



**ANNUAL
REPORT
2012**



STATE AUDIT OFFICE

CONTENTS

AUDITOR GENERAL OVERVIEW	3
ABOUT SAO	5
MISSION AND INDEPENDENCE	5
ORGANIZATION AND STRUCTURE	6
SAO BUDGET	8
PROFESSIONAL TRAINING OF STATE AUDITORS	10
STRATEGIC DOCUMENTS	11
AUDITING STANDARDS AND METHODOLOGY	12
INFORMATION TECHNOLOGY AND IT AUDIT	13
2012 AUDIT ACTIVITIES THROUGH FIGURES	15
CONDUCTED AUDITS AND ISSUED REPORTS	16
AUDIT FINDINGS	22
PUBLIC PROCUREMENT	23
AUDIT OPINIONS	24
MEASURES TAKEN UPON AUDIT REPORTS	26
COOPERATION WITH COMPETENT AUTHORITIES	27
AUDIT ACTIVITIES	29
CORE BUDGET, BUDGET USERS AND SPENDING UNITS OF THE BUDGET OF RM	30
SOCIAL POLICY AND LABOR	36
PENSION AND DISABILITY INSURANCE	37
HEALTHCARE SYSTEM	38
GUARDING INDEPENDENCE AND TERRITORIAL INTEGRITY OF RM	41
LEGAL PROTECTION OF PROPERTY RIGHTS AND INTERESTS OF RM	42
ENSURING SUSTAINABLE ENVIRONMENT	42
CULTURE	44
EDUCATION	45
MINISTRY OF JUSTICE	46
METEOROLOGY OFFICE	47
AGENCY FOR FOOD AND VETERINARY	48
AGENCY FOR PROMOTING THE DEVELOPMENT OF AGRICULTURE – BITOLA	49
ECONOMY, TRANSPORT AND COMMUNICATIONS	50
LOCAL SELF GOVERNMENT	54
PERFORMANCE AUDIT	59
INTERNATIONAL COOPERATION	71
INTERNATIONAL COOPERATION	72
TRANSPARENCY	76



AUDITOR GENERAL OVERVIEW,

We present you the Annual Report on State Audit Office operation in 2012.

Earmarked public spending, discipline and transparency in managing taxpayers' money are our constant priority, together with the assessment of the quality of services provided to the citizens of the Republic of Macedonia.

In consideration of the aforesaid we have approached the design of the new Development Strategy for the period 2013-2017, the Human Resources Management Strategy and the Strategy for Information Technology, which were adopted in 2012.

In December 2012 we have also adopted a new Rulebook and a Programme for the authorized state auditor exam as a basis for conducting the examination for the second time since SAO establishment. The exam was successfully completed and another 44 SAO state auditors obtained the title of authorized state auditor.

Concerning the professional development of SAO employees, we have organized several trainings on various subjects including writing audit reports, audit quality control and audit quality assurance, determining level of materiality in evaluation of findings and in forming audit opinion, international auditing standards, public procurement and strengthening team spirit and teamwork. Moreover, in 2012 SAO conducted a workshop on self-assessment of the



integrity of our institution using IntoSAINT methodology, thus making SAO one of the main promoters of ethics and integrity in the public administration institutions.

Internationally, the State Audit Office commenced the implementation of a new project in cooperation with the Office of the Auditor General of Norway (OAGN) aimed at improving the efficiency and quality of audit with the application of an audit management system (AMS). To that end we have signed a Memorandum of Understanding with the OAGN in September 2012 in Skopje.

Our priority in the following period remains the regulation of SAO status as an independent external audit institution within the Constitution of the Republic of Macedonia, as well as establishing sustainable and effective professional relations with the Parliament following the example of the European practice.

For that reason, in November 2012 we promoted the Manual - Introduction to Audit Reports, which contains short and clear information about the essence of our reports, as well as international best practice for cooperation between SAIs and Parliaments in using audit reports. The Manual is a result of the cooperation between SAO and the Netherlands Court of Audit and offers solid foundation for building trust and establishing regular relations with the Parliament for the benefit of the citizens of the Republic of Macedonia.

And last but not least, I would like to emphasize the commitment and professionalism of SAO employees in the implementation of all program activities in 2012, for which I am truly grateful.

Integral part of the Annual Report is the opinion of the independent external auditor on the financial statements of the State Audit Office for 2012. In keeping with the State Audit Law the external auditor is elected by the Parliament of the Republic of Macedonia.

Auditor General

Tanja Tanevska, M.Sc.



MISSION

The State Audit Office (SAO) is a Supreme Audit Institution in the Republic of Macedonia whose goal is timely and objective communication of audit findings to the Parliament, the Government, the other public office holders, as well as the general public.

SAO supports the Parliament of the Republic of Macedonia in carrying out its competences by identifying and exposing irregularities, cases of illegal conduct and potential cases of corruption and abuse of office.

With its clear and effective recommendations, SAO improves public funds' use, thus providing support to the state institutions and the public funds' users. Thereby SAO contributes to the improvement of the lives of the citizens of the Republic of Macedonia.

INDEPENDENCE

As an independent external auditor SAO conducts audit on the public revenues and expenditures in line with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI).

SAO independence is guaranteed by the State Audit Law, first enacted in 1997. Over the past years the Law underwent several modifications and amendments. New State Audit Law was adopted in 2010 for further compliance with Mexico Declaration on Supreme Audit Institutions Independence and the basic principles of Lima Declaration of Guidelines on Auditing Precepts. The Law regulates SAO position and provides for a broad mandate for conducting regularity and performance audit, and access to all necessary information. SAO has financial independence and authority to manage its own resources. In addition SAO has the freedom to decide on the audit subject and contents and has sufficient mechanisms for follow-up of recommendations to ensure appropriate implementation of recommendations given in audit reports.

ORGANIZATION AND STRUCTURE

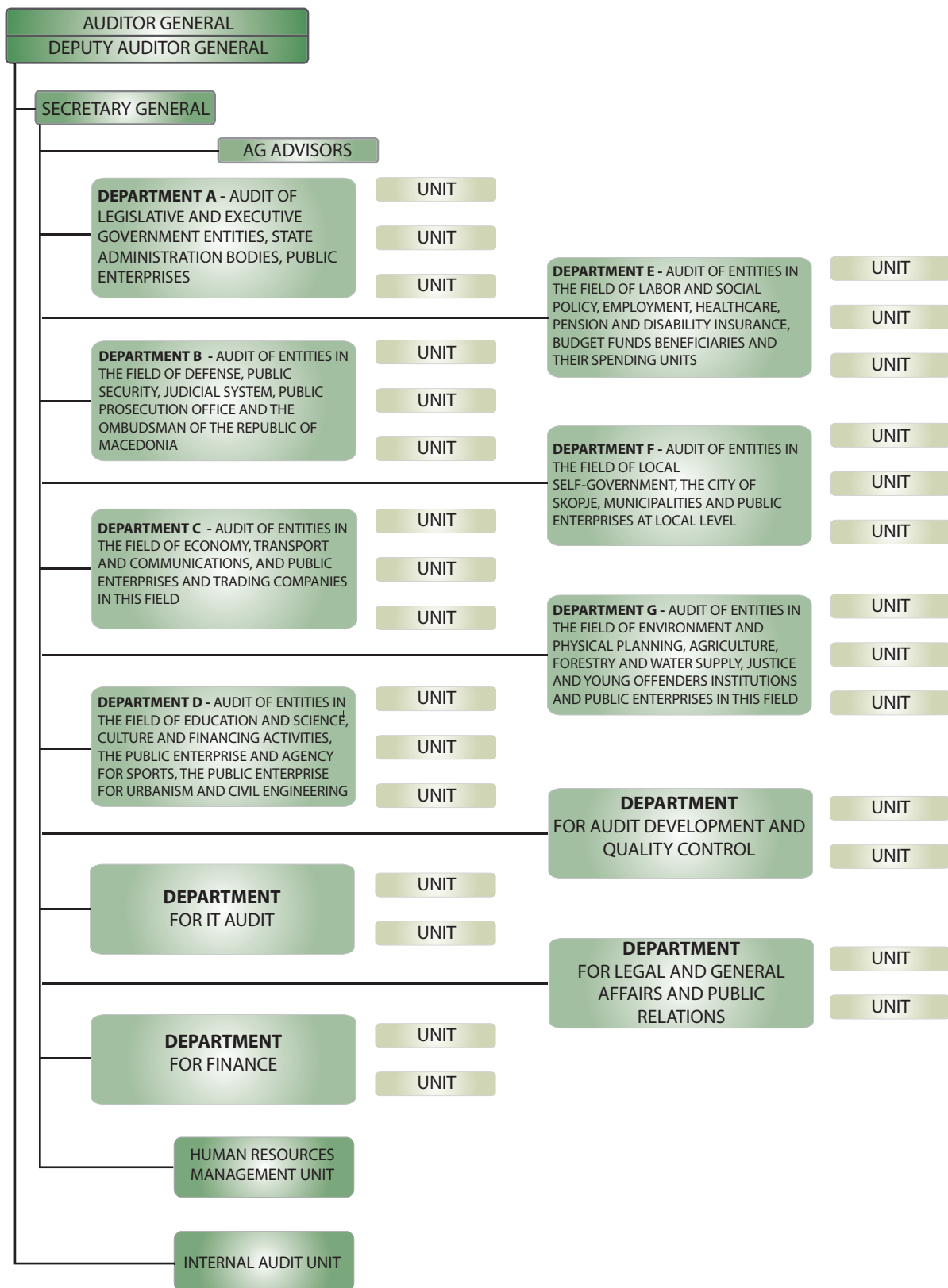
SAO is headed by an Auditor General. The Auditor General has a Deputy and they are both independent in the performance of their tasks. Both the Auditor General and the Deputy Auditor General are appointed and dismissed by the Parliament for a term of nine years, without the right to be reelected.

State audit is conducted by 92 employees - authorized state auditors, state auditors and administrative support. They are organized in eleven departments and two units. Seven departments are directly involved in the audit process (audit departments) and cover different areas of the public sector, one department for audit development and quality control, one department for audit of information systems, two departments for administrative support and two units for human resources and internal audit.

State audit is conducted by 75 auditors who hold a certificate for authorized state auditor.

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.



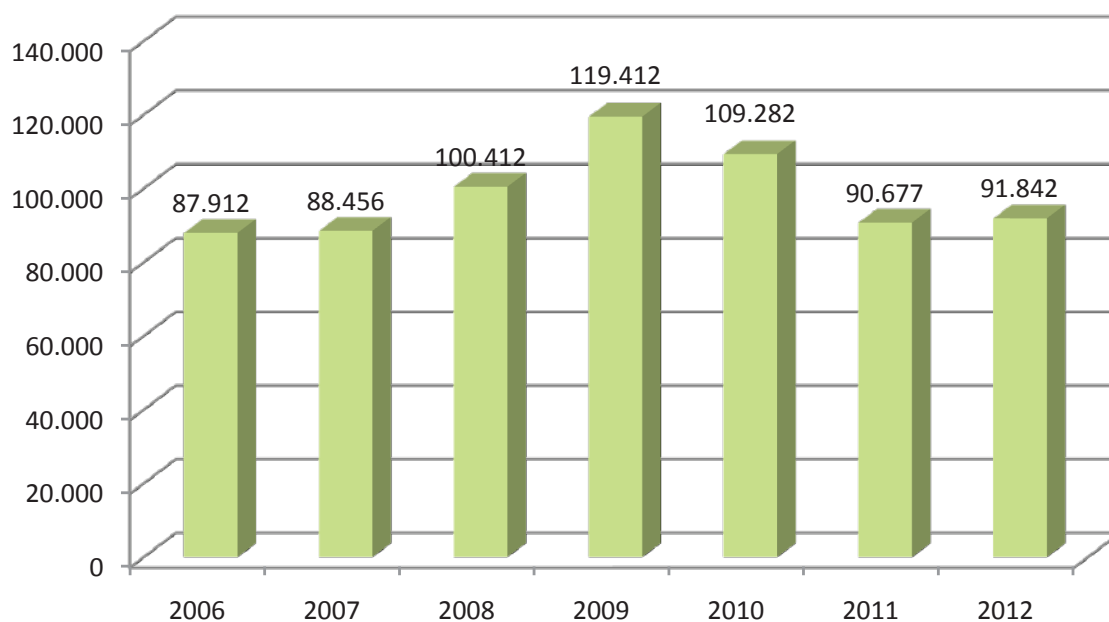


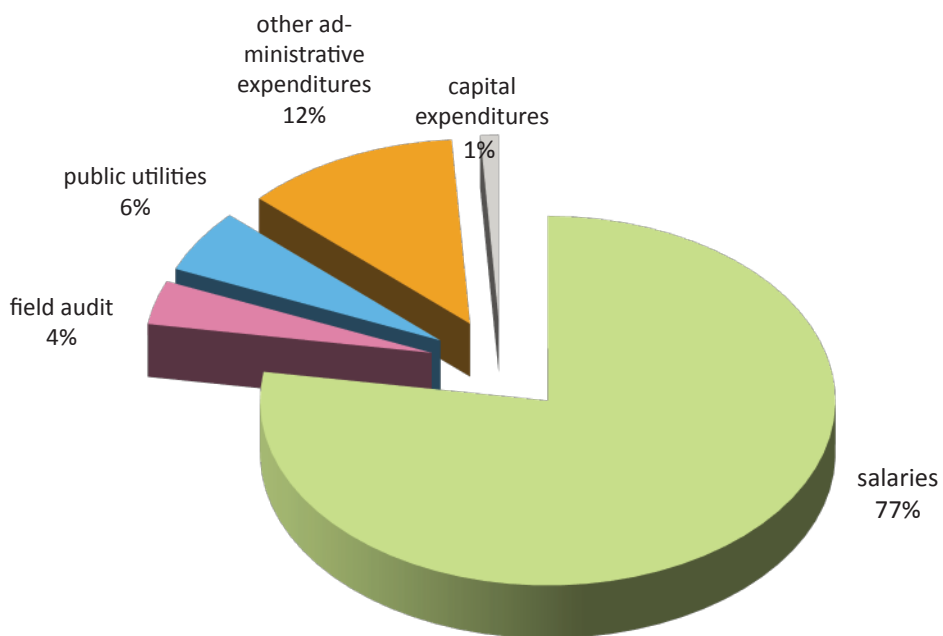
SAO BUDGET

According to the State Audit Law (Official Gazette of RM no. 66/10 and 145/10) 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.

The total budget of the State Audit Office in 2012 amounted to 91.842 thousand denars. 94% are funds provided by the Central budget and 6% are SAO own revenues. SAO own revenues come from collection of fee for audits conducted prior to the adoption of the State Audit Law and its amendments in 2010.

Budget funds over the years





In terms of the structure of SAO expenditures, 77% are allocated for salaries, 4% for conducting audit on the territory of the Republic of Macedonia, 6% for utilities, 12% for other administrative costs and 1% are capital expenditures.

PROFESSIONAL TRAINING OF STATE AUDITORS



In line with the strategic objectives for continuous professional development of auditors and management laid down in the Strategy for development of human resources, SAO organized several workshops on the following topics:

- Techniques for auditing public debt,
 - Self-assessment of the level of integrity of the State Audit Office using IntoSAINT methodology;
 - Application of information technology, in terms of using SAO IT resources and improving the skills in using MS Office 2007 tools, as well as using IDEA software in the audit;
- Other audit related topics:
 - New questionnaires for assessment of the internal control system and programs for detailed procedures;
 - Ensuring quality control in all audit phases and presentation of results and conclusions from quality reviews on conducted audits / quality assurance;
 - Writing audit reports, forming audit opinion - evaluation of identified errors and uncertainties through practical examples;
 - Audit reports, forming audit opinion and determining level of materiality in evaluation of findings and in forming audit opinion;



- Implementation of legislation on taxes and contributions for budget users, public enterprises, state-owned joint stock companies and non-profit organizations;
- International Auditing Standards (ISA) in the audit practice of SAO;
- Amendments to the law and bylaws on public procurement;
- Determining number of samples and sampling;
- Win-win vs. lose-lose scenario
- Personality and motivation

The trainings were conducted by authorized state auditors and state auditors in the State Audit Office, and the workshop “Win-win vs. lose-lose scenario personality and motivation” were conducted in collaboration with external trainers.

STRATEGIC DOCUMENTS

The following documents were adopted in December 2012:

- Development Strategy 2013-2017;
- Human Resources Management Strategy 2013-2017, and
- Strategy for Development of Information Technology 2013-2017.

The many activities carried out in the period covered by 2010-2014 Development Strategy enabled effective use of public funds, thus achieving SAO most important goal. SAO continues to walk on the same path of strategic development relying on the same pillars translated into strategic development goals. The mission, vision and strategic goals remain the same, and the new Strategy provides for continuity of many activities from the previous Strategy and plans new ones, which will enable further improvement of SAO and its work. Promotion and improvement of the implementation of the International Standards of Supreme Audit Institutions (ISSAI), whose comprehensive set was adopted at the INTOSAI Congress in 2010 as globally accepted professional standards, guidelines and best practices, is another way that allows further development of the quality of state audit as our second strategic goal.

INTOSAI and EUROSAI with their own activities help its members, including SAO, to implement these standards. Support to the SAO in this regard should be received from the European Union through the Instrument for Pre-Accession Assistance (IPA TAIB 2013-2017). Out of the seven INTOSAI core values contained in INTOSAI Strategic Plan 2011-2016, independence and integrity are recognized as pillars that enable achieving professionalism and credibility through collaboration, innovation and inclusion. In that spirit SAO will undertake activities to strengthen the institutional and individual integrity control system as a preventive mechanism that identifies major weaknesses and risks to the integrity and enhances resilience of the institution to future integrity violations.

AUDITING STANDARDS AND METHODOLOGY

Auditing Standards provide guidance for auditors in determining the scope of audit steps and procedures to be applied and contain criteria for assessment of the quality of audit results. Manuals and guidelines lead the auditors through the process.

In 2012 SAO continued with the activities for monitoring current and latest developments in the field of auditing standards, methodology and best practice for the purpose of updating existing manuals and guidelines for financial and performance audit and further development of other auditing guidelines. In this context, the need for translating ISSAIs in Macedonian language will be agreed on aiming to harmonize and publish ISSAIs and, in the end, enable their practical implementation.

The Audit Quality Assurance Guidelines is in force since 1 January 2011 and provides for the quality assurance function and its operation i.e. conducting reviews on a sample of completed audits. In 2012 SAO implemented Guidelines for audit quality control, which established systems and procedures for verifying adequate functioning of the quality assurance process and ensuring quality of audit reports.

In 2012 an expert team of authorized state auditors formed by the Auditor General conducted three quality assurance audits in line with the annual work plan.

INFORMATION TECHNOLOGY AND IT AUDIT

SAO Strategy for development of information technology was updated and adopted for the period 2013-2017. This document allows for proper development and sustainability of IT capacities and information system, continuous and quality support to SAO operation, thus achieving the strategic goals of the State Audit Office.

The implemented systems for centralized storage and data exchange, the electronic mail, the archive system, the intranet, the integrated financial IT system and the system for audit reports' data analysis are functioning efficiently.

Auditors have internet access when necessary for performing their audit tasks.

Analysis of auditees' financial statements data is done using computer-assisted audit techniques (CAAT's) and IDEA software.

In line with INTOSAI auditing standards, the audit of information systems which process data and generate auditees' financial statements, is an integral part of the financial audit.

The audit on these systems in some entities has identified the following:

- lack of/inadequate data backup
- lack of/not updated strategy for development of information systems, and
- lack of/not approved IT policies and procedures regulating security measures for the information system.

Adopting and updating strategy for development of information systems, as well as prescribing, approving and implementing security policies and procedures would facilitate management of IT resources in line with auditee's development priorities. At the same time it would reduce the risk of ineffective protection of the information system, loss or damage of data, inaccuracy and unreliability of records and unauthorized access to confidential data.

In 2012 SAO launched the project “Improvement of efficiency and quality of audit work with the application of audit management system (AMS)”, in cooperation with the Office of the Auditor General of Norway (OAGN). OAGN will provide technical support to SAO in identifying needs, assessment of possible alternatives, and preparation of plans, planning and preparation of documents for procurement of AMS software and necessary equipment, procurement and implementation of an electronic system for audit management for the purpose of standardization of SAO audit work. The financial assistance for this project was provided by the Ministry of Foreign Affairs of Norway.



2012 AUDIT ACTIVITIES THROUGH FIGURES

36	REGULARITY AUDITS
10	PERFORMANCE AUDITS
8	THEME AUDITS
93	AUDIT REPORTS
128	AUDITED ENTITIES
793	AUDIT FINDINGS
599	RECOMMENDATIONS
84	FOLLOW UP REVIEWS ON THE IMPLEMENTATION OF RECOMMENDATIONS
303	IMPLEMENTED RECOMMENDATIONS
123.497	MILLION DENARS AUDITED PUBLIC REVENUES
38.376	MILLION DENARS AUDITED PUBLIC EXPENDITURES

CONDUCTED AUDITS AND ISSUED REPORTS

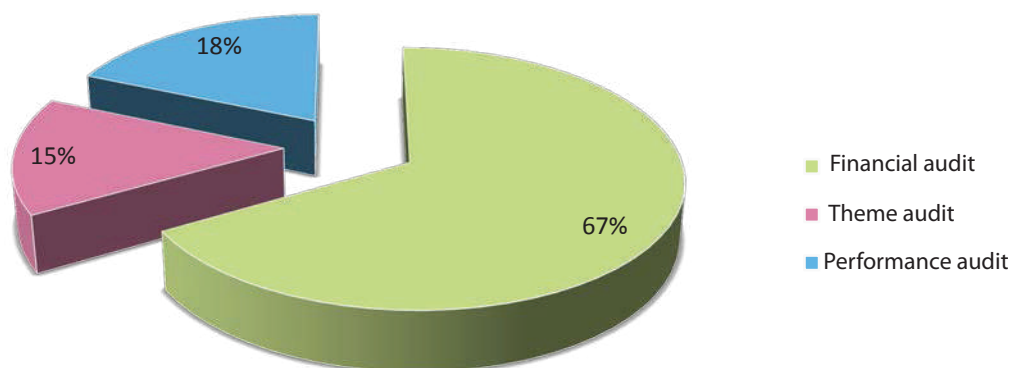
In 2012 SAO conducted 54 audits - 36 financial and compliance audits, 8 theme audits and 10 performance audits.

93 audit reports were issued upon completed audits - 75 financial audit reports, 8 theme audit reports and 10 performance audit reports.

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

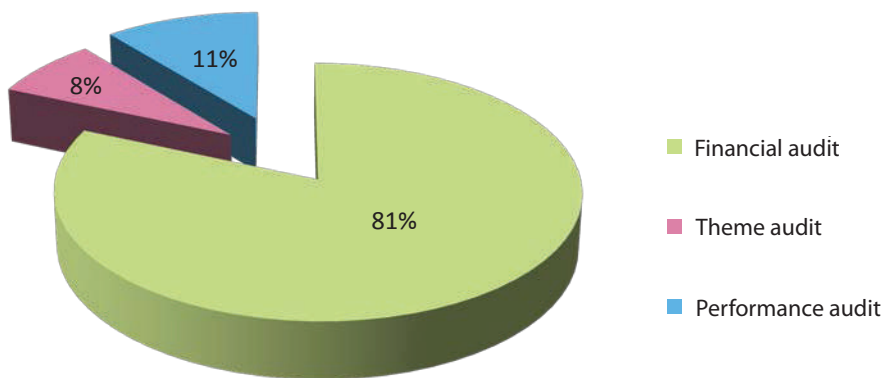
Conducted audits and structure				
	2012		2011	
Type of audit	Number and structure of conducted audits			
	Number	Structure in %	Number	Structure in %
1	2	3	4	5
Financial audit	36	67	70	91
Theme audit	8	15	-	
Performance audit	10	18	7	9
Total	54	100	77	100

Conducted audits and structure in 2012



Issued reports and structure				
	2012		2011	
Type of audit	Number of issued reports and structure			
	Number	Structure in %	Number	Structure in %
1	2	3	4	5
Financial audit	75	81	144	95
Theme audit	8	8	-	
Performance audit	10	11	7	5
Total	93	100	151	100

Issued reports and structure in 2012



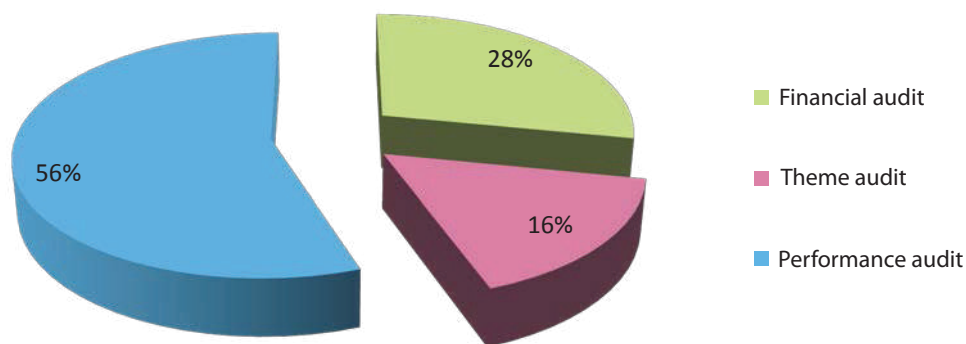
Auditees by type of audit

The scope of audit in terms of the number of audited entities, in addition to the mandatory annual auditees in accordance with the Law, is set down in SAO Annual Work Programme. In order to achieve the audit objectives, total number of 128 auditees was covered by different types of audit of accounting records, documents, analyses, economy of administrative activities, efficiency of utilization of resources and effectiveness of operation in terms of achieved targets.

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

Type of audit	2012		2011	
	Auditees	Structure in %	Auditees	Structure in %
1	2	3	4	5
Financial audit	36	28	70	47
Theme audit	21	16	-	
Performance Audit	71	56	78	53
Total	128	100	148	100

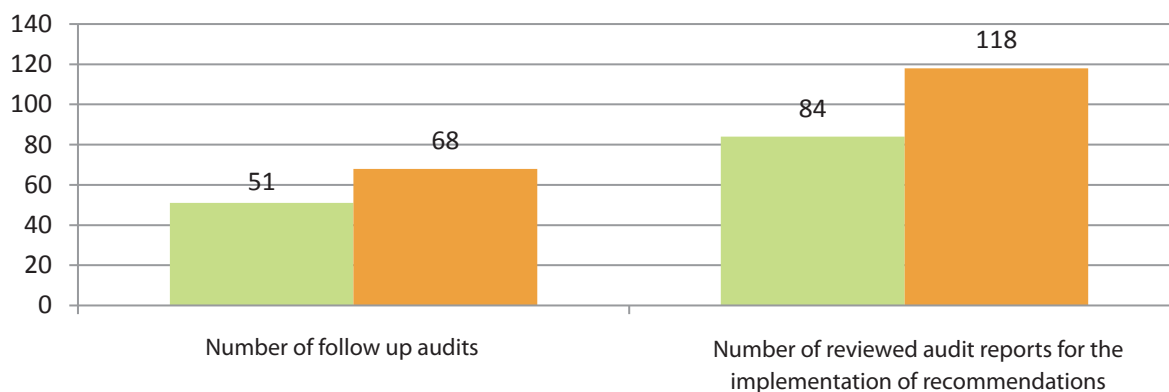
Structure of auditees by different types of audit



Follow up audit on the implementation of recommendations

In 2012 SAO conducted 51 follow up audits on the implementation of recommendations in order to identify the extent of their implementation, reviewing recommendations of 84 final audit reports.

Follow up audits	2012	2011	Index (2/3)
1	2	3	4
Number of follow up audits	51	68	75
Number of reviewed audit reports for the implementation of recommendations	84	118	71

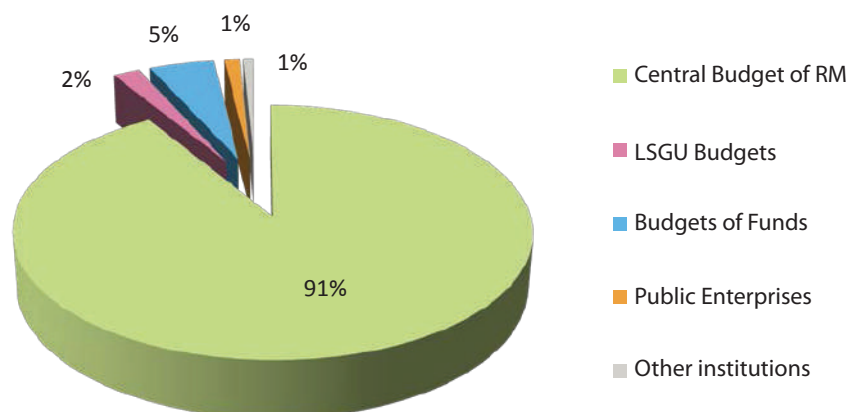


Audited public revenues in 2012

The amount of public revenues and expenditures in audited financial statements in line with 2012 Annual Work Programme is presented in the table below:

(in million denars)				
Audited public revenues in 2012				
	2012		2011	
Audited public revenues	Revenues	Structure in %	Revenues	Structure in %
1	2	3	4	5
Central Budget of RM	112.730	91	98.133	54
LSGU Budgets	2.456	2	4.073	2
Budgets of Funds	5.945	5	73.151	40
Public Enterprises	1.433	1	4.765	3
Other institutions	933	1	2.724	1
Total	123.497	100	182.846	100

Audited public revenues in 2012



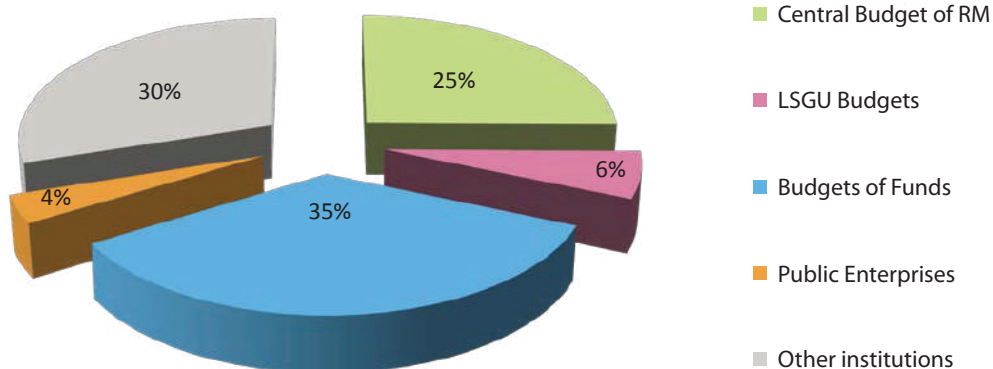
The structure of audited public revenues in 2012 presented in the annual accounts for 2011 is the following - Central Budget revenues participate with 91%, the revenues of the budgets of local self-government units participate with 2%, the revenues of the budgets of national funds participate with 5%, the revenues of public enterprises with 1% and the revenues of other institutions participate with 1%.

Audited public expenditures in 2012

In the structure of audited public expenditures in 2012 presented in the annual accounts for 2011, the expenditures of the Central Budget beneficiaries account for 25%, the expenditures of the beneficiaries of local self-government units' budgets account for 6%, the expenditures of the budgets of national funds (theme audits) account for 35%, the expenditures of public enterprises account for 4% and expenditures of other institutions participate with 30%.

(in million denars)				
Audited public expenditures in 2012				
	2012		2011	
Audited public expenditures	Expenditures	Structure in %	Expenditures	Structure in %
1	2	3	4	5
Central Budget of RM	9.678	25	46.296	36
LSGU Budgets	2.369	6	3.035	2
Budgets of Funds	13.407	35	70.098	54
Public Enterprises	1.419	4	5.352	4
Other institutions	11.503	30	4.719	4
Total	38.376	100	129.500	100

Audited public expenditures in 2012



AUDIT FINDINGS

While implementing 2012 Annual Work Programme authorized state auditors and state auditors identified 793 findings in 83 out of 93 audit reports. Most of the findings (202) identified in 56 audit reports relate to the financial statements. Findings regarding non-compliance with legislation and regulations (159) are identified in 53 audit reports, while findings concerning use of funds not in compliance with relevant legislation (87) were noted in 35 audit reports.

The analysis also shows that findings regarding internal control system (79) were noted in 41 audit report.

SUMMARY OF FINDINGS		
Type of finding	Findings	
	Number	Structure in %
Findings related to the audit theme	4	1
Findings related to the system of internal controls	79	15
Findings in respect of non-compliance with legislation and regulations	159	30
Findings relating to the financial statements	202	37
Findings concerning the use of funds against the legislation	87	16
Findings related to IT	3	1
TOTAL	534	100

According to the methodology of the State Audit Office, in audit reports conditions are defined and expressed as:

Systemic weaknesses	44	
Emphasis of matter	84	
Highlighting the issues of uncertainty	131	
TOTAL	259	
Total All	793	

PUBLIC PROCUREMENT

In the frames of the planned audits in 2012, SAO audited public procurement as well, and identified the following irregularities in the planning, implementation and realization of public procurements:



No.	TYPE OF IRREGULARITY	Participation (in %) in findings re PP
1.	Not implemented procedures for PP / realized PP before signing PP contract / realized procurements with expired contracts from previous years.	13
2.	Weaknesses in the realization of signed contracts (warranties, prices, quantities, payment terms and other conditions other than the ones defined in the contracts).	13
3.	Irregularities in relation to lack of procedures for following the realization of contracts, both from quantitative and qualitative aspect.	10
4.	Weaknesses in the planning phase (type of contract, selection of proper procedure, planned quantities, dynamics, planned funds, changes to the plan, etc.)	8
5.	Weaknesses in the bid evaluation phase, scoring, ranking and proposing most favorable bidder (not implemented or improperly implemented scoring methodology, lack of or improper ranking, incorrect proposal for selection, etc.)	7
6.	Bidding documentation not prepared or does not include the elements prescribed by the Law on PP	6
7.	Realization of contracts over the contract sum (surpassing the contract amount/ planned funds)	6
8.	Weaknesses in the phase of decision making on PP	5
9.	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, signing contracts within a period shorter than the legally prescribed one, etc.)	5
10.	Lack of annexes to contracts or signing annexes to contracts which are not in line with legal regulations	5
11.	Other irregularities	22
Total:		100

AUDIT OPINIONS

The main objective of the audit on 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 audit reports on financial statements of 2011 contain:

- 38% unqualified opinion (positive opinion);
- 25% qualified opinions;
- 17% negative opinions; and
- 20% disclaimer of opinion.

In relation to the financial statements auditors also expressed 15 separated opinions.

In relation to compliance with laws and regulations auditors expressed:

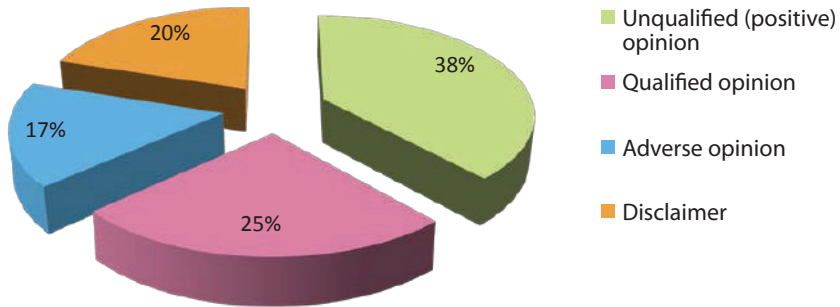
- 28% unqualified opinion (positive opinion);
- 31% qualified opinions;
- 38% negative opinions; and
- 3% disclaimer of opinion.

Below is an overview of expressed opinions on financial statements and on compliance with laws and regulations of 2011 presented in audit reports of 2012.

Overview of opinions expressed on financial statements and compliance with laws and regulations

Audit Opinion	Financial statements	
	Number of reports	Structure
	2011	2011
Unqualified (positive) opinion	23	38
Qualified opinion	15	25
Adverse opinion	10	17
Disclaimer	12	20
Total	60	100
Separate opinion	15	
Total (including separate opinions)	75	

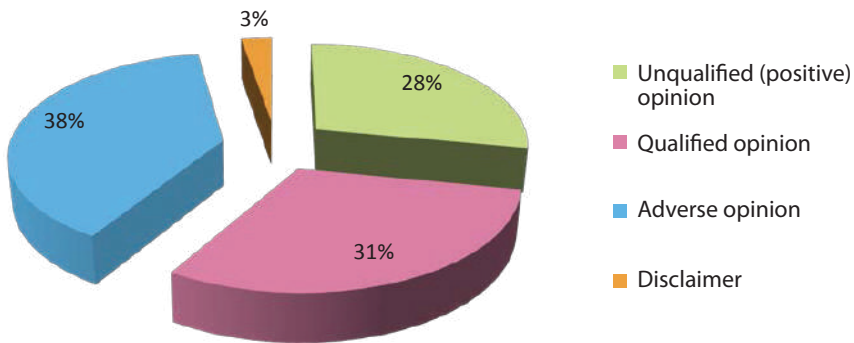
Overview of opinions expressed on financial audits



Overview of opinions expressed on compliance with laws and regulations

Audit Opinion	Compliance with laws and regulations	
	Number of reports	Structure
	2011	2011
Unqualified (positive) opinion	21	28
Qualified opinion	23	31
Adverse opinion	29	38
Disclaimer	2	3
Total	75	100
Separate opinion		
Total (including separate opinions)	75	

Overview of opinions expressed 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 SAO, as well as the competent body for supervision and control, on the measures taken upon the findings and recommendations in the audit report within 90 days of the receipt of the final report.

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

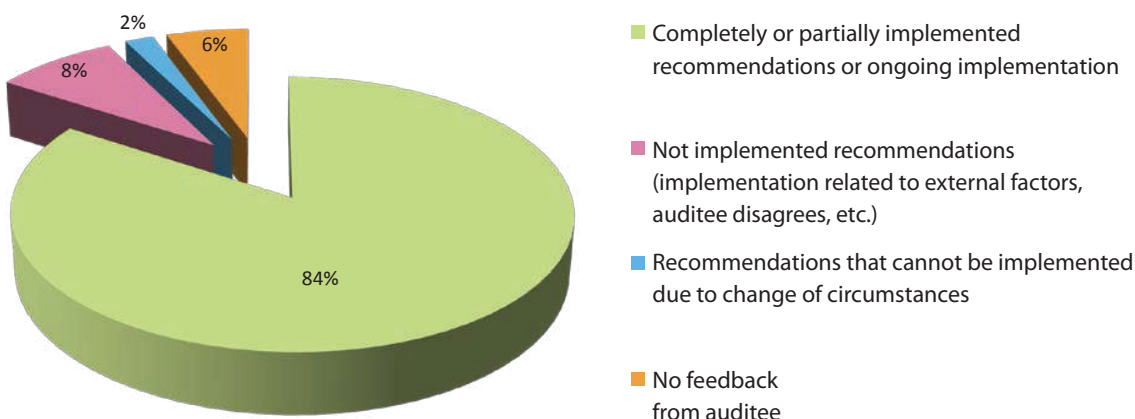
Upon completion of audits from the Annual Programme for 2012, the State Audit Office has given 599 recommendations. By the time of the preparation of the Annual Report for 2012, the deadline for feedback from auditees for 239 recommendations has not expired. Out of 360 recommendations, 303 have been implemented completely or partially, or the implementation is in progress, 30 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 20 recommendations.

The following table presents the status categories for measures taken upon recommendations for 2012 and 2011:

Description	2012		2011	
	No.	%	No.	%
Completely or partially implemented recommendations or ongoing implementation	303	84	354	78
Not implemented recommendations (implementation related to external factors, auditee disagrees, etc.)	30	8	45	10
Recommendations that cannot be implemented due to change of circumstances	7	2	7	2
No feedback from auditee	20	6	45	10
Total	360	100	451	100
Total (number of recommendations for which 90 days' feedback deadline has expired)	360	100	451	

The analysis of collected data shows that out of 360 recommendations upon which the auditees were obligated to take measures until the date of the preparation of this Annual Report, 303 recommendations have been fully or partially implemented (84%), which is high percentage of realization.

Measures taken upon recommendations



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.

COOPERATION WITH COMPETENT AUTHORITIES

The cooperation with the Parliament of the Republic of Macedonia continued in 2012 in several directions.

In line with the State Audit Law, the State Audit Office has submitted its 2011 Annual Report on conducted audits and operation for review to the Parliament.

At the plenary session held on 3 September 2012 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).

In addition, during 2012 the State Audit Office has submitted to the Parliament all final audit reports.

Within the project implemented in cooperation with the Netherlands Court of Audit (NCA), which was aimed at establishing sustainable and effective professional relationships between the SAO and the Assembly of the Republic of Macedonia, a Manual was prepared with practical tips on the use of the audit report entitled as "Introduction to audit reports."

This manual, which is intended for members of the Macedonian Parliament, was launched in November 2012, by representatives of the State Audit Office (SAO) and the Netherlands Court of Audit (NCA) who participated in its preparation. Manual "Introduction to audit reports" contains the basic terms, definitions, information on the structure of audit reports, methodology and process for preparing and providing quality audit reports, and examples of good practice in international cooperation between SAs of different countries and their parliaments to use the audit reports.

Cooperation with Prosecutor's Office is continuous and in that direction, within the implementation of the annual work program of the State Audit Office for 2012, three audit reports for two entities were submitted to the Public Prosecution, on grounds of suspicion for offense / crime. For one entity the audit report was submitted to the State Commission for Prevention of Corruption, Ministry of Internal Affairs and the Financial Police of the Ministry of Finance.

SAO actively cooperates with all authorities in order to prevent and reduce corruption, since it is a signatory to the Protocol on cooperation for the prevention and repression of corruption and conflict of interests. SAO participates in the preparation and implementation of the State Program for Prevention and Repression of Corruption and the State Program for Prevention and Reduction of Conflict of Interest for the period 2011 - 2015, and with a representative it also participates in the work of the inter-ministerial body for prevention of corruption.

In addition, the State Audit Office participates in the implementation of the National Programme for the Adoption of the Acquis (NPAA) through the activities provided in Chapter 3.23. Judiciary and fundamental rights, Area – Prevention of corruption policy and Chapter 3.32 -Financial control, Area - External audit.





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

Based on next year's strategic priorities set out by the Government, the three-year fiscal strategy including fiscal policy guidelines and objectives and amounts for the main categories of estimated revenues and appropriations for that period, as well as on the maximum amount of funds for the next three fiscal years per budget users and funds, the Government adopted the Budget of the Republic of Macedonia for 2011. With the regularity audit conducted on the Core Budget as an annual plan of revenues, other inflow and appropriations for financing basic competencies of budget users in 2011, we have applied procedures to obtain reasonable assurance about whether the planning process of the Core Budget is in compliance with the strategic plans of budget users and budget policy, if the process of collecting tax and capital income ensures completeness and timeliness of payment thereof, and whether control procedures ensure efficiency in the functioning of the Treasury and its records.

Concerning the design, implementation and maintenance of internal controls, which are relevant to the preparation and fair presentation of financial statements and ensure activities, financial transactions and information are in compliance with the relevant legislation, guidelines and policies in place, we have found that the written procedures prepared in 2009 for the operation of the following departments: Budget and Funds, Treasury, Macroeconomic Policy, Customs Policy, system and procedures for processes and activities, and IT Department, are being applied, but they should be approved and adopted. For this purpose a working group for development of policies, procedures and activities related to financial management and control has been formed. In order to improve the financial management and control aiming at proper, efficient and effective operation, compliance with legislation and established policies, plans and procedures, strengthening accountability for successful accomplishment of tasks, proper recording of financial transactions,



timely financial reporting and monitoring of results of the operation, as well as for using ICT systems and their safety, the Ministry of Finance should undertake measures for adoption of written work procedures. In addition, for complete IT security i.e. approved policies and procedures for IT security, the Ministry of Finance should adopt IT strategy for development of the information system.

The strategic priorities of the Government and the Fiscal Strategy, the submission of the draft Budget to the Government and its adoption by the Parliament, were all carried out within the legal deadlines. In relation to the phase of preparation of 2011 Budget we have found that some budget requests do not contain all necessary forms, and some requests are larger than the maximum amount set by the Government.

The Treasury keeps track of undertaken liabilities of budget users and individual users, as well as of due, outstanding and sued obligations, based on data submitted by budget users. For these data records, the instructions contained in the Budget circular for 2013 have been supplemented in the part for reporting on undertaken financial obligations under multi-annual procurement contracts.

We have audited the established internal control system in the process of planning, recording and collecting tax revenues, under the competence of the Public Revenue Office (PRO). We have found that exchange of data on collected tax revenues between the Ministry of Finance and PRO is done by daily reports on payments made, and monthly reports by PRO, to harmonize data with the Treasury records, which reduces the risk of potential errors, omissions in records, and realization of tax revenues in the Budget of the Republic of Macedonia.

Tax revenues in the Core Budget for 2011 were planned in the amount of 54.917.000 thousand denars, representing 35% of the total revenues. Tax revenue planning is done based on submitted draft projection of tax revenues prepared by PRO. In 2011 the total generated tax revenue amounts to 55.624.410 thousand denars.

With regard to revenues generated from fees for lottery games' licenses and other fees, we have ascertained the need of having a registry of issued plates for lottery games' machines. The new law on lottery games and entertainment games provides for a legal person authorized by the Minister of Finance to manage the above mentioned registry.

The largest part of the capital revenues generated in the Budget of the Republic of Macedonia is revenues under the competence of the Ministry of Economy, Ministry of Agriculture, Forestry and Water Economy (MAFWE), and the Ministry of Transport and Communications. Considering that in 2011 the capital revenues were planned in the amount of 6,705,000 thousand denars and realized in the amount of 3,771,327 thousand denars, i.e. 56%, it is necessary to establish an organizational form that will plan capital revenues in line with the procedure for planning of these revenues, as

well as to intensify the cooperation between the Ministry of Finance and line ministries in order to exchange data and information on projected revenues in the phase of the preparation of the Budget of the Republic of Macedonia.

In terms of the revenue from concessions and other types of public-private partnership, the Ministry of Economy has established a record for concessionaire's obligations according to signed contracts for concessions for exploitation of mineral resources as of 01.01.2008. Thus, there is no complete data of total liabilities, receivables and payables for the concession fee for the entire duration of the contract. In addition, the contracts do not provide method and deadlines for reporting on exploitation of mineral resources by the concessionaires. Our recommendation is to continue with the practice of signing annexes to contracts specifying rights and obligations.

In relation to the revenue from lease of agricultural land, we have found that it is necessary to harmonize data from the MAFWE on collected revenues from leased land with data from the Ministry of Finance. The percentage of collection of recorded receivables of about 28% is due to the fact that in previous years MAFWE did not take measures for timely fulfillment of contract obligations by the users of the agricultural land. In order to improve the overall workflow of issuing agricultural land in state ownership, in 2010 in cooperation with UN Food and Agriculture Organization (FAO) MAFWE commenced implementation of the project "Support to the management of state agricultural land". The project objective is to implement software solution that will monitor the entire lease process and will provide interconnection between the competent authorities – MAFWE, the Agency for Real Estate Cadastre and the Ministry of Finance.

The subsidies for the municipalities from the Budget of RM and from the budgets of the funds provide additional income for financing municipalities' obligations under the law. We have audited the allocation of revenues from VAT, and concluded that due to the larger realization of this revenue than the planned one in 2011, the Ministry of Finance should propose to the Government to make amendments to the budget regarding subsidies from VAT for the municipalities.

In previous years, following regularity audit on the Core Budget, the authorized state auditor has reported that the treasury account operates with a software solution from 2002, with separate databases for revenues and expenditures, turnover of funds, receivables and payables, without integrated closing statement for these items, which are the basis for the accounting records. The method of operation is the same in 2011. Given the importance of the operation of the Treasury for the Republic of Macedonia, in December 2011 the Minister of Finance passed a decision to establish a working group to prepare E-Treasury for electronic input of payment orders and for sending electronic statements to budget users. The working group should prepare an Action plan for procurement of appropriate software and hardware solution for the Treasury.

Systemic weaknesses

According to the Law on Mineral Resources, 78% of collected revenues based on concessions belong to the budget of the municipality which granted the concession and 22% to the Budget of the Republic of Macedonia. Laws regulating the specified area do not foresee participation of municipalities in the procedures for granting concessions, nor monitoring contract obligations and revenue collection. Therefore, the municipalities are faced with lack of information on expected revenues based on concessions, which affects the planning process of the municipal budget, as well as the confirmation of the completeness of payments made to their account. It is necessary to establish timely and complete communication for exchanging information between the institutions involved in the process of issuing, recording and collecting revenues on this basis.

Pursuant to Law on the Public Revenue Office, PRO performs administrative and other professional activities related to setting up taxes, tax collection, gathering and processing data on set up and paid taxes, as well as proposing changes in tax policy and regulations in order to improve the tax system and increase the efficiency and effectiveness of tax collection. Claims based on tax debt, as future income to the Budget of RM, are not presented in the financial statements of PRO because they are being paid to the account of the Central Budget. We point out that claims based on tax debt are necessary information for creating macroeconomic policy and for the Budget preparation.

The Directorate for compulsory reserves of oil and oil derivatives generates revenues from charging the manufacturer and the importers of oil and oil products for their sale and import. For these revenues there are records of the fee payers which are legal entities engaged in trade and import of oil and oil derivatives. However, there are no records of paid/unpaid fees for each payer individually, and collectively. In order to establish accurate and complete records of revenues, we suggest that the managing bodies of the Directorate should establish cooperation with the Customs Administration, the Ministry of Finance and the fee payers.

The internal control system in the Government of RM - the General Secretariat, which includes organizational measures, methods and procedures for improving the efficiency of operations, compliance with legislation and written procedures, should include controls that operate and are designed to ensure achievement of the objectives of the Government of RM – the General Secretariat. We have audited the control aspects and determined the risks and made recommendations for more efficient operation of the internal control system.

The laws and bylaws provide basis for the operation of the internal controls of the Government of RM – General Secretariat. However, strengthening capacities of individual departments will contribute to more efficient functioning of internal controls, hence for better functioning of the Government of RM - General Secretariat. Completing the implementation of the public internal financial control system will improve the financial reporting and control, enable complete segregation of duties of employees, will help detect weaknesses in the operation and elimination thereof, as well as it will enable more efficient functioning of the internal control system. In this regard the Secretary General has adopted a Decision to form a working group to develop procedures / guidelines / manuals in the field of public internal financial control in order to ensure (n, monitoring and development of) sound financial management and control.

Following the audit on the **Ministry of Foreign Affairs** we have given recommendations for improving the state of affairs in the following areas:

- in order to establish effective system of internal controls for the process of calculating, recording, and supervising the collection of consular fees in the diplomatic and consular missions of the Republic of Macedonia abroad, it is necessary to set up and implement work procedures for complete, timely and legal collection of consular fees;
- it is necessary to have consistency in the activities for the inventory of assets and sources of funds in line with the legislation;
- in relation to the clearing of advance payments and deposits given to employees in previous years, it is necessary to continue with the activities for collection and control thereof;
- in order to have complete, timely and accurate information for all transactions related to the diplomatic and consular missions of the Republic of Macedonia abroad, as well as timely and regular reporting to the Treasury Office, it is necessary to establish a complete record of commitments;
- for performing consular services in diplomatic and consular missions of the Republic of Macedonia abroad, tariffs are set for the amount of the consular fees. The Ministry has prepared a price list of consular services, with a package of fees for each consular service. For certain services within the consular services there are no fees, hence lower recovery of administrative fees. Therefore, activities should be undertaken to complete the packages of tariffs in the pricelist for all consular services.

The sale of lottery games is done by business associates of the **State Lottery of Macedonia**, based on business cooperation contracts. For the process of sale and realization of revenue from lottery games it is necessary to adopt written procedures for control and verification of sales that will establish an effective system for control of sales and inflow of funds from lottery games.

Online system for organizing lottery games was procured in 2009. It included hardware and communication equipment, online software for organizing lottery games, software for TV presentation of lottery draw games and lottery terminals. Most terminals are located in the warehouse of the State Lottery and are not being used because there are not enough business partners for selling lottery games. Therefore, we recommend paying attention to the planning and procurement of these terminals, as well as to the costs arising from their non-operation as technical equipment bought several years ago may become outdated.

Other aspects of the budget users

Pursuant to the Law on using and managing goods of state authorities, the Government allocates office space to the state authorities, for carrying out tasks, depending on the nature of the authority, the equipment needed for the authority's activities and the necessary number of employees. We have found that for some state authorities there is no record of the allocated space, because measures have not been undertaken for assessing the value of the space and for obtaining title deed from the Agency for Real Estate Cadastre. We recommend to the state authorities' officials to take action and establish the right of ownership, use and value of the space and to record it in the business books, thereby enabling accurate appraisal of the property used or owned by the state authorities.

State authorities are obliged to submit to the Ministry of Finance data on the total accounting value of movable property they use as of December 31 of the current year. Based on this data the Ministry of Finance makes a record of the movable property at national level. The Ministry of Finance in cooperation with the other state authorities should intensify activities for establishing correct and accurate record of movable state-owned property used by state authorities.

SOCIAL POLICY AND LABOR

Active programs and employment measures

Government's employment policies and strategy, as well as planned activities for employment and mitigation of unemployment are defined in several documents. These government documents define macroeconomic policies for employment, as well as policies and measures for creating effective system for social welfare and productive engagement of socially vulnerable categories. For successful implementation of employment measures, every year Operational plan is being prepared, which defines types of programs, active employment measures, target groups, necessary funds and resources, as well as specific activities for the entities responsible for its implementation.

The Employment Agency with its activities contributes to the unemployment reduction i.e. it undertakes measures and activities that will contribute to the improvement of the skills of the people who are actively seeking work and will increase their competitiveness at the labor market, thereby increasing the opportunities for faster employment.

The government documents used as basis for the Operational Plan provide for improved conditions and opportunities for employment and reduction of unemployment, improved living and equalization of the degree of inclusion of all social classes. The implemented active policies and measures included 7265 persons or 2.6% of the total number of registered unemployed persons (281.144) in 2011. There is an employment obligation for 2785 persons, and the rest are involved in trainings.

Based on the analysis, 87% of the planned funds were realized.

In the frames of the Operational Plan there is a "Program for subsidizing employment of disabled persons" whose goal is socialization of this category of unemployed and their integration in the labor market by providing grants for: employment of disabled persons for indefinite period, adaptation at a work place, procurement of equipment and vocational training of disabled persons for employment.

In line with the Law on employment of disabled persons, all employees in the sheltered trade companies – disabled persons and not-disabled ones are exempted from paying personal income tax and the funds for contribution of pension and disability insurance for them are provided from the Budget of the Republic of Macedonia.

Following the visit to the sheltered trade companies - users of the Special Fund, in several municipalities, we found out /concluded that the Ministry of Labor and Social Policy is late with the refund of contributions paid for the last six months. Given that the contributions present significant amount of assets in the operation of the companies, in particular for the smaller ones, refund delays

affect the survival and the operation of the companies. This condition can be destimulating for the sheltered trade companies, especially because in 2012 there is a downward trend in their number according to data from the Association of sheltered trade companies.

PENSION AND DISABILITY INSURANCE

The audit on the right on disability pension was triggered by external information about the risks in the realization of the right on disability pension and the payment of this type of pension.

Therefore, the audit focused on the application of the legislation and the operation of the Unit for assessment of working ability - whether the Unit has complete and reliable medical documentation and whether it is carrying out direct medical examination as evidence to the established diagnosis, expert assessment and opinion.



The audit also included certain regional units which are responsible for the realization of the right on pension and have complete and credible documentation as a proof of the realized right.

The procedure for realization of the right on disability pension under the legislation includes several steps in the regional units of the Fund - from submitting request by the applicant, archiving operations, and the role of the official records, to the realization of the right based on diagnosis, assessment and opinion, and preparing the decision. It was ascertained that separate work procedures and controls should be prepared regarding archiving operations, assessment of working ability, official records, realization of the right and payment of pension and electronic tracking of cases.

According to the conducted audit based on sampling it was ascertained that improvements are necessary in relation to archiving and storing of medical and other documentation, and the Unit for assessment of working ability should recruit medical personnel to reduce the risk of delayed realization of the right on disability pension and the risk of realization of the right on disability pension without meeting the requirements laid out in the legislation and internal acts.

It was also ascertained that it was necessary to have an electronic link between the archive section of the Unit for assessment of working ability and the Commission for supervision in the Ministry of Labor and Social Policy. Full implementation of an electronic file case, as a benefit of the pension project, depends on the readiness of the software for issuing diagnoses and opinions electronically from the Commission for supervision. The current method of communication does not allow determining whether all diagnoses confirming existence of a disability, along with the medical and other documentation have been timely submitted to the Commission for supervision.

The transfer of data on length of service insurance, salaries and allowances from the old to the new software has identified 1.254.290 invalid M forms entered before 2011. Some data are invalid due to the different registration numbers of payers during the insurance period, different data on the number of hours, noncompliance of the length of the insurance period with the forms for registering and unregistering insurance. In such cases, the decision making procedure can be prolonged.

We should point out the **systemic weakness** whereby users of temporary disability pension after the compulsory examination lose their right on disability pension under Article 139 of the Law on pension and disability insurance, although their right on employment has been previously terminated based on the disability decision. The right on re-employment can be realized again in line with the Labor Relations Law, but given the age structure of these persons, the possibility for starting a new job is questionable.

HEALTH CARE SYSTEM

Health Insurance Fund of Macedonia

The healthcare system in the country functions with limited funds for providing a range of healthcare services, and with established contractual relationship between the Health Insurance Fund of Macedonia as a purchaser of healthcare services and the public healthcare institutions as providers of healthcare services. This situation calls into question the sustainability of certain public healthcare facilities that provide services at a lower scale- amount than the agreed / charged one, as opposed to other public institutions that cannot collect payment for the provided healthcare services due to the limited agreed amount.

One important segment in the healthcare system is determining the right amount of compensation for healthcare services. Based on our audit we have concluded that determining the right amount of compensation for healthcare services is not fully in line with the legal regulations and internal acts, which results in incomplete compensation of all costs for healthcare services provided by the health institutions. In addition, the Ministry of Health has not fully compensated the costs for provided healthcare services in accordance with the health care programs for prevention and curative health care.

When forming referent prices, the Health Insurance Fund should use the existing legal framework and methodology approach i.e. it should apply all calculative elements defined in the Methodology for determining referent prices for healthcare services in the specialized-consultative and inpatient care and to allocate funds for investments in line with a program for investments in healthcare, which should be based on established healthcare priorities. On one hand all costs for healthcare services will be reimbursed, on the other investment funds will be provided, contributing to improvements in providing healthcare services to the insured persons in the public healthcare facilities.

In 2011, based on a public call, the Fund has signed contracts for provision of and payment for healthcare services with 111 public healthcare facilities. According to information from the Fund, certain public healthcare facilities cannot be included in the new concept for purchasing services, based on which the Government has decided that the Fund should provide funds for the operation of these (unsustainable) public healthcare facilities.

The current system of compensation for services of public healthcare facilities in the amount of the contracts, and not the amount of invoiced / provided healthcare services, create unequal conditions for healthcare facilities that completely fulfill healthcare services or exceed the amount of the contracts, compared to those who do not provide sufficient healthcare services to justify the contracts.

In line with the Law on Healthcare, the Government adopts and publishes healthcare programs that identify measures, tasks and activities, contents, scope and deadlines for their execution, as well as financial resources at program level, both for insured and uninsured persons. The programs should be implemented within the frames of planned State Budget funds for the current year, which the Ministry of Health has planned for activities / healthcare services based on the programs of the public healthcare institutions. However, the activities undertaken / healthcare services provided in line with the programs of the public healthcare facilities exceed the amount of approved funds per program, and as a consequence the public healthcare facilities are not able to make full recovery of claims from the Ministry of Health.

In order to overcome the situation in the healthcare system and to improve healthcare services, it is necessary to invest more in the healthcare facilities through actual purchase of healthcare services,

and the Government as the founder of public healthcare facilities through the Ministry of Health, should provide sufficient funds for the planned activities based on the healthcare programs, to allow reimbursement of funds of unsustainable healthcare facilities, and for investment activities.

Public healthcare institutions

Compulsory health insurance provides the right on basic healthcare services such as primary healthcare, specialized consultative care, inpatient care and autopsy of the deceased at the request of healthcare facilities.

The Health Insurance Fund of Macedonia as purchaser of healthcare services is signing contracts with the public healthcare institutions which regulate issues regarding invoicing and the manner of payment for the services rendered. We have ascertained that audited public healthcare facilities have provided services in a larger amount than the agreed one. Large part of the claims that are not covered by the Health Insurance Fund and are not recorded as liabilities toward healthcare facilities, the Fund takes it into account when planning the budget ceiling for the following year. This situation together with the incomplete funding of the healthcare programs has an impact on the operation of the public healthcare facilities.



The Ministry of Health allocates funds for the public healthcare facilities in line with their programs and monitors the implementation thereof based on submitted invoices and reports on realization of activities included in the programs. Funds for programs are approved in total for all public healthcare facilities.

Therefore it is necessary to establish criteria and procedures for allocation of funds for each healthcare facility separately, as well as to harmonize undertaken activities with approved funds per program, which would result in transparency in the allocation of funds.

The Ministry of Health should pay attention to the insufficient number of personnel in some public healthcare facilities where in addition to the regular employees, the healthcare services are performed by a number of persons engaged as volunteers or with temporary service contracts.

GUARDING INDEPENDENCE AND TERRITORIAL INTEGRITY OF THE REPUBLIC OF MACEDONIA

Matters pertaining to the system for safeguarding the independence and territorial integrity of the Republic of Macedonia, planning, organizing, equipping, developing and preparing the Army of the Republic of Macedonia, as well as implementing developed plans, are under the competence of the Ministry of Defense. In carrying out its mission, the Army of the Republic of Macedonia in addition to the tasks for defense and peacekeeping, security and counter-terrorist actions inside the country, it conducts the same tasks abroad in collaboration with or as part of the collective security and defense systems (NATO, EU and PFP¹).



АРМИЈА НА РЕПУБЛИКА МАКЕДОНИЈА

Without questioning the activities and contributions of the Ministry of Defense and the Army of Republic of Macedonia on national and international level, with the audit on the financial statements for 2011 we have ascertained certain conditions for which the authorities within the Ministry of Defense and the Army of the Republic Macedonia need to undertake actions to ensure: adequate and sufficient sources of funding, confirm the assets recorded in business records, collect receivables based on lease, interests and utilities, as well as monitor the implementation of public procurement contracts. In addition, we have identified certain systemic weaknesses in the Law on Service in the Army of the Republic of Macedonia and we anticipate the authorities to take actions in this regard.

¹ Partnership for Peace

LEGAL PROTECTION OF PROPERTY RIGHTS AND INTERESTS OF THE REPUBLIC OF MACEDONIA

The Ombudsman of the Republic of Macedonia is a state body which undertakes measures and remedies for legal protection of property rights and interests of the Republic of Macedonia. We have audited the financial statements of the Ombudsman for 2011 and we have made findings in relation to the manner of recording costs for representing/ standing for, the method of collection thereof, giving assignments for forced execution to the appropriate executors, reimbursement of costs of executors and their return, transfer of cases from the executors under the jurisdiction of the Public Revenue Office. With the inspection of the measures taken upon our recommendations, we found that measures are being continuously undertaken to overcome the identified situation.

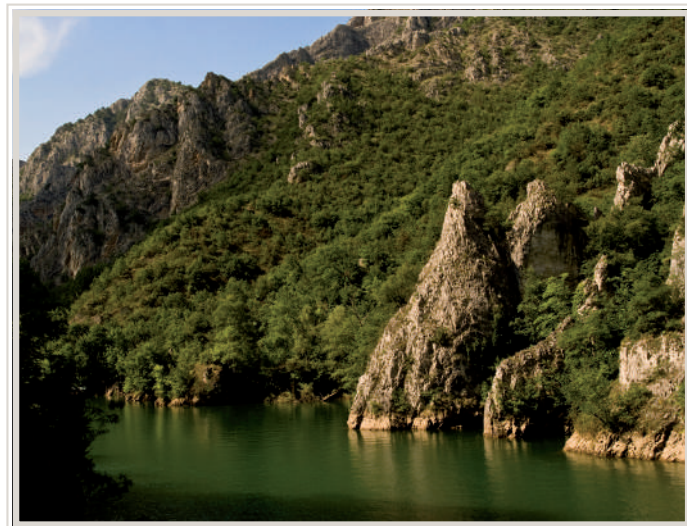
The audit on the realization of rights and obligations of workers and employers in the public sector in the Republic of Macedonia has ascertained a **systemic weakness**, which imposes the need to harmonize the General Collective Agreement for the public sector in the Republic of Macedonia, enabling:

- harmonization of branch collective agreements and collective agreements on employer level, including the Collective agreement for the state, judicial and local self-government bodies of the Republic of Macedonia with the Labor Relations Law and the Law on Minimum Wage;
- implementation of the specified amount of minimum wage for 2012 amounting to net 8050.00 MKD (in accordance with Article 9 of the Law on minimum wage);
- compliance with the provisions of Article 21 of the General Collective Agreement for the public sector in the country, regulation of the work related costs and their annual compliance with an annex to the collective agreement.

ENSURING ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is one of the eight Millennium Development Goals which aims to integrate the principles of sustainable development into national policies and programs, as well as to return the balance of environmental resources. Within the SAO annual work program for 2012 we covered two entities (the JSC "Macedonian Power Plants" - Skopje, state-owned and the Public Enterprise for water supply activities Hydrosystem Zletovica Probistip) whose regular activities are aimed at achieving some of the requirements of this millennium goal, in particular the emission of carbon dioxide, and the method of using water resources and provision of drinking water for the population.

The audit on the compliance of the method and procedures for awarding public contracts in the reporting period for 2011, at the state-owned JSC “Macedonian Power Plants” - Skopje identified certain conditions/state of affairs in relation to the planning of public procurement, method of awarding public contracts, and monitoring implementation of awarded public contracts. We note that during the audit, the auditee has partially or completely undertaken measures for some of the addressed issues. However, further actions are required for overcoming the other conditions.



For the purpose of improving the utilization of water resources and provision of drinking water for the population of the municipalities of Stip, Probishtip, Karbinci, Sveti Nikole and Lozovo, a public enterprise was formed to carry out water economy related activities HS “Zletovica” Probishtip. The main challenge for the enterprise was to build the regional Hydrosystem “Zletovica”. The hydrosystem “Zletovica” is located in the northeastern part of the Republic of Macedonia; it has manifold importance and can meet the following basic purposes:

- water supply for the population and the industry in the municipalities Probishtip, Stip, Karbinci, Sveti Nikole and Lozovo
- irrigation of 4,050 hectares of agricultural land,
- production of electricity,
- providing biological minimum of the river Zletovica,
- reduce the risk of flooding, and
- retention of sediment in the accumulated area.

With the audit of 2011 financial statements and the operation of the public enterprise, we have identified conditions that require certain actions by the enterprise’s management to overcome the identified states of affairs. The audit on the undertaken activities following the recommendations of the authorized state auditor has shown that the situation has been improved in relation to the water quality released into the purifying plants of the municipal public enterprises, recording the principal in the relevant register, and providing occupancy permit for the water intake from the river Zletovica. However, it is necessary to continue with the activities to address the identified conditions in terms of timely payment of taxes on all grounds, resolving mutual rights and obligations with some of the contractors engaged on the dam “Knezhevo” and the related facilities.

CULTURE

Public and national institutions in the field of culture

In 2012 we have conducted financial and compliance audit in the area of culture in order to assess the realization of culture related activities and to point out the need for improving and overcoming identified situation.

The observations below are the result of the financial audit on the National university library “St. Kliment Ohridski”, PE Museum of Contemporary Art – Skopje and PE Theatre for Children and Youth Skopje.

According to the analysis of the results of the audits we have concluded that it is necessary:

- to establish good organizational structure and internal controls and to adopt necessary procedures for work with defined and segregated responsibilities of employees, in relation to verifying completeness and accuracy of documentation for recording events, paying obligations and collecting receivables. To achieve these goals it is necessary to obtain additional human resources.
- PE Museum of Contemporary Art has to provide insurance for museum items, requesting more funds to be budgeted by the Ministry of Culture. Failure to provide funds for this purpose creates a risk of compensation failure for the possible damage caused in unforeseen events.
- Revenues from rents, based on signed lease contracts, should be paid to the account of the Budget of the Republic of Macedonia rather than to the institutions’ own revenues accounts, pursuant to

the Law on use and disposal of goods owned by state authorities.

- The Library “St. Kliment Ohridski” should obtain consent from the Managing Board on the price list based on which it earns income.
- In the lease contracts it is necessary to define the obligations for payment of utilities, depending on the space used by the occupants.
- Payments for procurement of goods and services should be based on complete and reliable documentation.



- Engaging persons under temporary employment contracts or temporary employments should be done by a public call or consent from the Ministry of Culture and Ministry of Finance, in order to avoid subjective/partial approach when deciding on the selection and restriction of labor rights.
- The inventory of assets at the end of the year should be used to harmonize the factual with the accounting situation, as well as the inventory of assets and liabilities.
- To perform timely recording of outstanding liabilities to suppliers and employees based on salaries, and for receivables based on paid utilities for other entities it is necessary to take actions for collection thereof.

EDUCATION

Spending units in the field of education

We have conducted three financial audits in the field of education in the Faculty of Technology and Metallurgy Skopje, UKIM Faculty of Music Skopje and Ballet School "Ilija Nikolovski Luj" Skopje, where the following conditions were ascertained:

- In line with the Higher Education Law and the Statute of the University, the Faculties as units of the University, have their own accounts and in the legal business they act independently in their own name and for their own account, even though they do not have a status of legal entities. This legal solution has an impact on the planning, adoption and especially on the implementation of the annual financial plan for the Ministry of Education and Science (MES) and the universities. Upon the approval of the budget of MES, UKIM adopts cumulative annual financial plan by quarters which does not contain an overview of the units i.e. faculties appropriations. Therefore, we believe it is necessary after the adoption of the budget of UKIM, the financial department of the University along with the financial departments of the faculties to set their budgets per quarters to allow more realistic planning and realization of activities throughout the year.
- At the faculties, we found differences in the method and the amount of fees payment by students. In the absence of established Council for funding and development of higher education, faculties make changes and additions to certain agreed items in the Price list adopted in 2004, by charging for new services or for a higher amount than the specified one.
- The accounting records of the faculties do not have complete records on the assets and liabilities, which significantly affects the actual presentation of balance sheet items.
- Complete and quality inventory was not carried out at the end of the year, which does not provide sufficient assurance of the correctness and objectivity of presented situation of assets,

as well as it does not provide legal responsibility for protection against unauthorized sale or writing off.

State Scholarship

In 2012 we have audited the Ministry of Science and Education on the subject “Expenditures for state scholarships” and ascertained the following:

- MoSE makes payment of funds for master and doctoral thesis based on applications directly submitted by the candidates, instead of following a procedure of public announcement as stipulated by the Law on scientific research activity. This method of allocation of resources does not provide complete and continuous resolving of submitted applications, because of lack of criteria for ranking in the frames of the appropriations for this purpose.
- Scholarships have been awarded based on complaints from students who have not met the requirements for the type of scholarship they applied for, without taking into consideration the minimum points per groups of scholarships. This is on the detriment of those students who did not receive scholarships although ranked higher than the students whose complaints have been accepted.



MINISTRY OF JUSTICE OF THE REPUBLIC OF MACEDONIA

The Ministry of Justice is a state authority which together with other ministries is responsible for performing functions of the state administration in line with Article 11 of the Law on the organization and operation of state administration.

According to the audit and the identified situation, we have indicated that the Ministry of Justice has not yet made a division of balance with the bodies under its jurisdiction: the Directorate for Execution of Sanctions, the Office for Keeping Record Books, the State Election Commission and the State Administrative Inspectorate. Even though the amendments to the legislation provide for these bodies a status of legal entities with delegated responsibilities and employees, they still use the inventory from the accounting records of the Ministry of Justice. Pursuant to the Law on use and disposal of goods of the state authorities, the Ministry of Justice has prepared a proposal/draft decisions on termination and also providing permanent use of movable property, which should be adopted.

In order to improve the overall control environment, efficiency of operation and strengthening of the human resources, the Ministry should ensure compliance of work posts and tasks, segregation of

duties and responsibilities, while the necessary human resources should be provided with complete application of provisions of the Law on civil servants.

In order to reduce the spending of budget funds for payment of persons seeking compensation from the Republic of Macedonia due to unjustified deprivation of liberty, it is necessary to take measures and actions for more effective functioning of the judicial authorities in accordance with the national legislation and the practice in the European Court of Human Rights.

Penitentiary and Correctional Institution - Penitentiary Correctional Center – Idrizovo with an open section Veles

PCI PCC Idrizovo has a status of a legal entity and it is financed as a spending unit of the budget user Directorate for execution of sanctions, which is a body within the Ministry of Justice. According to the degree of security, the degree of restriction of freedom and the types of treatment for inmates, PCI PCC Idrizovo is a closed-type of institution with a high degree of physical and material security.

According to the conducted audit and the identified state of affairs, we have indicated that PCI PCC Idrizovo should undertake activities for adoption of written procedures and for establishing effective system of internal controls for the process of supplies and the procurement process. It is necessary to carry out transformation of economic units in accordance with the legal regulations and to close the business bank account, so the overall operation of the institution takes place within the treasury system. In addition, the land should be recorded in the accounting books and title deeds should be obtained for the structures, and at the end of the year a complete and quality inventory should be carried out. The payments for procurement of goods and services should be based on complete and reliable documentation. We indicate that free of charge goods should be used in accordance with the purpose and objectives for which they were received.

METEOROLOGY OFFICE

Meteorology Office is a state body with a status of a legal entity within the Ministry of Agriculture, Forestry and Water Economy, in charge of issues in the area of hydrometeorology. Its scope of work includes hydrological and meteorological work and activities related to the development and operation of hydrological observation, atmosphere research, soil and water resources, hail defense and application of hydrology and meteorology. The Office performs the international obligations of the Republic of Macedonia in the field of meteorology and hydrology, monitoring the water quality and air quality, and coordinates their execution.



Based on the conditions identified with the audit, we have pointed out the need for undertaking activities to ensure consistent application of prepared procedures in the process of payment and proper functioning of the system for electronic recording of working hours. It is also necessary to apply the guidelines for organization and operation of hail defense rockets and to ensure diligent managing and storing of items in state ownership.

The systematization act should define specific requirements for certain jobs and recruitment of persons under temporary employment contract and volunteers should be done in accordance with the legal provisions.

Certain conditions in the accounting records have indicated the need of introducing material and accounting records of supplies of spare parts, timely discharge of spent materials, complete and correct execution of the inventory and accounting records for the land.

The funds provided from the lease of real property and the fees for meteorology services, hydrological measuring, and services for monitoring the pollution of the environment should be paid to account of the Budget of the Republic of Macedonia.

AGENCY FOR FOOD AND VETERINARY

Agency for Food and Veterinary (AFV) is an independent state body with the status of a legal entity, which commenced its operations on 1 January 2011 as the legal successor of the Veterinary Administration and Food Directorate. AFV is mainly responsible for the activities in the area of food safety and food for animals, implementation, control, supervision and monitoring of veterinary activities in the field of animal healthcare and other issues in relation to the veterinary, food safety and food for animals.

We point out the following audit findings: lack of internal control system in the process of payment, and calculation and payment of salaries and overtime remuneration to employees.

The Agency still has not acquired the right to use the movable property of the Veterinary Administration; it has not made an inventory of assets and sources of funds for 2011 and has not established material and accounting records of supplies of materials. The Agency generates income from administrative fees, issuance of certificates for animal health, recording wines with protected label, which is not in accordance with the legal regulations.

AFV needs to regulate the relations with the Ministry of Agriculture, Forestry and Water Economy for separation of costs for utilities and use of premises in the regional offices, for the purpose of proper use of budget funds.

We point out that the responsible persons in AFV should take actions to ensure appropriate segregation of duties and responsibilities in the payment process; timely and proper execution of the inventory; ensuring accounting and material recording of supplies of materials; division of revenues in line with appropriate documentation confirming the basis for payment; payment of funds to be done to the appropriate account; completeness of accounting records prior to their approval; registration, payment, rational and efficient use of budget funds for procurement of goods and services with a consistent application of procedures stipulated by the Public Procurement Law.

AGENCY FOR PROMOTING THE DEVELOPMENT OF AGRICULTURE - BITOLA



Agency for Promoting the Development of Agriculture (APDA) was established to provide technical assistance to farmers and agricultural businesses/, to improve the quality, quantity, profitability of agricultural production, optimal use of capacities and to make Macedonian products more competitive at the European markets. APDA also aims, through field visits to provide support to the development and implementation of agricultural policy by maintaining a database of agricultural businesses and to ensure sustainable agricultural development in rural areas.

We have pointed out that the limited financial and human resources affect the implementation of activities and increase the risk of incomplete fulfillment of Agency's mission.

We also indicate the need of signing an agreement with the Ministry of Agriculture, Forestry and Water Economy for regulating mutual rights and obligations in gathering and using accounting data from agricultural businesses, in particular data ownership, access, update and maintenance of the central database of agricultural businesses following the implementation of the project.

ECONOMY TRANSPORT AND COMMUNICATIONS

Ministry of Economy

The Ministry of Economy is a state authority responsible for creation and monitoring of overall economic conditions and for creation of economic policy measures in the country. The audit on the financial statements for 2011 has identified weaknesses in the established system of internal controls in the organizational parts, and insufficient coordination and cooperation between the departments and the agencies within the Ministry responsible for litigation.

We have concluded that the repayment of the principal and the payment of interest on a loan from the World Bank from 2005 for the reform project for business and institutional strengthening in the amount of 8.8 million Euros, and used by several institutions, are done only from funds provided from the budget of the Ministry of Economy, while part should be also paid by the users, the National Bank of the RM and the Central Register of RM.

Subsidies for foreign organized tourism were introduced for faster development of the tourism in RM and for forming more competitive prices of travel arrangements. The audit has ascertained the need to improve procedures for the manner of realization and payment of subsidies.

The project "Macedonian village" commenced in September 2010 and is still ongoing. We expect the value of the project to increase due to additional work performed that would prolong the agreed period for construction and the amount of funds spent.



The audit has revealed that between 1989 and 1995 loans were approved with state funds through EBRD credit lines, Gasification and PE Energy, serviced by Stopanska Banka AD Skopje, whose deadline for return has long expired; and in spite of SAO observations, in the previous period the Ministry has incompletely and insufficiently followed the collection i.e. the return of budget funds.

In 2008 the Ministry of Economy has obtained a Solar Test Laboratory with a grant in the amount of 150.000 Euros. This Laboratory was given to the Meteorology Office for a temporary use without compensation. The laboratory is still not being put into full operation to achieve its purpose - to improve the conditions for promoting the use of solar thermal energy in RM.

Systemic weaknesses

When forming and setting up state bodies and institutions with a separate law, amendments to the Law on organization and operation of state administration are not always made. This is also the case with the establishment of the State Market Inspectorate within the Ministry of Economy with a status of a legal entity. When forming new state bodies and institutions, we recommend that the Government should send an initiative to the Parliament for amending the Law on organization and operation of state administration in order to achieve transparency and public awareness of the newly established state bodies and institutions.

Agency for National Roads

Auditing on the revenues of the Agency in 2011 we have concluded that there is a need to establish a complete record of the number of authorized legal entities for technical inspection of motor vehicles and trailers to obtain accurate data on paid road tax, as well as insight into the changes of the legal status of entities responsible for technical inspection of vehicles. There are irregular and incomplete payments for the toll fee by the legal entities authorized for technical inspection, for which they have presented obligations to the Agency in their accounting records. We have also recognized the need to establish a mechanism for control of the paid road tax per vehicle categories.

The Agency has undertaken activities to introduce a new automated system of toll collection on the grounds that the existing electronic tracking system of toll collection does not give full assurance of correct collection of the tariff fee per vehicle categories. The presence of the human factor in the current system of toll collection creates a risk of disclosure of inaccurate or incomplete data for vehicles that have used the road. It is expected that these weaknesses will be overcome with the full application of the amendment to the Law on national roads, which has also transformed the Agency for National Roads into a public enterprise.



Civil Aviation Agency



CAA was founded by the Parliament of RM under the Aviation Act as an independent regulatory body with status of a legal entity with public competences. By financial and compliance audit on the Civil Aviation Agency we have concluded that due to insufficient staffing there are no conditions for compliance with and enforcement of the adopted written procedures for financial control in all organizational units and at all levels. In order to improve the situation, we have made recommendations in relation to the compliance of Agency's operation

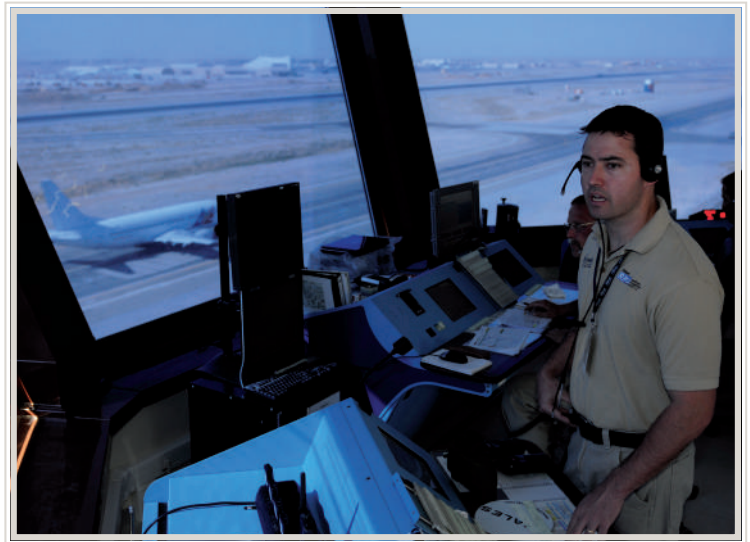
with the legal regulations. Invoicing and collection of fees from clients should completely follow the calculation method specified by internal acts, the Tariff and the Aviation Act; a record of receivables from domestic and foreign buyers should be made according to the legal regulations. In order to reduce the risk in the management of public funds, we recommend setting up an internal audit unit and providing objective conditions for financial control.

We point out that changing the method and sources of funding of the Agency, based on the adopted Tariff, which is in force since 1 January 2012, will reduce and change the type and amount of the fees. The amendment to the Aviation Act in June 2012 (in force since 1 January 2013) has added a new source of funding. The amendment refers to the possibility of funding the agency from concession fees for the use of airports, without specifying the amount and consistency of the fee. The abovementioned can cause a reduction in revenue; therefore balancing of revenues and expenditures should be done in the following period i.e. revenues should be increased or expenditures should be reduced.

Air Navigation

The provision of air navigation services is entrusted to the joint stock company in state ownership M-NAV AD - Skopje. The audit on the financial statements for 2011 has identified weaknesses and we gave recommendations and guidance pertaining to:

- completed design and implementation of an organizational structure and internal control system for most of the work processes of the company;
- inventory of assets to be done in accordance with the legislation and to harmonize the accounting with the factual situation;
- M-NAV to control revenue from terminal services by foreign airlines that are recorded based on reports for collected fees in cash received from an external entity;
- payment of funds to be done based on complete and reliable documentation;
- proper recording of procurement and receipt of tangible, intangible assets and supplies;
- to consider the possibility of recording appraisal value of assets, liabilities and equity in the business books.
- conduct procedures for insurance for third party liability, which is of particular importance and is mandatory under the Aviation Act.



LOCAL SELF GOVERNMENT

In 2012 we have conducted financial and compliance audit in six local self government units (LSGU) and two public enterprises at local level.

In 2005 LSGU started the fiscal decentralization process in phases, which is still ongoing. This process is being continuously implemented in the country for some time now, with periods of stronger or weaker intensity. In 2011 the amendments to the Law on construction land, stipulated new responsibilities for LSGU regarding disposal of construction land owned by the Republic of Macedonia. LSGU are granted this responsibility after they meet certain conditions prescribed by the Law on construction land:

- to have developed and adopted annual work program in the area of management of construction land owned by the Republic of Macedonia;
- to have the required number of employees with authorization;
- to have established a committee for implementing public auction procedures; and
- to have established electronic system for public auction of construction land owned by the Republic of Macedonia.

We have ascertained that some of the audited LSGU do not have internal controls in place or if they have, they do not function; there is lack of written procedures and segregation of duties. Ineffective internal controls cannot prevent the risk of payments done according to incomplete and unverified documentation and the risk of incomplete and untimely collected revenues.

LSGU realize **lower income** because of incomplete and not updated records of taxpayers, as well as because of lack of legal actions for recovery of tax debt. This situation is present in some of audited municipalities.



We have identified risks in the processes of determining and collection of revenue from property tax, sales tax on real estate, inheritance and gifts, taxes and utility fees for arranging construction land.

In order to reduce these risks and to generate the most of the possible revenues, SAO recommends the following:

- segregation of duties in the process of determining and collection of revenue,
- update the registries for property tax and set a basis in line with the methodology for determining market value for all settlements in the municipality, and
- take legal action for forced collection of revenue from legal entities and individuals that neglect legal deadlines.

In accordance with the Law on property tax, the basis for calculating sales tax is the market value of the property at the time of the occurrence of the obligation under the Methodology for determining market value of real estate.

We use the opportunity to highlight some dilemmas and difficulties that LSGU face in the implementation of the Law on property tax – in cases for determining market value of real estate when the seller is a state authority of the Republic of Macedonia or a municipality, by means of a public auction of the property, and in cases when the sales contract reports higher value than the one determined under the Methodology for determining market value. These issues deserve proper attention from the authorities.

With the exception of one audited LSGU, we have identified weaknesses in the budgeting process in the other audited LSGU. Despite the adopted budget revisions i.e. the Council decision for enlarging the Budget, there is significant deviation from planned and executed revenues and expenditures. This deviation is often the result of uncollected revenues based on transfers from other levels of government and unrealistic planning of own revenues. This has an impact on and violates the principle of good management.

In a few of the audited LSGU we have identified payments made without complete supporting documentation as a proof that the service was performed i.e. the goods were procured. This is due to the lack of internal controls and creates a risk of reduced transparency of municipal services, payments without legal grounds and non-earmarked use of budget funds.

More common are findings relating to the application of laws and internal regulations which shows not yet fully harmonized work with the existing legal framework. Thus, we have ascertained payments made without previously adopted programs and criteria for use and allocation of funds for social security, NGOs and cultural and sporting events. The lack of laws and defined transparent procedures is a prerequisite for subjectivity in decision making, lack of transparency and finally illegal and improper use of funds. In particular we point out the allocation of funds to sports clubs who are registered as joint stock companies, without obtaining proof that the funds allocated to these clubs will be considered as municipality's participation i.e. will have a treatment of an equity investment.

Small part of the audited municipalities still have not completed the procedure for identifying, assessing and recording the value of the property granted with a decision by the Government in 2000, for transfer of ownership of real estate of the Republic of Macedonia to the municipality. Title deeds have not been obtained.

In one of the six audited municipalities there is significant hiring of employees under temporary contracts in the municipal administration and for maintenance of public hygiene at the territory of the municipality. The number of these persons varies throughout the year (for administrative work from 55 to 95, and for public hygiene 67 to 96 persons). The amount of the salaries paid to these employees represents 58% of the amount of salaries paid to regular employees of the municipality. Engaging persons through the Agency for temporary employment leaves room for subjective decisions and does not provide fair competition for employment.

LSGU generate revenue based on subsidies from the Budget of RM and the Funds. For financing transferred responsibilities in the area of culture, education, child protection and firefighting, LSGU receive funds from the line ministries through block and earmarked subsidies.

Only eleven installments based on VAT and earmarked subsidies from the Budget of RM have been transferred on LSGU accounts during 2011. Thus municipalities have received less revenue based on value added tax, which affects their activities, as well as less revenues based on earmarked subsidies, which contributes to unsecured liabilities of municipal public institutions in the area of education and child protection based on current expenditures.

Systemic weaknesses

In this section we will highlight the systemic weaknesses pertaining to the Law on utility fees that require due attention by the authorities.

The Law on utility fees stipulates that payment of utility fees for using streets with passenger and freight vehicles, buses and special vehicles, is done by the body responsible for vehicle registration and is being made to the appropriate account within the treasury account of the municipality. However, the current legal solution does not provide for a legal deadline for paying the fee charged to the municipality's account, and there is no prescribed obligation for notifying the municipality on the number of registered vehicles and their cubic liters and the monthly amount of collected funds separately and cumulatively. If we take into consideration the fact that the registration of vehicles is done by legal entities authorized by the competent authority for registration of vehicles, the imprecise legal solution creates a risk of inaccuracy, inappropriate timing and incompleteness of revenues collected on this bases. We recommend making amendment to the Law on utility fees and supplementing tariff number 9 - payment of utility fees for using streets with passenger and freight vehicles, buses and special purpose vehicles, which are being paid during the registration of vehicles to be made to the appropriate account of the municipality.

In relation to the utility fee for street lighting, municipalities in Macedonia do not receive data by

EVN Macedonia AD Skopje for the following:

- number of payers by categories (number of meters) in line with tariff no. 10 of the Law on utility fees,
- report on the monthly amount of funds collected individually and cumulatively,
- semi-annual report on the real situation with the number of meters, and
- notification of outstanding receivables from this utility fee.

Regardless of the signed Memorandum of Understanding between ZELS and EVN Macedonia AD Skopje, EVN does not follow contractual obligations to deliver the above data and reports. The effects of this practice reflect on the completeness and accuracy of generated revenues on this basis, which municipalities record in their accounting records only as inflow, without specific information thereof.

In order to ensure completeness and transparency in the collection of municipalities' own revenues, we recommend that the legislator should amend the legal solution and enable overcoming of the abovementioned weaknesses.

We also find it necessary to emphasize identified collisions in certain legal regulations.

Conferring the management of the water supply network to a private legal entity, which was identified in one audited LSGU, is contrary to the Law on water supply and disposal of urban waste water, where Article 3 stipulates "service provider" to be a public enterprise established by the municipality or legal entity that meets the requirements for the activity prescribed by the law and has dominant capital by the municipality.

However, the Law on Waters stipulates that for ensuring prescribed quality of drinking water municipalities may establish a public enterprise for this activity and for the operation and maintenance of water supply systems and supply of drinking water, as well as that these activities can be performed by legal entities in a manner and in line with procedures prescribed by law. The collision between these two regulations creates dilemmas in their implementation. To overcome this situation, we recommend that the legislator should make amendments and change the different definition of the same condition with both laws.

According to the Law on Financing Local Self-Government Units, in the part for budget reserves it stipulates 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 total current expenditures of the core budget. The collision between these two regulations creates dilemmas in their implementation. To overcome this situation, we recommend that the legislator should make amendments and change the different definition of the same condition with both laws.

Public enterprises at local level

In 2012 we have audited two public enterprises at local level.

It must be noted that in one of the auditees all activities are regulated by written procedures that are constantly updated, there is a complex system of internal controls for the entire operation of the public enterprise, which reduces the risk of illegal and non-earmarked spending of enterprise's funds.

In the other audited entity, during the evaluation of the system of internal controls for the process of determining and collecting revenue from provided utility services, we have identified lack of written procedures, which create risks that may affect the collection and completeness of the revenues. This entity has not undertaken activities to introduce ISO standards in its operation for the purpose of continuous monitoring of the processes and their improvement, and has not established an Internal Audit Unit. Contrary to international standards and best practice for IT security, there is a risk from inappropriate development of the IT system, unauthorized access to data and vulnerability of some segments of the IT system.

Common finding in both auditees was the unregistered principal in the commercial register. The enterprises have not determined market value of assets and liabilities, so that the principal is determined in the accounting, i.e. appraisal of capital has not been done. The appraised value of the capital is particularly important for establishing public-private partnership, borrowing and establishing credit rating.

Some of the provisions of the Law on water supply and disposal of urban waste water concerning the obligation for signing contracts with service users and setting the price of water based on the quantity of consumed drinking water (average and excessive consumption) have not been completely implemented by these auditees.

The auditees face high amount of outstanding claims in their operation. These enterprises take significant actions to increase the collection of receivables (claims, exclusions). Problems in the collection reflect the activities, especially in the field of investments.



PERFORMANCE AUDIT

In 2012 we have conducted 10 performance audits which included 71 entities.

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.

Efficiency of services provided by Government Department for Common Affairs (GDCA) in relation to the utilization of the car park

The audit objective was to make an assessment of the risks and opportunities to improve efficiency of planning and organization of services for transportation with motor vehicles, equipment and GDCA car park management, service delivery, staffing, funds, as well as measures and activities for improvement of service for transportation of motor vehicles, i.e. to answer the question **“Are transportation services with motor vehicles performed in an efficient manner to meet the requirements and needs of users, in line with the legal responsibilities?”**

The overall scope and the evidence obtained, gave us the basis to identify the need of:

- adopting annual program/work plan, annual report on GDCA operation with defined activities and deadlines for their execution, responsible persons for the implementation, indicators for the degree of realization, required funds and resources,

- staffing as one of the requirements for unobstructed operation of GDCA,
- renewal of the car park, because the age structure affects the efficiency of transportation services,
- preparing and adopting written procedures for the manner of discharge for the fuel spent by mileage, and to determine fuel consumption for each vehicle separately,
- continuing activities for collection of receivables for services rendered in order to increase the liquidity of GDCA, which in turn has an impact on the volume of services;
- continuous and close cooperation with the users of the transportation services,
- timely signing of contracts with service users to improve the process of planning, realization and quality of service,
- continuing activities for selling motor vehicles that are old or not in operation or assessing whether maintenance is economically viable; procurement of new vehicles for improving the equipment of GDCA should be carried out following proper analyses.

Completion of the legal framework and bylaws necessary for development and operation of GDCA in the area of transportation services for the period 2010-2012 resulted in measures undertaken for adoption of guidelines, rulebooks and procedures for regulation of transport services, amendments to the Decision for establishing GDCA and the Regulation for the conditions and manner of using GDCA services, new employments, purchasing 30 new vehicles, purchasing GPS devices, selling motor vehicles that are not operational or more than 15 years old, received vehicles from other state bodies, and control of fuel consumption of GDCA vehicles, hence increasing the possibilities and conditions for efficient delivery of services and improving the overall situation in the area concerned.

Efficiency of the process for prevention and treatment of risks from natural disasters

Crisis management and protection and rescue, despite being regulated by different laws and bylaws, they are by nature complimentary and very important for the Republic of Macedonia, the Macedonian citizens, the environment, material goods, natural resources, flora and fauna and the cultural heritage, hence the need to conduct an audit on the subject "Efficiency in the process for prevention and treatment of risks from natural disasters."

The performance audit was an objective and systematic examination of evidence for providing independent assessment of the functioning of the systems for crisis management, protection and

rescue and for making recommendations for improvement of the systems and increasing public confidence in the institutions responsible for this area.

Following the audit procedures, we noted several findings relating to:

- the adoption of a single Assessment of vulnerability to all risks and dangers to the security of the Republic of Macedonia, and Assessment of vulnerability to risks and dangers from occurrence of crisis in the municipalities and the City of Skopje, by the competent bodies,
- the plan for protection and rescue from natural and other disasters at the territory of the Republic of Macedonia contains documents with outdated and incomplete contents, data and information that are not updated and are not available for preparation and coordination of plans for protection and rescue of the other holders in the planning of the system for protection and rescue,
- annual program for protection and rescue of the Republic of Macedonia has not been adopted by the competent authority and there is no established practice for preparing such a program; the number of local government units that meet this requirements for adopting annual program for the protection and rescue is insignificant,
- the level of obtained funds for activities in the area of protection and rescue and crisis management,
- available equipment compared to the prescribed equipment of the national rescue and protection forces,
- measures and activities undertaken by local government units for obtaining resources for personal and collective protection for the rescue and protection forces,
- implementation of the single European emergency call number E-112 is slow and at this point there are no funds for this activity;
- the current system for warning and alarming is completely outdated i.e. not functional and it does not meet the basic requirements for warning and alarming in peace, and in case of crisis and disaster.

Recognizing activities and results achieved in the process of planning, programming, organization, managing, commanding, coordinating, implementing, financing and monitoring of timely and effective prevention, preparation, action and elimination of causes and consequences of natural disasters, we find it necessary to emphasize that there are opportunities to increase the efficiency in all areas providing necessary resources.

The effects of the instrument for subsidizing development of agriculture and rural development

The audit was primarily directed toward activities in the area under jurisdiction of several institutions including the Ministry of Agriculture, Forestry and Water Economy, Agency for Financial Support of Agriculture and Rural Development, State Inspectorate for Agriculture, Food and Veterinary Agency and several other institutions whose scope of work is related to the audit subject.

The audit was conducted in order to assess the risks detected as well as the opportunities to enhance the effects of the instrument for subsidizing development of agriculture and rural development. The audit was focused on detected risks and risk areas in relation to the relevant legislation, strategic documents, preparation and implementation of programs for financing and support to agriculture and rural development, supervision and control with all weaknesses in the legislation, as well as on the core function of the Ministry of Agriculture, Forestry and Water Economy for monitoring and presenting the results of the instrument for subsidizing.

The audit objective was to answer the question:

“Does the implementation of programs for financing agriculture and rural development achieve the objectives of the national agricultural policy?”

The audit has shown that achievement of objectives of the national agricultural policy through the implementation of programs for financing agriculture and rural development, thus achieving the effects of subsidizing, are to a great extent influenced and dependent on the creation, implementation and realization of several requirements. The audit identified several irregularities, inconsistencies and risks, but also some positive views in terms of activities undertaken by the Ministry of Agriculture, Forestry and Water Economy in the audited field, and the effects of those activities are expected in the following period.

In order to improve the identified situation, we have defined recommendations aimed at taking concrete actions by all stakeholders involved in the implementation of the instrument for subsidizing and achieving effects thereof. These recommendations are our added value for the areas in need of changes and enhancements including:

- timely preparation of a National Strategy that would enable timely preparation of other strategic documents and programs;
- amendments to the provisions of the Law for establishing the Agency for Financial Support of Agriculture and Rural Development for regulation of the obligation for onsite controls for the Program for financial support of agriculture - direct payments,

- establishing procedures for the process of preparation of the Annual program for financial support, as well as adopting methodology for determining the amount of financial support, important for decision making re investing in the agricultural sector, and defining indicators for monitoring the implementation of the Program,
- planning, with a real fixed calendar of activities.

The effectiveness of State Inspectorates of RM

In 2012 we conducted performance audit on the subject “Efficiency of state inspectorates in the Republic of Macedonia”. The main objective was to determine the following: “Does the current organizational structure and available resources (human, financial and technical) of state inspectorates provide effective supervision?” We have identified weaknesses that affect the planning and execution of the inspection and weaknesses in the organizational structure, staffing and equipping of state inspectorates.

The audit identified lack of a system for complete and timely identification of entities subject to inspection, no established methodology for work and criteria for selection of entities, which affects the objectivity in planning the scope, the areas and the entities subject to supervision. We have indicated the need of accurate registers of entities subject to the supervision, and approval of a methodology for planning and executing supervision.

We have identified different treatment of sanctions (misdemeanor charges, fines, settlements, etc.) due to non-compliance of provisions from the Law on offenses and the applicable laws concerning the amount of fines for violators, the right to appeal of the entities-subjects to supervision, expiration of many requests for misdemeanor procedures and selective application of penalty provisions.

The personnel structure of inspection services is insufficient and inadequate to meet the needs of quality staff with inspection powers and a representative range of subjects. For improvement of the situation we propose increasing the number and continuous training of inspectors taking into account the correlation between inspection and administrative staff.

Another very important aspect is the unfavorable financial situation of state inspectorates, influencing procurement of basic materials, equipment and vehicles, as well as the inadequate facilities. This situation brings into question the functioning of these bodies within the line ministries. In this regard we suggest the Government in cooperation with the Ministry of Information Society and Technology and the coordinator of the inspection council to intensify their activities for reorganizing and providing higher degree of autonomy and independence for the inspectorates, in terms of funding and management.

Effectiveness of the realization of the Program for Regional Development

This audit covered an area that has not been subject to audit, and it is a subject of interest from several aspects and for several target groups.

Balanced regional development is a complex and long-term process aimed at reducing disparities between and within planning regions and improving quality of life of citizens. The complexity of this process stems from the fact that it is governed by complex legislation and bylaws. The audit covered the period 2009-2012.

The audit has identified inconsistencies in terms of law enforcement, which in practice create differences in the manner of transferring funds from the Budget of RM for financing the planning regions. We found differences in the development period of the planning regions, because of the late enactment of bylaws which affects the development period defined in the Strategy for Balanced Regional Development of the Republic of Macedonia for the period 2009 - 2019. Centers for regional development have problems regarding provision of funds for current operations, because some of the municipalities have failed to meet the legal obligation for their funding.

There is no established information system, which should contain updated and reliable data on the extent of development of the regions, which is important for the percentage of allocated funds from the Budget of the Republic of Macedonia by regions for balanced regional development.

From the analyses conducted, we found that in the audited period there is a trend of reduction of funds allocated from the Budget of the Republic of Macedonia for balanced regional development.



The analyses have shown extremely low level of allocated funds for regional development. The percentage share of funds allocated from the state Budget for regional development, compared to the GDP for the period 2009 - 2011 is ranging between 0.03% - 0, 02% instead of at least 1% of GDP as prescribed by the law.

The reduction of funds over the years for funding projects for balanced

regional development, and the lack of normative regulation of the section in relation to the selection of projects increase the risk of non-effectiveness in achieving program activities for balanced regional development.

In order to improve the situation and overcome irregularities, we made recommendations for measures to be taken by the competent authorities. Initiatives that we recommend refer to undertaking measures for timely decision making for allocation of funds to finance projects for Regional Development, application/amendment of legal provisions on the sources of financing of the Budget of the Republic of Macedonia, timely adoption of an Action Plan for implementation of the Strategy for Regional Development of the Republic of Macedonia for the period 2009 - 2019, updating data on the extent of development in regions with comparable and reliable statistics that would really reflect the level of development of regions and establishment of information system, specifying legal provisions on the Commission for the selection of projects for regional development, unification of the development period by region, revising the legal solution for financing the Budget of the Republic of Macedonia in order to maintain the operation of the Centers for Regional Development, and evaluation of the planning documents and realized projects and supervising the implementation of the legal provisions.

Care and education of preschool age children

Care and education of preschool-age children is a form of child protection, regulated by the Constitution of the Republic of Macedonia, the Declaration and the Convention on the Rights of the Child, the Law on protection of children and other primary and secondary legislation.

Care and education of preschool-age children as an activity covers accommodation, care, nutrition, upbringing, education, sports and recreation, cultural and entertainment activities, measures and activities for improving and preserving health and encouraging intellectual, emotional, physical, mental and social development of the child up to 6 years of age, i.e. prior to primary education.

Due to the importance of this area we have conducted performance audit to assess the risks and opportunities for improvement and development of the care and education of preschool-age children. We have identified risks and risk areas that were subject to detailed analysis: legal framework and criteria for operation of kindergartens, as well as the operation of the institutions involved in this activity.

This area is under the jurisdiction of several institutions - the Ministry of Labor and Social Policy, LSGUs, the Ministry of Education and Science - Bureau for Development of Education and State Education Inspectorate, and the National Institute for Advancement of Households.

The main audit objective was to answer the question: **“Does the legislation and the criteria for operation of kindergartens and competent institutions, provide adequate quality of care, upbringing and education of children, as well as optimal coverage of children through full and rational use of personnel, facilities and financial resources?”**

There are many weaknesses in the functioning and cooperation between the institutions involved in the care and education activities for preschool children and due to lack of funds and not transferred jurisdiction in respect of employment in kindergartens, LSGUs do not fully pursue their legal responsibilities entrusted with the decentralization process.

Due to lack of basic and professional staff in kindergartens, childcare and educational function has been undermined and the primary function of kindergartens is threatened. In circumstances with a growing number of children that need to be cared for, the number of staff in kindergartens has been reduced because the Ministry of Finance does not approve filling out vacant positions. In most of the kindergartens the staff includes persons working under temporary employment contracts for a limited period of time, other temporary employees and volunteers. This calls into question the proper care and treatment of children in kindergartens, given the reduced responsibility and motivation of persons engaged in this way.

There are less and less investments in construction of new facilities and renovation of existing ones, because kindergartens' own resources and funds allocated from the Central Budget and the budgets of LSGUs for financing activities for childcare and education of preschool children are insufficient and have no development component. Lack of spatial capacity in kindergartens leads to disruption of basic criteria and standards in forming groups of children, and admission of much larger number of children than the one prescribed by law.



Efficiency in carrying out activities and services re concessions granted in the Republic of Macedonia

The main purpose of the Law on Concessions and other types of public-private partnership is to promote and facilitate private initiative in financing public services. The adoption of this law created a legal framework that allows entry of private capital in the construction of infrastructure facilities and provision of quality public services as well as mobilization of private capital in the dimensioning of the economic development of the Republic of Macedonia. We have concluded that the Council for Public-Private Partnership, prescribed in the Law on concessions and other types of public-private partnership, has not been established yet. It reduces the possibilities for promotion of public-private partnership, as well as the initiatives for proposals and amendments to the legislation in this area. With the conducted audits on the different areas we have ascertained the following:

Concessions in the area of inland waterways

The research in this area was focused on the use of goods of common interest i.e. the possibility for managing ports, winter shelters for boats, berths and beaches by the state, or by giving them under concession agreement. The audit concluded that the legislation in the area of inland waterways is not yet implemented. There is no construction, maintenance and protection of waterways, ports, winter shelters for boats and berths, although significant number of vessels sail in the lakes, and there is no law stipulating the amount of fee for using waterways, ports, winter shelters for boats and berths. By 2011, a total number of 1017 vessels were registered, and by October 2012 65 new vessels were registered. The vessel owners use the waterways, ports, winter shelters for boats and berths without paying a fee. For using the winter shelter for boats / berth near Biljanini Izvori at Ohrid Lake, some users pay a fee to the Ministry of Defense and to other legal entities, although the fee is revenue of the State Budget. To overcome the situation in relation to the inland waterways and in order to increase the safety of people we have made recommendations to the competent authorities and institutions.

Concessions in the area of fisheries

In the area of fisheries we have conducted performance audit on the **“Efficiency in carrying out activities and services re concessions granted on fisheries in Macedonia”** which refers to activities related to the assessment of risks and opportunities to improve conditions for protection, use, management and planning sustainable exploitation of the fish stock under concession agreements. In order to improve the identified situation we made the following recommendations addressed to competent authorities:

- awarding concession agreements and the possibility for adding an annex to the agreement to be done in the same way and as basic agreements concluded in accordance with the legislation.
- to monitor the situation with the structure Daljan in Struga; and if it is not given under concession agreement, then measures need to be undertaken to protect the eel from illegal fishing.
- if concession agreement obligations are not met, in addition to the agreement termination, appropriate sanctions against the concessionaire should be imposed.
- in case of irregularities detected during inspection, measures should be undertaken for their elimination.

The waters in Ohrid, Prespa and Dojran Lakes according to the boundaries belong in part to the Republic of Macedonia and to the neighboring countries. With this audit we have pointed out that for complete protection of the lakes and fish stock measures taken by the Republic of Macedonia only are not sufficient and it is necessary measures to be undertaken by the neighboring countries also. For this purpose it is necessary to sign bilateral agreements with the neighboring countries that would specify concrete measures, programs, activities and means of financing for promoting and protecting fish stock in the lakes, in particular the Ohrid trout.

Concessions granted on game in hunting areas

This performance audit was focused on the topic: “ **Efficiency in carrying out activities and services re concessions granted on game in hunting areas in Macedonia.**” The audit objective was to assess the effectiveness of management of activities and services under concession agreements on game in hunting areas of the Republic of Macedonia.

The audit has identified the following conditions:

- following the expiry of the concession agreement, some hunting areas are not given under concession again and measures are not taken to determine the entity that should be given the game with a forced concession, until the publication of a new public announcement,



- In the past period, several hunting areas were awarded to the Public Enterprise “Macedonian Forests” Skopje for a temporary cultivation and protection, and under forced concession until new open competition is published, without an agreement with the competent Ministry and based on a Decision by the Government,
- for certain hunting areas given under concession to legal entities in line with Government decisions, the right of use specified in the original contract for the duration of the concession has been completely or partly (without consent of the grantor) transferred to other legal entities that have not participated in the public competition,
- we have concluded that concessionaires do not always comply with the conditions stipulated in the agreement and the Law on Hunting, in terms of hiring professionals to implement special management of hunting areas, at least one game warden for one hunting ground with appropriate vocational education.

Our recommendations in this report refer to activities that need to be undertaken by competent authorities in order to eliminate the effects of identified irregularities and to create conditions for improving the cultivation, conservation and game hunting in hunting areas in Macedonia.

Concessions on water for construction of small hydropower plants

The subject of concession is the exclusive right to use water in locations that are of common interest to the Republic of Macedonia for production of electricity from small hydropower plants (SHP). The concessionaire is obliged at its own expense to make a design, construct, operate with the SHP facility and, after the expiry of the concession period, to assign SHP facility to the Grantor, the Government of RM, under the model DBOT-Design, Build, Operate and Transfer. In the period from 2007 to 2012 the Ministry of Economy has realized five procedures for awarding concessions on water for production of electricity from SHP and has signed 70 agreements on water concession for construction of hydroelectric power plants.

With the audit on the topic **“Efficiency of granted concessions on water for construction of small hydropower plants for electricity production in RM”** we have identified key factors that affect the efficiency of the activities and services of granted concessions. We have ascertained the following:

- procedures for granting concessions on water for construction of SHP for electricity production have been realized without a Study on concession project and without estimated maximum value of the concession prepared by the Grantor,
- concessionaires did not conduct technical inspection of the equipment prior to putting SHP into

operation based on the decision obtained from the State Inspectorate for technical inspection,

- there is a greater delay of the start of construction of facilities after one year from the date of signing the agreement. Concessionaires often fail to obtain all necessary approvals and building permits, and to begin construction on site on schedule and fulfill the agreement obligation for completing the construction of facilities within 3 years,
- in solving legal and property rights concessionaires face major problems especially regarding availability of data on ownership of land or property and unsolved legal and property relations that cause more delays. This reflects on the date of obtaining building permit, the start of construction and the deadline for construction of SHP,
- the supervision conducted by the Commission for the supervision of the concession activity is being recorded in Minutes only in the final stage when the structure is complete.

The recommendations given should contribute to creating conditions for improving the efficiency of implementation of awarded concession agreements on water for construction of SHP for electricity production. The responsibility for undertaking measures upon the proposed recommendations is even greater considering the fact that the total estimated investment value of 70 concession agreements on using water to produce electricity from small hydropower plants is around 108 million Euros.



INTERNATIONAL COOPERATION



INTERNATIONAL COOPERATION

The cooperation of the State Audit Office with other supreme audit institutions and international organizations and institutions in 2012 continued with a new quality and increased intensity. Aside from the regular exchange of knowledge and gaining new experiences in the field of state audit arising from the membership in INTOSAI² since 2001 and in EUROSAI³ since 2002, the State Audit Office gave significant contribution to the work of the working groups and bodies that were formed for realization of the Strategic plan of EUROSAI 2011-2017, passed at the VIII Congress of EUROSAI in 2011 in Lisbon and for promotion of ethics and integrity in SAIs and in public administration institutions.

Since 2005 SAO has been an active member of the Network of SAIs of candidate countries and potential candidates for EU membership, and the European Court of Auditors in Luxembourg. The cooperation with SAI members of the Network was conducted in line with the activities defined in the Istanbul Agreement adopted by the Heads of SAIs of the Network and the Framework Action Plan 2011-2012. The candidate status of the Republic of Macedonia since 2006 allowed the State Audit Office to attend, as an active observer, the meetings of the Contact Committee consisting of the Heads of SAIs of the European Union and the European Court of Auditors.



2 International Organization of Supreme Audit Institutions

3 European Organization of Supreme Audit Institutions

Activities within EUROSAI and INTOSAI

The State Audit Office is an active member of the working groups of EUROSAI on environment since 2002 and on IT since 2005. SAO representative has attended the World Congress on Justice, legislation and environmental sustainability, held in June 2012 in Brazil, and two SAO representatives attended the seminar for using software tools in the audit, organized by the WG on IT in Prague. At the invitation of the SAI of Portugal, which presides over the special group of EUROSAI on audit and integrity, the State Audit Office was involved in its work whose aim is to promote and strengthen the integrity and ethics in SAIs and in the public sector / administration institutions.

As part of the activities for promoting and strengthening integrity of SAIs and other public sector institutions, SAO with the colleagues from the Office of the Auditor General of Norway conducted a workshop to evaluate the integrity of the SAO / SAI under IntoSAINT methodology.

With this workshop, SAO participates in the implementation of INTOSAI Strategy for conducting self-assessment of SAIs, as the first and only SAI in the region. The self-assessment of the level of integrity of SAO was conducted with a group of SAO employees that have assessed the level of integrity and made recommendations to the management for strengthening the system for control of the integrity of SAO.

With its representatives in working groups for implementation of the EUROSAI Strategic Plan 2011-2017, SAO in 2012 gave active contribution in the field of SAI capacity building, application of professional standards and knowledge sharing between EUROSAI members and beyond.

At the invitation of the development initiative of INTOSAI (IDI), SAO was involved in the program for implementation of ISSAIs (3i Program). Three SAO representatives successfully completed the first phase, which included an e-course on the use of the tool for evaluation of compliance with ISSAIs (iCATs).

In addition, at the invitation of INTOSAI (IDI) three SAO auditors successfully completed the six-weeks e-learning course on risk based approach to financial audit.



Network of SAIs of candidate and potential candidate countries for EU accession and the European Court of Auditors

Within the activities of the Network, SAO participated with three representatives at the workshop on audit quality in Prague (April 2012) which was defined in the Framework Action Plan on the Network in 2011 and 2012, as an annex to the Agreement adopted by the presidents in Istanbul in 2011.

At the regular meeting of SAI liaison officers held in Rome in April 2012, the representative of the State Audit Office performed the role of a chairman. With the rotation system among the members of the Network, this time the role was given to the Republic of Macedonia. The central topic of discussion at this meeting was the implementation of the activities of the adopted framework and plans their further upgrading.

The cooperation of the State Audit Office with the European Court of Auditors in Luxembourg since 2006 continuous with the internship program organized by the Court for the staff of SAIs candidate countries: Croatia, Macedonia, Turkey, Montenegro, Serbia, Bosnia and Herzegovina, Albania and Iceland. Until 2012, the five-month program at the European Court of Auditors has been completed by eleven SAO auditors.

Bilateral and regional cooperation

In 2012 SAO realized another important project with the Netherlands Court of Audit aimed at establishing sustainable and effective professional relations between SAO and the Parliament. The result of the cooperation is the Manual - Introduction to audit reports, which contains short and clear information on the substance of audit reports, as well as examples of international good practice between SAIs and their parliaments in relation to the use of audit reports. The Manual was presented in the presence of MPs, representatives of public institutions in RM and the media in November 2012.





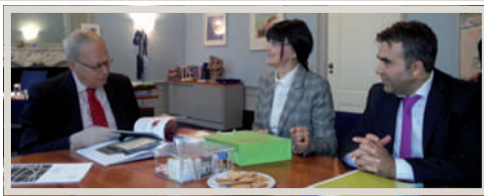
Encouraged by INTOSAI Donor initiative for cooperation and with financial support from the Norwegian Ministry of Foreign Affairs, SAO commenced new project with the Office of the Auditor General of Norway aimed at improving the efficiency and quality of the audit with the application of an audit management system (AMS). To this end, high-level meeting of SAO and OAGN representatives was held in Skopje in September 2012 when SAIs signed Memorandum

of Understanding in support of the realization of the project. The Project will be implemented in two phases in the period from November 2012 to October 2016. Members of the project team made up of representatives of both SAIs in 2012 held two working meetings for the preparation of two documents (Project Document and Project Agreement) which will define the activities and cooperation between the SAIs in the process of project implementation. The first phase of the project, to be realized during 2013 covers preparation of a Feasibility study and an upgrade of SAO IT infrastructure.

In March 2012 SAO hosted a delegation of Croatia SAI, as part of bilateral cooperation and



exchange of experiences between the SAIs. In October 2012 SAO delegation headed by the Auditor General visited the SAI of the Netherlands where IntoSAINT tool was presented for assessing and improving the integrity of SAI.



Representatives of the State Audit Office in 2012 have participated in many international events in order to ensure continuity in the professional development of SAO employees: symposium in Berlin, workshops in Ljubljana and Prague, seminar in The Hague, on the following topics: EU Funds , preparing audit report and audit opinion, auditor's role in detecting fraud and corruption, audit quality, audit on public-private partnership and

two MTEC two-week training on management of public finances in the Hague.

Cooperation with SIGMA and the European Commission

The cooperation with SIGMA and the European Commission is ongoing within the annual assessment missions on the functioning of financial control in the Republic of Macedonia. This cooperation has a positive effect on the process of further upgrade of the State Audit Office as a competent external audit institution in line with EU requirements and international auditing standards.

TRANSPARENCY

In terms of the transparency, in 2012 SAO priority was to inform the public about the public spending through the publication of final audit reports on its web site. This activity is ongoing throughout the year, in line with the realization of SAO Annual Work Programme for 2012.

In 2012 SAO operations were the focus of interest of the general public and the media which can be confirmed by the intensity and number of information published in electronic and printed media in the form of articles and commentaries, or other type of journalistic coverage.

In 2012 we have designed and put into use the new website that replaced the existing one. The new website introduced modern visual appearance and new contents, and a new way of presenting current ones. This was part of the policy for greater transparency of SAO, and in the interest of the target groups interested in the work and results of SAO operations.

During 2012, SAO responsible persons for communication and public relations had 42 direct contacts with the media and journalists and over 30 contacts with other stakeholders in relation to audit issues. In this context, 10 requests were placed in line with the Law on free access to public information, to which SAO responded positively within the legal deadline.

In November 2012, in the presence of Members of the Parliament of the Republic, guests from public institutions and foreign missions, the media and journalists, the Auditor General Tanja



Tanevska MSc. promoted the Manual “Introduction to audit reports”. With the preparation, printing and publication of this edition, SAO confirmed its transparency when it comes to cooperation with all stakeholders parties in relation to the treatment of final audit reports.

With the transparency of results of its operations in 2012 SAO continued the realization of one of its five strategic objectives defined in the new Development Strategy 2013-2017: Improving the communication and exchange of information with national and international legal entities and public information on SAO operations.



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