broadcasting fee. SAO recommends activities to be undertaken by the Government and the relevant ministries for providing funds for the transmission of program services for the Parliamentary channel and the channel for expatriates in line with the Law on establishing Macedonian radio broadcasting. These funds would cover the abovementioned expenditures and improve the financial standing of the enterprise.

## **Macedonian Railways AD Transport**

In 2007, the capital, assets, rights, obligations and employees of PE Macedonian Railways were divided in two legal entities, PE Macedonian Railways Infrastructure and Macedonian Railways Transport AD. After the division and assessment of capital value in Macedonian Railways Transport AD the auditors identified shortcomings that were reflected and had influence in the following years. The following weaknesses were identified in conducting assessment and value appraisal: inventory has not been done i.e. the actual state of assets has not been determined as well as the age structure of locomotives, passenger and freight wagons and their technical characteristics which do not correspond to international standards for transporting goods and passengers; the age structure of supplies has not been determined, thus it remained at the same level after the basement; goodwill is recorded as a corrective measure for annulling the imbalance between funds and sources of funds and it deviates from the goodwill prescribed by the International Accounting Standards.

The audit conducted in 2010 found out that Macedonian Railways Transport AD has not fully established organizational structure and working procedures for ensuring the operation, monitoring and development of sound financial management and control in all organizational units. In this regard we recommend establishing complete system of internal controls by adopting written procedures and actions at all levels of operation and creating conditions for their implementation.

Macedonian Railways Transport AD - Skopje does not keep records of written off fixed assets for sale. Railway vehicles lose their value and usable wagon parts are vulnerable to theft. We recommend setting up a commission for determining the value of written off assets and proposing solution for their sale.

In the implementation and realization of public procurement in Macedonian Railways Transport AD the auditors identified conditions that point to inadequate compliance with the provisions of the Law on Public Procurement. In addition, in 2010 Macedonian Railways Transport AD made advance payments to the economic operator for providing the service maintenance of railway vehicles, in the amount 20% higher than the value of the contract. SAO gave recommendations for addressing the identified inconsistencies in the implementation of public procurement procedures.

Macedonian Railways Transport AD has passenger wagons and electric locomotives purchased in 2000 and 2001 from Switzerland, with repayment period of 10 years. According to the agreements, the ownership of assets will be transferred to Macedonian Railways Transport AD provided the full amount is paid. As a result of the financial difficulties the main debt is not paid, although it is due. Consequently Macedonian Railways Transport AD - Skopje has not yet obtained ownership of the assets and it might even lose the ownership over the railway vehicles.

Because of the amount of due debt of Macedonian Railways Transport AD towards the state for paid obligations to foreign creditors and foreign railway enterprises until 31.12.2010, we recommend the Government to review the situation of obligations paid on behalf of Macedonian Railways Transport AD - Skopje and take appropriate action. Given the amount of accumulated obligations and the possibility of deterioration of the solvency and liquidity of the Company, it is necessary for the competent authorities to undertake concrete measures and in cooperation with the Government to improve the operation of Macedonian Railways Transport AD.

## **Systemic weaknesses**

Legal regulations prescribing conditions for safe, orderly and uninterrupted operation of rail traffic, were amended in 2007 and 2010 i.e. two new laws were adopted - the Law on Railways adopted in April 2007 and the Law on railway system adopted in April 2010. However, bylaws were not adopted in the specified period and the laws cannot be fully applied. Therefore there is lack of objective conditions in the Republic of Macedonia compared to the European countries and standards.

According to the interim and final provisions of the Law on Railways and the Law on railway system, the competent state authority should have adopted detailed



rules for more thorough regulation of these laws within six months from the date of their entry into force. The auditors identified lack of Rulebook on the manner and procedure for technical inspection of railway vehicles and Rulebook on the manner and procedure for maintenance of freight wagons, which are of major importance for safe transport of passengers and commodities. Consequently, Macedonian Railways Transport AD - Skopje still uses adopted Rules 241 and 251 for technical maintenance of railway vehicles from 1983.

## **Railway Infrastructure**

In 2010 Macedonian Railways Infrastructure has generated income from leasing immovables as well and the auditors identified the following weaknesses: Macedonian Railways Infrastructure did not inform the Ministry of Finance - Property and Legal Affairs Office on the leased structures; the lease is not done following a transparent process with public notice; the decisions for determining the initial rental price are not approved by the founder and the initial price is not in accordance with the methodology for assessing business premises owned by the Republic of Macedonia of the Public Enterprise for managing housing and commercial properties of the Republic of Macedonia; and lease contracts were signed directly without notifying the Government. In this regard we recommend Macedonian Railways Infrastructure to harmonize the initial prices in line with the methodology and to notify the competent state authorities.

In Macedonian Railways Infrastructure the auditors also identified shortcomings in public procurement planning. The procurement plan for 2010 envisages implementation of 204 procedures for public procurement of goods, services and works. During 2010 the basic plan has undergone 34 amendments and the number of procedures was increased to 232. In 2010 Macedonian Railways Infrastructure has carried out only 90 public procurement procedures, which is 37% realization of the plan. The low percentage of implementation of the plan indicates that the company failed to have proper assessment of needs for procurement in the current year, consistent with the available funding resources. We recommend that the company should evaluate the total procurement needs in the current year per types of goods, services and works based on identified funding resources and avoid division of public contracts.

Macedonian Railways Infrastructure has presented receivables for certain advance payments for intangible and tangible investments that were not included in the inventory from 31.12.2010. The discrepancies in inventorying these receivables for a long period in the past, led to untimely collection; the assessment of the capital in December 2009 has written off these claims, thus reducing the capital of the company. The company should undertake measures for verifying the legal basis for existence of these claims and their collection.

In the period from 1994 to 2004, activities were initiated, investment-technical documentation was prepared and construction work for Corridor VIII toward Bulgaria in the first two sections Kumanovo - Beljakovce and Beljakovce - Kriva Palanka started using funds from the Budget of the Republic of Macedonia. To this end, contracts and annexes to the contracts were signed with five construction companies. Due to budget funding cut in 2004, construction activities were stopped and existing contracts with construction companies were not realized, nor terminated. Advance payments were made in line with the signed contracts but services were not given. There are ongoing negotiations between the Government and Macedonian Railways Infrastructure and the five construction companies for court termination of the contracts, because the Government is interested to continue the construction of the railway section of Corridor VIII.

In 2010 Macedonian Railways Infrastructure has presented obligations toward the Budget for loan agreements for a second project for facilitating trade and transport in South East Europe, project for reforms of the railways, and project for the transport sector. Due to its insolvency, Macedonian Railways Infrastructure was not able to service due debts for the principal and the interest within the specified deadline; these obligations were paid by the Government on behalf of the company. Given that the company is state ownership, we point out the risk of servicing future obligations for due credits as well as for payment of tax liabilities.



## Regulatory Bodies

In 2011 SAO conducted audit on the Securities and Exchange Commission and the Broadcasting Council. In both regulatory bodies the auditors found out that the right on salary, the contributions paid from employment and the rights of the President and the members after termination of office are not set by law. Both regulatory bodies have regulated these rights with internal acts even though the president and the members are elected by the Parliament. The auditors recommended undertaking activities in cooperation with the relevant parliamentary bodies for regulating the issues in relation to gross salary and other allowances of the regulatory bodies' members.

In this respect, the auditors point out that Article 9 of the Law on salary and other allowances of elected officials in Macedonia indicates that the funds for salaries of officials and senior officers are provided from the Budget. Considering that a number of officials and senior officials appointed by Parliament and Government have their own budgets and financial plans that are not included in the Budget, it is necessary for the competent authorities to undertake activities for initiating and amending relevant laws governing this issue.

The auditors find it necessary to emphasize that regulatory bodies in the Republic of Macedonia have different financial reporting framework i.e. method of keeping accounting records. Therefore there is a need for regulating this issue with a law.

## **Broadcasting Council**

The auditors identified that the Broadcasting Council has audiovisual materials and phonogram archives financed by broadcasting fee funds as projects of public interest and significant cultural heritage of Macedonia. However, these materials were not handed over to the national institutions for protection of cultural heritage, thereby increasing the risk of damage, destruction or illegal appropriation. In this regard we recommend undertaking activities for relocating the entire production in the national institutions.

For the projects of public interest financed by funds from the collection of broadcasting fee and in line with the old Law on Broadcasting, there are no complete and accurate records. Payments of funds for projects are made without established procedure, the users are not required to return funds for incomplete projects and deadlines are not set for using funds approved with Decisions in line with the announcements in 2005 and 2006.





## AGRICULTURE, FORESTRY AND WATER ECONOMY

---

In the frames of the audit in the Ministry of Agriculture, Forestry and Water Economy the auditors identified several weaknesses, and we emphasize the following: unrecorded receivables and illegal income based on expanded reproduction of forests; shortcomings in the manner and procedure of payment of fees for leasing agricultural land; and also in planning and implementation of programs for:

- » expanded reproduction, development and promotion of hunting,
- » use of funds for healthcare of animals,
- » use of funds for veterinary public health, and
- » financial support of agriculture.

There are also weaknesses in terms of not established internal controls or insufficient coverage of risks with the internal control processes.

The Ministry should take actions for ensuring payment of funds for expanded reproduction to the relevant accounts of the Budget of the Republic of Macedonia, compliance with prescribed conditions and criteria provided in the programs, and covering risks with the internal control processes.

Regarding forestry, the audit on PE „Macedonian Forests“, on the compliance of financial transactions with the relevant legislation, guidelines and established policies, identified the following weaknesses:

- » Lack of a general plan for forest management; specific plans for 23 forest economy units not fully developed and adopted due to shortcomings in the processes for drafting and adopting plans;
- » On one hand, PE „Macedonian Forests“ has outstanding receivables from the Ministry of Agriculture, Forestry and Water Economy for the activity „Day of the Tree - Plant Your Future“, while on the other it has outstanding obligations to the state for the extended reproduction;
- » Engagement of persons through the Agency for temporary employment for already systemized job positions and tasks for realization of the main activity of PE „Macedonian Forests“;
- » Adoption of bylaws/rulebooks that complicate the operation processes in the enterprise.

The lengthy and complex tender procedure for logging, supply and transport of wood assortments is a systemic shortcoming and slows the production process of the company on top of the weather conditions which greatly affect the production process as well.



It is important to highlight the expenditures for maintenance of the car park, because it makes a significant percentage of the total costs of the company and affects the financial statements. The car park, especially the mechanization, due to its average age of over 25 years and frequent defects, complicates the manufacturing process and obstructs the realization of production and financial plans, as well as it increases the expenditures for regular maintenance and for construction, reconstruction and clearing of roads.

## **PASTURES MANAGEMENT**

---

Pastures management is under the authority of the Public Enterprise for Pastures Management.

The following weaknesses were identified in this field:

State public capital is not fairly presented in the financial statements and closing balance sheet is not prepared as a basis for PE Pastures Management to assume the rights, obligations, assets and other property of self-governing interest communities.

Competent authorities for managing the enterprise have not adopted a risk management strategy, there is no internal control system for the payment process and no regular and complete control over the use of pastures.

In relation to the capital assets, there is incorrect presentation of the correction of value, the fair value of the land is not estimated, and there is no inventory of structures (mountain pastures, livestock water facility etc.).

PE Pastures Management does not have signed contracts with some pasture users, invoicing of revenue is incomplete, the amount of calculated fee is not supported by documents for the size of livestock, and the records of receivables of branch offices is incomplete and inconsistent.

Competent authorities for managing the enterprise should also take actions to ensure setting the equity and preparing closing balance sheet for PE Pastures Management to assume rights, obligations, assets and other property of self-governing interest communities. In addition, risk management strategy should be adopted, internal control system for the payment process should be established, and supervision and control over the use of pastures should be implemented. It is also necessary to sign contracts with pasture users, as well as to check the livestock in cooperation with the Ministry of Agriculture, Forestry and Water Supply and the Food and Veterinary Agency.

## **LOCAL SELF GOVERNMENT**



In 2011 SAO conducted financial audit on 2010 financial statements and compliance audit on nine local self-government units (LSGU) and three local public enterprises. Two local self-government units were audited for the first time.

In most audited LSGU the auditors identified weaknesses related to absence of established internal controls or insufficient coverage of risks with internal control processes.

Concerning the process of budgeting, there are significant deviations between planned and executed revenues/expenditures in the budgets despite the rebalances. The budgeting which does not observe historical data and real capacity of the municipalities violates the principle of good governance.

Due to the fact that some municipalities had their accounts blocked in 2010, part of the transactions were done with compensation, cessions and assignments and are not processed through the payment operations of the treasury system.

Audited LSGU do not have updated taxpayers' database (mostly for property tax of physical entities) or the update is in progress.



As for the revenue from utility tax there are problems in the implementation of certain utility fees i.e. tariff numbers which affect the amount of revenue made on this basis (utility tax fee for music, use of roads, parking, etc.). These issues were outlined in detail in SAO 2010 annual report, but no measures were undertaken thereof.

One type of revenue of LSGU budgets which is divided in the proportion 80% and 20% with the Budget of the Republic of Macedonia is the temporary residence fee. The collection of this revenue in most audited municipalities is not satisfactory even though some of the audited municipalities are tourist centers in Macedonia. When collecting this revenue, municipalities face numerous problems. In order to increase the efficiency in collection, municipalities should consider legal options and intensify the supervision over the collection of fee in cooperation with the State Market Inspectorate.

In some audited LSGU the auditors identified deviation from the provisions of the Law on Civil Servants in relation to rewarding civil servants, and the Law on agencies for temporary employment in terms of transparency and legality of employment.

Some audited LSGU use funds from current reserves for covering expenditures that could have been planned in the preparation of the budget. The auditors recommend using funds from current reserves only for contingencies which are not planned in the budget or when appropriations are not sufficient.

In audited LSGU auditors identified characteristic occurrence of payment of funds to individuals, organizations and associations without defined criteria and objectives, and without transparent procedure. Municipalities do not publish on their web site the organizations that received funds and the purpose for which the funds were allocated. Small number of audited LSGU despite having received real estate property pursuant to a Decision for transfer of title of real estate property from the Republic of Macedonia to the municipality based on the division balance sheet in 2000, they still have not recorded and documented the real estate in the business books.

We can openly point out that only a small number of LSGU do not comply with legal provisions for public procurement from a formal aspect. Therefore, the audit focus is directed toward achieving the objectives of the Law on public procurement, obtaining lower prices and better quality i.e. greater value for the same amount.

The most common problem that occurs in public procurement in municipalities is the application of most favorable economic operator as a criterion for awarding public contract

without explanation in the tender documentation as to the evaluation and application of the elements of the specified criterion.

## **Public enterprises at local level**

In 2011 SAO audited three local public enterprises and two of these were audited for the first time.

The common weakness identified in the audited enterprises was untimely or pending adoption of the annual financial plan for the current year.

The annual inventory is incomplete i.e. there is no data on the state of affairs according to the accounting records and any differences between the actual and the accounting circumstances, which creates a risk of unrealistic presentation of assets and sources of assets in the financial statements.

The most common weakness identified with the audits on the municipalities and local public enterprises founded by the municipalities, is inadequately regulated relations between the two, which affects the accuracy of expenditures and financial statements.



## Systemic weaknesses

This year again we highlight the systemic weaknesses that we hope will have due consideration by the relevant institutions in order to improve the situation. These systemic weaknesses are in relation to the collision of the Law on Financing Local Self Government Units and the Budget Law, as well as weakness in the Law on Concessions and other types of public private partnership.

The Law on Financing Local Self Government Units prescribes that permanent and current reserve may not exceed 3% of the total projected funds in the core budget of the municipality, while the Budget Law stipulates that permanent and current budget reserve may not exceed 3% of the total current expenditures of the Core Budget. The collision between these two regulations creates certain dilemmas in their implementation. In order to overcome this situation and taking into consideration this discrepancy, we propose that the legislator should make changes regarding different definition of the same condition in both laws.

Municipalities in the Republic of Macedonia generate revenue from concessions, which in line with the legislation are granted by the competent body for the particular concession. The same competent body is also responsible for selection of the concessionaire and prescribes conditions for using mineral resources.

Municipalities are not involved in the procedure for granting concessions, and the relevant ministry does not have information on the number of concessions granted, the period of their duration, and the income realized on that basis. With the existing Law on concessions and other types of public private partnership municipalities have no competences in this area; they cannot conduct inspection over the concessionaires, nor can take measures for collection of the agreed fee.

## PERFORMANCE AUDIT

---

In accordance with 2011 Annual program SAO conducted seven performance audits covering 76 auditees.

The performance audits involved assessment focused on the quality and quantity of public assets and services in areas where significant financial risks were identified and where opportunities for social and system improvements exist. Indicators were developed and the audit gave added value to the selected activities.

### 1. Effectiveness of Judiciary in Solving Cases

Based on the performance audit conducted in auditees from the judicial system on the subject “Efficiency of the judiciary in resolving cases,” auditors found out that judicial reforms have achieved numerous benefits related to reducing backlog of old cases and increasing diligence in solving new cases. This is due to the implementation and application of the automated court case management information system (ACCMIS), introduction of orientation number of cases that a judge needs to solve in one month, continuous professional training of judges and harmonization of laws relating to the judiciary in line with EU laws. For further development of the judiciary, a project will be realized in the upcoming period whose main goal is finding a methodology for determining the cost of a court case, introduction of sound recording and electronic delivery.

Despite many achievements, there are certain areas that require additional activities concerning:

- » adoption of a law or bylaw that would clearly define criteria for objective selection of registered jurors, expert witnesses and interpreters;
- » orderly and timely delivery of documents to and from court;
- » adequate availability, application and impact of judicial practice and the instrument “mediation” in solving court cases.

## 2. Higher Education Funding of Public Universities

In 2011 SAO conducted performance audit entitled “Higher education funding of public universities”. The audit objective was to obtain an answer to the following question:

**„Is the manner of public universities’ funding prescribed in laws and bylaws aimed at fulfillment of the needs of public universities and their end users – the students?”**

The auditors found out that necessary bylaws have not been adopted as prescribed by the Law on Higher Education from 2008 (program for higher education, regulation for standards and criteria for funding activities of higher education institutions, standards and criteria for co-financing studies of public higher education institutions, fees and other duties of students) which are important for regulating higher education funding. The main reason for the absence of these bylaws is the absence of the Higher Education Funding Council as an independent professional body to give opinion or to propose the abovementioned acts to the Government i.e. the Parliament.

Consequently there are no real conditions for determining objectives, directions for development, resources and amount of funds necessary for financing public needs and development activities of public higher education institutions, projection of required profiles, number of academic and scientific staff, premises and equipment and other requirements for education development. In addition there is no common approach to financing and determining the lowest cost per registered and graduated student. The Accreditation Board performs accreditation of study programs without the opinion of the Council for the need and possibility for funding of such study program, and by applying criteria laid down in its own regulations regarding conditions for opening new study programs.

Weaknesses have been identified in the implementation of laws and bylaws concerning the amount and manner of use of funds acquired from participation and co-financing costs of studying. The regulations prescribe 40% of these funds to be used by the public university or public higher education institution for legally set purposes. The financial departments in some universities have partially harmonized operation, and the internal organization of the integrated service (which should perform technical and administrative work of a university) is not fully regulated under the statutory definitions, and affects the efficiency of operations. In order to improve the current state of affairs, the auditors gave recommendations that need to be implemented by competent institutions:

The Government and the Ministry of Education and Science need to meet their obligations for creation of a Council for development and funding as the main prerequisite for creating real opportunity for harmonizing financial operations of higher education institutions;

The Ministry of Education and Science and the public universities should develop internal control system for monitoring earmarked use of funds acquired from participation and co-financing for fundamental and applied research, modernization of scientific and research infrastructure, training and development of staff, as well as for investments and investment maintenance;

Public universities, until the formation of the Council should apply the Pricelist for the type and amount of services from 2004 and should undertake measures for harmonizing the Pricelist with the services prescribed by the Rulebook on uniformed credit transfer system;

Competent institutions should find appropriate technical solution for financial departments of public universities in order to provide better efficiency of financial operations.

### **3. Child Adoption**

The opportunity for improving the process of child adoption is a very important segment and one of the forms of social protection of children. The audit took into consideration the implication of identified risks and risk areas that were further analyzed: legal framework and criteria for selection of adoptive parent electronically, organizational structure and operation of the institutions involved in the system for child adoption, state preventive measures for support and preventing abandonment of children.

The adoption process has showed weaknesses in the legal framework and organizational structure, as well as in the operation of the institutions involved in the system. Namely, the implementation of provisions of the Rulebook on detailed criteria and method of selection of adoptive parent by electronic means in practice showed many shortcomings in the organization and operation of the system and does not always provide optimal choice of adoptive parent. Although the selection of prospective adoptive parent in the Rulebook gives priority to the psychosocial status, there is absence of sub-criteria for evaluating and rating of the same, thus creating a situation where most of the prospective adoptive parents get the maximum points under this criterion, while the decisive factor for choosing the adoptive parent are material and housing conditions. In addition, the process of child adoption is time-consuming and the children remain in the institution for a long time.

This is an issue in the Home for infants and toddlers in Bitola where there is insufficient number of qualified personnel. The problem does not allow developing the concept of individual relations which is essential for rapid and orderly child development. There is a conflict of interest and high risk for true and objective operation of the system for adoption because some members of the Commission for adoption appointed by the Minister of Labor and Social Affairs are professionals working in the Centers for social work on the same issue.

In order to improve the situation and reduce the trend of increasing number of foster children, analyses were made on the preventive measures and activities undertaken by the state to reduce the trend of relinquishing parental rights. It was concluded that particular attention should be paid on early detection of unlawful and underage pregnancy as the biggest factors for abandoning children and measures to be undertaken for prevention of child abandonment by their biological parents through an educational process.

#### **4. Public hygiene, assessment of risks and possibilities for improvement at local and central level, environment protection**

The purpose of the audit was to evaluate the operational setup of the central and local government in implementing responsibilities pertaining to public hygiene and answer the question:

**„Does the Republic of Macedonia provide conditions for improvement of public hygiene in order to offer healthy and clean environment?“**

The auditors found out that the jurisdiction of public utilities is not integrated - public utilities including public hygiene are responsibility of the Ministry of Transport and Communications while waste management, including some public utilities' activities, is under the jurisdiction of the Ministry of Environment and Physical Planning. Competences resulting from the application of the Law on public utilities - to have two different state bodies and two different inspection services within the same municipality - create a risk of ineffective implementation of laws relating to





public utilities, uncoordinated actions of state bodies and services within the municipality. The local government did not adopt some necessary regulations, there is no initiative on this matter by the mayors and the relevant legislation does not prescribe for liability of local government if it does not adopt the abovementioned regulations.

The legislation lacks provisions on the rights, duties and authority of municipal wardens which makes their engagement inefficient.

In Macedonia there are municipalities that have not adopted regulations i.e. Decision on public hygiene and public hygiene programme, thus programme realization is not realized identically in line with the Law on public hygiene.

Divided competence for public utilities as prescribed by legal regulations, between the City of Skopje and its municipalities is difficult to implement in practice and there is a risk of different quality of public utilities in different municipalities at the territory of the City of Skopje. This is also the reason for not adopting acts assumed by the Law on Public Hygiene in the City of Skopje. In addition the fee for public hygiene on the territory of the City of Skopje has not been determined, thus there are no stable resources for financing public hygiene. The auditors identified weaknesses in determining sources of funding for public hygiene activities and the need for setting fee for public hygiene in some municipalities. The value of the fee will be determined in line with the methodology for determining public hygiene fee. It was concluded that public utilities enterprises are facing financial, technical and other problems in their operation due to outdated machinery and lack of staff which directly affects the performance and the implementation of the program for public hygiene.

Auditors identified systemic weakness in insufficient definition of certain legal solutions of the municipalities in Skopje. Thus the possibility for founding public enterprises by the City of Skopje is differently interpreted by the municipalities and the City of Skopje. In order to improve public hygiene and contribute to a healthy and clean environment, the auditors gave the following recommendations to be addressed by the central and local government:

- » For effective implementation of laws, coordinated actions by the state administration in the field of public utilities, and harmonization with the EU Acquis, the Law on organization and operation of state administration bodies should be amended;
- » Legal regulations on public utilities should stipulate accountability measures for municipal bodies for noncompliance with the law and for not enacting regulations;
- » Measures should be undertaken for further clarification of the rights, duties and authority of communal wardens in order to increase the effectiveness of their operation;



- » Municipal bodies should ensure stable sources for public hygiene funding;
- » The provisions of the Law on the City of Skopje concerning competence of municipalities should be revised for the purpose of coordinated operation of the City of Skopje;
- » Bylaws/methodology should be adopted for defining criteria for true and fair determining of the cost of public hygiene service;
- » Local self-government in cooperation with the central government should find means and ways for more efficient operation of the public utilities companies;
- » Law on public hygiene should prescribe provisions on preventive measures.

## **5. Management of confiscated property, property gains and confiscated goods in the Republic of Macedonia**

Performance audit was conducted on the Agency for managing confiscated property for assessing the state of affairs concerning confiscated property, property gains and confiscated goods in Macedonia, the established coordination between the Agency and the other participants in the management of confiscated property, national regulation, human resources and financial resources for achieving the objectives of the management of confiscated property, property gains and confiscated goods, as well as other outstanding issues that occurred in the course of the audit.

The following recommendations are in relation to undertaking measures and activities in areas that need strengthening:

- » Development and adoption of a basic and consecutive strategic document for defining guidelines and activities to be undertaken by the Agency and relevant institutions in Macedonia in the upcoming period;
- » Adoption of amendments to the existing law for detailed and precise regulation of this issue and taking action for completing and specifying bylaws where needed, as well as amendments to the provisions of other laws and bylaws governing the abovementioned area;
- » Reviewing the need for regional organizational structure of the Agency for more effective operation;
- » Improvement of human resources management as a prerequisite for uninterrupted operation, professional training of employees, which will develop and maintain professional knowledge for practical application of the concept for managing confiscated property, property gains and confiscated goods;

- » Continuous and direct cooperation with competent institutions involved in the process of reporting and submitting necessary documents for confiscated property;
- » Intensification of activities for obtaining additional storage space, i.e. creating conditions for taking over the entire confiscated property and storing it in warehouse capacities of the Agency;
- » Solving the problem concerning evaluation of confiscated property/goods, which affects the entire process of management of confiscated property, property gains and confiscated goods and is of high importance to the Agency;
- » Complete and detailed inventory for determining completeness of confiscated property for the purpose of institutional strengthening of the Agency.

## 6. Safety aspects and conditions of stay in penitentiary and correctional facilities in the Republic of Macedonia

SAO conducted performance audit to evaluate identified risks and opportunities for improvement of prison conditions i.e. conditions of stay in the institutions as regulated by appropriate legislation. Therefore the audit focused on disclosed risks and risk areas concerning laws and bylaws, strategic documents, prison conditions' irregularities and problems that are reflected further in financing, human resources weaknesses in internal acts, as well as the main activity of the institutions for re-socialization and social adaptation of convicts, and other open issues that occurred during the audit.



The audit was conducted to give an answer to the following question:

**„Does harmonization of national legislation with international standards and the reform of the prison system have effect on the improvement of conditions in prisons and youth offender institutions in the Republic of Macedonia?“**

Activities for improvement of prison conditions are largely influenced and dependent on the creation, establishment and execution of several components and conditions which mutually contribute to the improvement. The auditors identified that improving quality of prison conditions does not depend on and cannot be achieved solely by harmonization

of national legislation with international standards and introduction of reforms in the prison system. The auditors discovered several areas with shortcomings that require undertaking measures by competent authorities for complete creation of a prison system. The absence or incomplete operation of these conditions, the harmonization of national legislation with international standards and the reform of the prison system would provide improvements for the inmates in terms of new or renovated facilities – prisons, as well as new laws on the institutions for stay of persons in custody and persons serving prison sentence, but in surroundings that carry risks. The auditors identified several irregularities, noncompliance, unlawfulness and risks, but also something encouraging in relation to the activities undertaken by the Directorate for execution of sanctions in several audited areas, and the effects thereof are expected in the upcoming period.

For the purpose of improving the identified state of affairs, auditors defined recommendations in terms of concrete actions to be undertaken by all stakeholders involved. These recommendations are the added value of the audit and relate to: the Ministry of Justice and its competence, the Directorate for execution of sanctions, as well as the responsible persons in the relevant institutions in Macedonia. The recommendations are given for areas which require transformation and strengthening including: annual analysis of the actual circumstances in the Directorate and the institutions to be used as a basis for preparing Strategic Plan of the Directorate to ensure consistency between the strategic objectives and the actual needs of the institutions; activities for harmonization of laws and bylaws and decisions pertaining to the safety aspect – prisoner escorting; uniform written procedures for the institutions in relation to covering costs for escorting of convicted and detained persons; staffing and segregation of duties of employees; improvement of spatial capacities for accommodating inmates and implementation of ongoing investment activities of the Directorate with consistent application of standards that ensure humane and decent living and working conditions for this category of persons; developing clear, precise, quality funding criteria for selection of capital investments; criteria that will determine the fee for engagement of inmates inside and outside of the institutions; finding a suitable and acceptable model and method of transformation of economic units, sufficient professional staff and adequate system trainings in the sectors for re-socialization; creation of a single observation center for reception within the current accommodation facilities; separation of inmates; strengthening institutional cooperation between the institutions and the centers for social work etc.

## 7. Effectiveness of establishing and collecting municipalities' self-generated revenues in twelve local self government units

According to the legal regulations Local Self Government Units (LSGU) have responsibility to determine and collect self-generated revenue (local taxes, fees and charges). The amount of self-generated revenue depends on the efficiency of the municipal administration and SAO conducted performance audit on that aspect entitled „Efficiency of establishing and collecting self-generated revenue in twelve LSGU.“ These LSGU were audited for the first time and most of them belong to the group of rural municipalities. Republic of Macedonia has single level local government, and urban and rural local governments have the same responsibilities.

Taking into consideration the situation in the audited municipalities, the auditors gave the following recommendations for advancement and improvement thereof:

Mayors of Municipalities should provide for the following:

- » Update data in the register of real estate property for natural and legal persons with new value of the property in accordance with the methodology for determining market value of real estate;
- » Update data on the number of taxpayers of public utilities tax for companies, in line with data in the Central Register;
- » Review possibilities for collecting revenue from other types of public utilities fees in line with the law;
- » Harmonize internal legislation with the Rulebook on arrangement of public utilities infrastructure on construction land and method for determining the amount of costs thereof;
- » When fee for arranging construction land is paid in installments, the municipality should be provided with a bank guarantee or mortgage;
- » Leasing real estate in municipality ownership should be in compliance with legal regulations pertaining to the implementation of the procedure for public bidding;
- » Fair and objective planning of revenues of municipal budget;
- » Arrange processes for administration of local taxes, fees and charges with written procedures;
- » Practical operation of contracts for inter municipal cooperation;

- » Proper and complete application of purchased software applications for tax and financial accounting to ensure accuracy and completeness of data, to facilitate the process and to reduce the risk of errors;
- » Submit data on the state of registers managed by the municipality to the Public Revenue Office - General Directorate and the Central Register of Republic of Macedonia no later than 31 December each year.

Through the joint initiative with the Association of LSGU (ZELS), municipality mayors should provide for the following:

- » Compliance with the provisions of the Memorandum signed between ZELS and EVN Macedonia AD Skopje;
- » Cooperation with legal entities for vehicle registration in terms of timely and accurate transfer of income from fee for using roads, which is paid with the registration of vehicles;
- » Evaluation of the fiscal capacity of rural communities in order to assess whether their self-generated revenue prescribed by the legislation is sufficient for successful performance of delegated responsibilities with the fiscal decentralization.

# INTERNATIONAL COOPERATION







## INTERNATIONAL COOPERATION

In 2011 the State Audit Office had an active international cooperation with other SAIs and international organizations and institutions intended for exchanging information and acquiring new experience in the field of public sector audit. SAO strengthened its membership in INTOSAI<sup>1</sup> and EUROSAI<sup>2</sup>, by being included in the work of three new working groups and bodies, the goals of which are related to the implementation of EUROSAI Strategic Plan 2011-2017 adopted at the VIII Congress of EUROSAI in 2011 in Lisbon, and promotion of ethics and integrity among SAIs and public administration institutions. Since 2005 SAO is an active member of the Network of EU candidate and potential candidate countries and the European Court of Auditors in Luxembourg. The cooperation within the Network was intensified following the meeting of the Heads of SAIs of the Network in March 2011 in Istanbul, and the adoption of the Istanbul Agreement as well as the Framework Action Plan 2011-2012. The candidate status of Macedonia from 2006 onwards has granted SAO regular participation at the meetings of the Contact Committee of the Heads of EU SAIs and ECA as an active observer.



<sup>1</sup> Since 2001

<sup>2</sup> Since 2002



## Activities in the frames of EUROSAI and INTOSAI

The State Audit Office is a member of EUROSAI working groups on Environmental Audit (since 2002) and IT (since 2005). At the invitation of the SAI of Portugal in 2011 the SAO joined the work of the newly formed special group of EUROSAI for audit and integrity aimed at promoting ethics and integrity among SAIs and public sector/administration institutions.

In March 2011 SAO delegation headed by the Auditor General participated in the III EUROSAI - ARABOSAI Conference in Abu Dhabi. The conference themes were „Principles of transparency, accountability and fight against fraud and corruption“ and „Good practices in financial control and audit“.

In June 2011 SAO delegation participated in the VIII EUROSAI Congress held in Lisbon, Portugal. Main topics of the meeting were „Challenges, demands and responsibilities of public managers today and the role of SAIs“ and „The Audit of the independent regulatory agencies by SAIs“. The first EUROSAI Strategic Plan (2011-2017) was adopted at the Congress in Lisbon. For the realization of the Strategy objectives, four working teams were formed and SAO has representatives involved in the work: Team 1 - Capacity Building and Team 2 - Professional Standards.



At the invitation of INTOSAI Development Initiative (IDI) and EUROSAI, in 2009 SAO was included in two international projects: audit of public debt management and cooperative audit on programs for increasing employment of disabled in the public sector, for the purpose of strengthening audit capacities and improving professional skills of SAO staff. The final activities of these two projects were conducted in Lusaka, Zambia, in March 2011, where participants presented the results of the pilot audits on public debt, and in Warsaw, Poland in April 2011, where a joint report on the results of the cooperative audit was adopted. The report was formally promoted at the Congress of EUROSAI in June 2011 in Lisbon.

On 22 December 2011, the 66th General Assembly of the United Nations adopted Resolution A/66/209, which gives highest recognition of the principles of independence of Supreme Audit Institutions. This resolution aims to inform the legislative and executive government, the public, the citizens and the media on the value and benefits of safeguarding independence of Supreme Audit Institutions, their role and importance, in line with the Declarations of Lima and Mexico.

**Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions**

*The General Assembly,*

*Recalling Economic and Social Council Resolution 2011/2 of 26 April 2011,*

*Recalling also its Resolutions 59/55 of 2 December 2004 and 60/34 of 30 November 2005 and its previous Resolutions on public administration and development,*

*Recalling further the United Nations Millennium Declaration,*

*Emphasizing the need to improve the efficiency, accountability, effectiveness and transparency of public administration,*

*Emphasizing also that efficient, accountable, effective and transparent public administration has a key role to play in the implementation of the internationally agreed development goals, including the Millennium Development Goals,*

*Stressing the need for capacity-building as a tool to promote development and welcoming the cooperation of the International Organization of Supreme Audit Institutions with the United Nations in this regard,*

- 1. Recognizes that Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence;*
- 2. Also recognizes the important role of Supreme Audit Institutions in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the Millennium Development Goals;*
- 3. Takes note with appreciation of the work of the International Organization of Supreme Audit Institutions in promoting greater efficiency, accountability, effectiveness, transparency and efficient and effective receipt and use of public resources for the benefit of citizens;*
- 4. Also takes note with appreciation of the Lima Declaration of Guidelines on Auditing Precepts of 1977 and the Mexico Declaration on Supreme Audit Institutions Independence of 2007, and encourages Member States to apply, in a manner consistent with their national institutional structures, the principles set out in those Declarations;*
- 5. Encourages Member States and relevant United Nations institutions to continue and to intensify their cooperation, including in capacity-building, with the International Organization of Supreme Audit Institutions in order to promote good governance by ensuring efficiency, accountability, effectiveness and transparency through strengthened Supreme Audit Institutions.*

## **Network of SAIs of EU Candidate and Potential Candidate Countries and the European Court of Auditors (Presidents' Network)**

An important event in 2011 was the meeting of Presidents' Network in Istanbul, Turkey from 7 to 9 March. SAO made an important contribution in the preparation of the meeting, as a host of the previous meeting held in Skopje in June 2007, together with the new host SAI of Turkey and the European Court of Auditors. The meeting was supported by representatives of SIGMA and JWGAA and other EU SAIs. Two important documents were adopted: the Istanbul Agreement and the Outline Work Plan of Activities of the Presidents' Network in 2011 and 2012, which is an Annex to the Agreement. The following important activities are included in the Annex: workshop on the audit of budgetary accounts and consolidated financial statements, seminar on achieving audit quality and conference on the importance of enhancing constructive relations between SAIs and parliaments, as well as other bodies of the public administration.

SAO representative participated at the regular meeting of liaison officers in Sofia in May 2011. The focus of the meeting was the realization of activities of the adopted Outline Work Plan and establishing preparatory working groups responsible for preparation, realization and timeframe of the activities.

The cooperation with the European Court of Auditors in Luxembourg continues with the internship program for SAIs of EU candidate countries: Croatia, Macedonia, Turkey, Montenegro and Island. By the end of 2011 nine auditors of the State Audit Office had completed the five-month program.

### **Bilateral and Regional Cooperation**

As a continuation of the activities of MATRA project ended in December 2010, in February 2011 SAO realized a study visit to Slovenia. The delegation was comprised of SAO representatives and members of the Finances and Budget Committee of the Parliament. The purpose of the visit organized by OECD / SIGMA was to exchange experience on the cooperation of the relevant institutions in the Republic of Slovenia and to find a solution to enhance cooperation between SAO and the Parliament in the Republic of Macedonia.

At the invitation of the SAI of the Netherlands in September 2011 two SAO representatives

participated in the training for IntoSAINT<sup>3</sup> moderators in The Hague in order to adopt and promote IntoSAINT tool for evaluating and improving SAI integrity.

SAO delegation participated in the regional conference of SAIs held in Belgrade in September 2011. The conference was attended by SAIs from all former Yugoslav republics where experience on important issues of institutional development and professional cooperation of SAI was exchanged. Central place was given to issues related to: audit on financial statements and forming audit opinion, relationship between SAIs and Parliaments, audit quality control, audit of political parties and partaking in international performance audits.

In 2011 SAO representatives participated in international workshops and seminars in relation to audit reporting and follow up of audit recommendations, as well as the role of SAIs in the fight against fraud and corruption.

## **Cooperation with SIGMA and the European Commission**

The cooperation with SIGMA and the European Commission proceeds in the frames of the annual assessment missions for financial control in the Republic of Macedonia. In addition SIGMA organized several events including the study visit in Slovenia, the Istanbul Meeting and the workshop on audit of budgetary accounts and consolidated financial statements in Belgrade. This cooperation has a positive effect on the process for further development of the State Audit Office as a competent institution for external audit in line with EU requirements and the international auditing standards.

---

<sup>3</sup> Into-SAINT - INTOSAI Self-Assessment Integrity



Друштво за ревизија **ЦЕНСУМ** ДООЕЛ Скопје

[www.censum.com.mk](http://www.censum.com.mk)

Член на ИОРМ  
Довела за работа издадена од Министерството за финансии на РМ на 21.10.2004  
Уверенија за овластени ревизори број 44, 40, 101 и 143

## ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Македонија

### Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за средствата од Буџетот на РМ, односно за остварени приходи и расходи преку сметката 020021504063710 – Редовна сметка средства од буџетот на РМ, а коишто го вклучуваат билансот на приходите и расходите за годината којшто завршува на 31 декември 2011, 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. Оваа одговорност вклучува: објектување, имплементирање и одржување на интерна контрола којшто е релевантна за подготвувањето и објективното презентирање на финансиски извештаи коишто се ослободени од материјално погрешно прикажување, без разлика дали е резултат на измама или грешка; избирање и примена на соодветни сметководствени политики; како и правеење на сметководствени проценки коишто се разумни во околностите.

#### Одговорност на ревизорот

Наша одговорност е да извршаме мислење за овие финансиски извештаи врз основа на нашата ревизија. Ние ја спроведовме нашата ревизија во согласност со Меѓународните стандарди за ревизија и Меѓународните ревизорски стандарди на ИНТОСАИ. Ние стандарди обрпат да ги почитуваме етичките барања и да ја

Кемпарица 1, Скопје  
Ул. Даме Груев бр.8, 5<sup>ти</sup> кат  
Дом на почтита инвентар  
+389 (0)2 243 354 Тел.  
+389 (0)2 223 302  
+389 (0)2 216 186 Факс  
info@kpmg.com.mk  
www.kpmg.com.mk

Кемпарица 2, Скопје  
Ул. АСНОР бр.64-3/1  
+389 (0)2 243 354 Тел.  
+389 (0)2 223 302  
+389 (0)2 216 186 Факс  
info@kpmg.com.mk  
www.kpmg.com.mk

БМБС: 593333  
ДДВ бр: МК403004526679  
Деловна сметка: 210-059213301-68  
Деловна сметка: МК 07 210-300003149-21  
ИВАН: МК 07 210-300003149-21  
SWIFT: TULNMK22  
Банка: НГБ Туринас банка АД Скопје



Друштво за ревизија **ЦЕНСУМ** ДООЕЛ Скопје

[www.censum.com.mk](http://www.censum.com.mk)

Член на ИОРМ  
Довела за работа издадена од Министерството за финансии на РМ на 21.10.2004  
Уверенија за овластени ревизори број 44, 40, 101 и 143

планираме и извршивме ревизијата за да добиеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално погрешно прикажување.

Ревизијата вклучува извршување на постапки за прибување на ревизорски докази за износот и објективноста во финансиските извештаи. Избраните постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на разликата дали е резултат на измама или грешка. Кога ги прави тие проценки на разликот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да објективно ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за соодветноста 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 секупниот презентирање на финансиските извештаи.

Ние веруваме дека ревизорските докази коишто ги имаме приобавено 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 – Редовна сметка средства од буџетот на РМ заклучно со 31 декември 2011 година, како и нетоварните финансиски приходи и расходи за годината којшто 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.

Кемпарица 1, Скопје  
Ул. Даме Груев бр.8, 5<sup>ти</sup> кат  
Дом на почтита инвентар  
+389 (0)2 243 354 Тел.  
+389 (0)2 223 302  
+389 (0)2 216 186 Факс  
info@kpmg.com.mk  
www.kpmg.com.mk

Кемпарица 2, Скопје  
Ул. АСНОР бр.64-3/1  
+389 (0)2 243 354 Тел.  
+389 (0)2 223 302  
+389 (0)2 216 186 Факс  
info@kpmg.com.mk  
www.kpmg.com.mk

БМБС: 593333  
ДДВ бр: МК403004526679  
Деловна сметка: 210-059213301-68  
Деловна сметка: МК 07 210-300003149-21  
ИВАН: МК 07 210-300003149-21  
SWIFT: TULNMK22  
Банка: НГБ Туринас банка АД Скопје





Државен завод за ревизија  
Финансески извештаи за Средства од Буџетот на РМ – сметка 637 за годината завршена на 31. декември 2011

### БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	во денари		
		Буџет 2011	Реализирано 2011	Реализирано 2010
<b>Приходи</b>				
Трансфери и донации	3.1.	61,667,000	61,668,024	68,133,060
<b>Вкупно приходи</b>		<b>61,667,000</b>	<b>61,668,024</b>	<b>68,133,060</b>
<b>Расходи</b>				
Тековни расходи	3.2.			
Плати, надомини и надоместоци	3.2.1.	56,212,000	55,872,361	63,023,369
Резерви				
Спова и услуги	3.2.2.	5,265,000	5,685,663	5,109,691
Релиџиозни трансфери			110,000	
Субвенции и трансфери		0	0	0
<b>Вкупно тековни расходи</b>		<b>61,477,000</b>	<b>61,668,024</b>	<b>68,133,060</b>
Капитални расходи	3.3.	200,000.00		
Капитални расходи				
<b>Вкупно капитални расходи</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Вкупно расходи</b>		<b>61,677,000</b>	<b>61,668,024</b>	<b>68,133,060</b>
<b>Нето вишок на приходи - добивка по одликување</b>				



Главен државен ревизор  
м-р Тања Талеvsка

Белешките кон финансеските сметки претставуваат интернален дел на финансеските сметки



Државен завод за ревизија  
Финансески извештаи за Средства од Буџетот на РМ – сметка 637 за годината завршена на 31. декември 2011

### БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2011	2010
<b>Активна</b>			
Тековни средства	4.1.		
Побарувања од работодавците	4.1.1.	78,361	78,361
Активни временски разгранувања	4.1.2.	7,322,472	6,571,488
Залози	4.1.3.	1,636,791	1,825,074
<b>Вкупно тековни средства</b>		<b>9,037,624</b>	<b>8,474,923</b>
Постојани средства	4.2.		
Нематеријални средства	4.2.1.	338,482	3,232
Материјални средства		338,482	487,015
<b>Вкупно постојани средства</b>		<b>338,482</b>	<b>490,247</b>
<b>Вкупна актива</b>		<b>9,376,106</b>	<b>8,965,170</b>
<b>Вобилансена актива</b>		<b>77,829,200</b>	<b>77,829,200</b>
<b>Пасива</b>			
Тековни обврски	4.3.		
Краткорочни обврски спрема добарувачи	4.3.1.	1,707,521	936,186
Обврски спрема државата и други институции		0	0
Краткорочни обврски за плати и други обврски спрема работодавците	4.3.2.	5,614,950	5,635,302
Пасивни временски разгранувања	4.3.3.	78,362	78,361
<b>Вкупно тековни обврски</b>		<b>7,400,833</b>	<b>6,649,849</b>
Извори на средства	4.4.		
Извори на капитални средства		1,975,273	2,315,321
<b>Вкупно извори на капитални средства</b>		<b>1,975,273</b>	<b>2,315,321</b>
<b>Вкупна пасива</b>		<b>9,376,106</b>	<b>8,965,170</b>
<b>Вобилансена пасива</b>	4.5.	<b>77,829,200</b>	<b>77,829,200</b>

Белешките кон финансеските сметки претставуваат интернален дел на финансеските сметки





Друштво за ревизија **ЦЕНСУМ** ДООЕЛ Скопје

[www.censum.com.mk](http://www.censum.com.mk)

Член на ЦОБМ  
Дозвола за работа издадена од Министерството за финансии на РМ на 21.10.2004  
Уверенија за опалтени ревизори број 44, 40, 101 и 143

## ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Македонија

### Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија за средствата на приходи наплатени од органи, односно за остварени приходи и расходи преку сметката 020021504063119 – Сметка на приходи наплатени од органи, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2011, 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. Оваа одговорност вклучува: објектување, имплементирање и одржување на интерна контрола којашто е релевантна за подготвувањето и објективното презентирање на финансиски извештаи коишто се ослободени од материјално потрешно прикажување, без разлика дали е резултат на измама или грешка; избирање и примена на соодветни сметководствени политики; како и правеење на сметководствени проценки коишто се разумни во околностите.

### 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 Меѓународните стандарди за ревизија и Меѓународните ревизорски стандарди на ИНТОСАИ. Тие стандарди бараат да ги почитуваме етичките барања и да ја

<p>Копиларна 1 Скопје: Ул. Даме Груев бр.8, 5<sup>ти</sup> кат Дом на воениот инвалид +389 (0)2 3233 301 Тел. +389 (0)72 204 115 Факс. +389 (0)2 3216 186 Факс +389 (0)70 250 434 Моб. <a href="mailto:info@bicentrum.com.mk">info@bicentrum.com.mk</a> <a href="http://www.bicentrum.com.mk">www.bicentrum.com.mk</a></p>	<p>Копиларна 2 Скопје: Бул. АСНОМ бр.64-3/1 +389 (0)2 2434 354 Тел. +389 (0)72 204 115 Факс. <a href="mailto:info@bicentrum.com.mk">info@bicentrum.com.mk</a></p>	<p>БНЕС: ДДБ Брис: Денарска сметка: Девизна сметка: SWIFT: Банка: Селџе</p>
--	---	---



Друштво за ревизија **ЦЕНСУМ** ДООЕЛ Скопје

[www.censum.com.mk](http://www.censum.com.mk)

Член на ЦОБМ  
Дозвола за работа издадена од Министерството за финансии на РМ на 21.10.2004  
Уверенија за опалтени ревизори број 44, 40, 101 и 143

планираме и извршваме ревизијата за да добиеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално потрешно прикажување.

Ревизијата вклучува извршување на постапки за прибување на ревизорски докази за износите и обезбедувањата во финансиските извештаи. Извршените постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на ризикот од материјално потрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја раздлува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да објектува 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 секупниот презентирање на финансиските извештаи.

Ние веруваме дека ревизорските докази коишто ги имаме приобавено се достапни 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 – сметката на сопствени приходи наплатени од органи заклучно со 31 декември 2011 година, како и неговите финансиски 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.

<p>Копиларна 1 Скопје: Ул. Даме Груев бр.8, 5<sup>ти</sup> кат Дом на воениот инвалид +389 (0)2 3233 301 Тел. +389 (0)72 204 115 Факс. +389 (0)2 3216 186 Факс +389 (0)70 250 434 Моб. <a href="mailto:info@bicentrum.com.mk">info@bicentrum.com.mk</a> <a href="http://www.bicentrum.com.mk">www.bicentrum.com.mk</a></p>	<p>Копиларна 2 Скопје: Бул. АСНОМ бр.64-3/1 +389 (0)2 2434 354 Тел. +389 (0)72 204 115 Факс. <a href="mailto:info@bicentrum.com.mk">info@bicentrum.com.mk</a></p>	<p>БНЕС: ДДБ Брис: Денарска сметка: Девизна сметка: SWIFT: Банка: Селџе</p>
--	---	---





Друштво за ревизија **ЦЕНСУМ ДООЕЛ** Скопје

[www.censum.com.mk](http://www.censum.com.mk)

Член на ИОФРМ  
Давалац на работа издадена од Министерството за финансии на РМ на 21.10.2004  
Законски регулатор бр. 44, 46, 101 и 143

### **Извештај за други правни и регулативни барања**

Во согласност со Законот за државна ревизија, Законот за јавни набавки и друга законска регулатива за буџетски корисници во Република Македонија, Државниот завод за ревизија има обврска за законско и наменско користење на средствата кои претставуваат државни расходи.

#### **Мислење**

Според нашето мислење, кј Државниот завод за ревизија остварено е законско и наменско користење на средствата кои претставуваат државни расходи.

Скопје, 3 април 2012 година

Овластен ревизор  
Миле Ниневски



Копиларна 1 Скопје  
Ул. Давид Пупац бр. 57, кат.  
Дом на ветерите инвалиди  
+389 (0)2 323 301 Тел.  
+389 (0)2 321 115 Моб.  
+389 (0)2 321 186 Факс  
+389 (0)70 230 434 Моб.  
[www.censum.com.mk](http://www.censum.com.mk)

Копиларна 2 Скопје  
Бул. АСНОМ бр. 64-3/1  
+389 (0)2 243 354 Тел.  
+389 (0)72 204 115 Моб.  
[www.censum.com.mk](http://www.censum.com.mk)

БИРС: 5371333  
Број: МК4330004526679  
ДВБ Број: 210-059213320168  
Денарска сметка: 00-701-0003966201  
Деловна сметка: 00-701-0000003149-21  
ТУТММ22  
SWIFT: НИБТТУТНТСКА  
Банка: НИБТТУТНТСКА Банка АД  
Скопје



Државен завод за ревизија  
Финансески гласилци за Сметката на основен буџет (Б1) за годината завршена на 31 декември 2011

## БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образлож ение	во денари	
		Буџет 2011	Реализирано 2011
<b>Приходи</b>			<b>Реализирано 2010</b>
Недамовни приходи	3.1.	4,302,032	7,669,182
Донации и поклаши	3.2.	25,238,885	41,129,659
<b>Вкупно приходи</b>		<b>29,000,000</b>	<b>48,798,841</b>
<b>Расходи</b>			
<b>Тековни расходи</b>	3.3		
Плати наемнини и надоместоци	3.3.1.	12,800,000	11,611,505
Служи и услуги	3.3.2.	15,000,000	12,732,789
<b>Вкупно тековни расходи</b>		<b>27,800,000</b>	<b>24,344,294</b>
<b>Капитални расходи</b>			
Капитални расходи	3.4.	1,200,000	2,942,951
<b>Вкупно капитални расходи</b>		<b>1,200,000</b>	<b>2,942,951</b>
<b>Вкупно</b>		<b>29,000,000</b>	<b>24,488,557</b>
<b>Отварен вишок на приходи</b>		<b>0</b>	<b>25,238,885</b>
Донации, придонеси и други давачки од вишокот на приходи			
<b>Нето вишок на приходи</b>		<b>0</b>	<b>25,238,885</b>
<b>Распоредување на вишокот на приходи</b>			
Дел од нето вишокот на приходи за пренос во наредна година		0	5,052,360
<b>Вкупно распоред на вишокот на приходи</b>		<b>0</b>	<b>5,052,360</b>
<b>Вкупно вишок на приходи</b>		<b>0</b>	<b>25,238,885</b>



Главен државен ревизор  
м-р Тања Таневска

*(Signature)*

Безимите кои финансиските гласилци ги прикажуваат интегриран дел на општите финансиски гласилци



Државен завод за ревизија  
Финансески гласилци за Сметката на основен буџет (Б1) за годината завршена на 31 декември 2011

## БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образлож ение	во денари	
		2011	2010
<b>Активна</b>			
<b>Тековни средства</b>	4.1.		
Парични средства	4.1.1.	5,052,358	25,238,885
Подручаниа од купувачите во земјата	4.1.2.	7,484,350	11,616,570
Подручаниа од работодаите	4.1.3.	97,328	95,726
Активна вреденска разграничувања	4.1.4.		864,402
<b>Вкупно тековни средства</b>		<b>12,634,036</b>	<b>37,815,583</b>
<b>Постојани средства</b>	4.2.		
Нематеријални средства	4.2.1.	1,207,806	1,226,211
Материјални средства	4.2.2.	6,858,181	9,129,802
<b>Вкупно постојани средства</b>		<b>8,065,987</b>	<b>10,356,013</b>
<b>Вкупна актива</b>		<b>20,700,023</b>	<b>48,171,596</b>
Воведена евиденција - актива		2,686,027	2,686,027
<b>Пасива</b>			
<b>Тековни обврски</b>	4.3.		
Краткорочни обврски спрема добарувачи	4.3.1.		864,402
Обврски спрема државата и други институции			
Пасивна вреденска разграничувања	4.3.2.	12,634,036	36,951,181
<b>Вкупно тековни обврски</b>		<b>12,634,036</b>	<b>37,815,583</b>
<b>Извори на средства</b>	4.4.		
Извори на капитални средства		8,065,987	10,356,013
<b>Вкупно извори на деловни средства</b>		<b>8,065,987</b>	<b>10,356,013</b>
<b>Вкупна пасива</b>		<b>20,700,023</b>	<b>48,171,596</b>
Воведена евиденција - пасива	4.5.	2,686,027	2,686,027

Безимите кои финансиските гласилци прикажуваат интегриран дел на општите финансиски гласилци

**Republic of Macedonia  
State Audit Office  
Makedonija Str. 12/3 Palata Makedonija  
1000 Skopje  
Tel: ++ 389 2 3211 262  
Fax: ++389 2 3126 311  
e-mail: [dzr@dzr.gov.mk](mailto:dzr@dzr.gov.mk)  
[www.dzr.gov.mk](http://www.dzr.gov.mk)**