



STATE AUDIT OFFICE

**ANNUAL
REPORT
2017**



**Nemo est supra leges
Marcus Tullius Cicero**

CONTENTS



6

Foreword

9

Budget of the
State Audit Office

15

Auditing standards
and methodology

29

Public procurement

16

Cooperation with competent
authorities

30

Audit opinion

10

SAO expenditure in 2017

17

Information technology
and IT audit

35

Core budget of the
Republic of Macedonia

12

Structure of employees

19

2017 Audit activities
through figures



8

Mission

13

Strategic documents

26

Conducted audits and issued
reports

42

State Election Commission

43

Inspection council

50

Public healthcare institutions



44

State Archives

52

Electricity transmission system operator of Macedonia AD "MEPSO"

45

Political parties

54

Local self-government

65

Ministry of Local Self-government

85

SAO international activities

46

Early parliamentary elections 2016

59

Public enterprises at local level

66

Compliance audit

92

Transparency

49

Securities and exchange commission

62

Ministry of Culture

75

Performance audit

94

Report of the Independent Auditor

6

Foreword,



We present to you the Annual Report of the State Audit Office for 2017, which summarizes the results of our operations and the identified state of affairs in the entities that were subject to audit.

In 2017, the State Audit Office realized a work program covering all types of audits, which continuously raise citizens' awareness on the spending of public funds.

With this work program we completed the implementation of SAO Development Strategy for the period 2013-2017 aimed at maximizing our contribution for strengthening financial control and accountability in the public sector in the Republic of Macedonia.

In 2017 we produced 89 reports, covering 183 audit entities under our jurisdiction. The reports contain important information and a number of recommendations that are

important for improving financial management and responsible spending of public funds by the auditees. In the selection and definition of the audit scope we were guided by the principles of transparent and earmarked spending of public funds and the quality of public services worthy of the citizens of the Republic of Macedonia.

Professional development of employees was accomplished through trainings in the field of auditing and use of the audit management system (AMS). Internal trainings and participation in numerous international seminars, workshops and cooperative audits with other supreme audit institutions contributed to raising the level of professionalism and commitment of employees to the realization of our program objectives and tasks. To all employees I sincerely congratulate!

Concerning international activities, in addition to the regular engagements and participation in cooperative audits, we must highlight SAO networking in new working groups. At the end of 2017 we finalized the activities of AMS project with the Office of the Auditor General of Norway, aimed at improving efficiency and quality of audit with application of an audit management system (AMS). We also started new twinning project entitled „Further improvement of administrative capacities and external audit efficiency of the State Audit Office“ 2017-2019, funded by the European Union.

Regulating SAO constitutionality and setting up regular and effective mechanism for reviewing audit reports in the Parliament following European practice remain our priorities that we would like to see implemented as soon as possible. It would provide proper attention to our audit reports in the Parliament, as well as accountable spending of public funds.

Finally, I would like to point out that in 2017 we marked 20 years of the adoption of the first State Audit Law by the Assembly of the Republic of Macedonia.

The opinion of the independent external auditor on the financial statements of the State Audit Office for 2017 is regularly enclosed within the Annual Report.

Deputy Auditor General

Naser Ademi



Mission

The State Audit Office (SAO) is the Supreme Audit Institution of the Republic of Macedonia whose objective is to communicate audit findings timely and objectively to the Parliament, the Government, other public office holders and the general public.

The State Audit Office provides support to the Parliament in meeting its responsibilities by identifying and disclosing irregularities, cases of illegal operation and potential cases of corruption and abuse of office.

With clear and effective recommendations SAO provides support to the state institutions and the beneficiaries of public funds for improving the management thereof. Thus SAO contributes to the improvement of the lives of the citizens of the Republic of Macedonia.

Independence

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

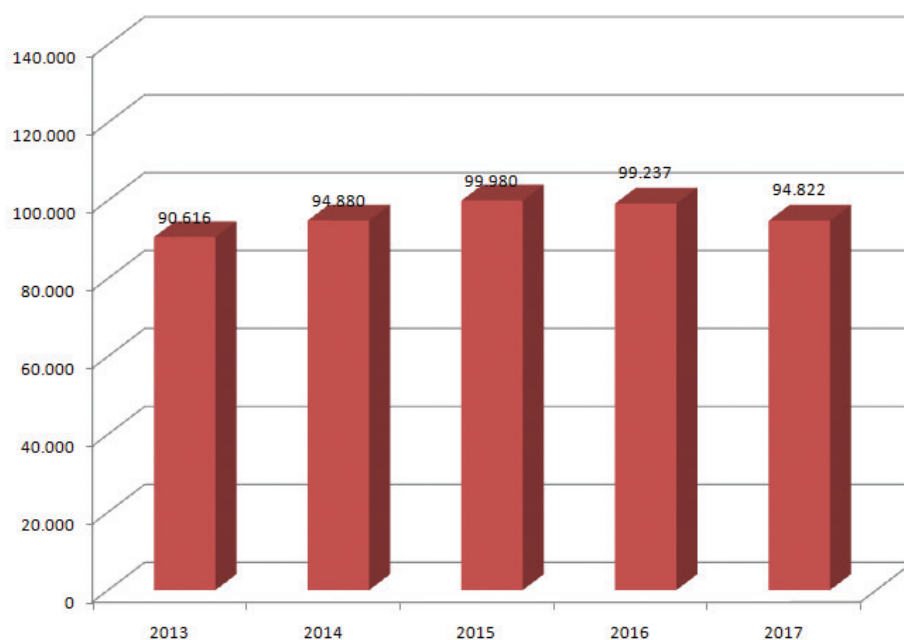
SAO independence is guaranteed by the State Audit Law, first enacted in 1997. Over the past years the Law underwent several modifications and amendments. New State Audit Law was adopted in 2010 for further compliance with Mexico Declaration on Supreme Audit Institution Independence and the Lima Declaration 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 audit recommendations to ensure appropriate implementation thereof.

Budget of the State Audit Office

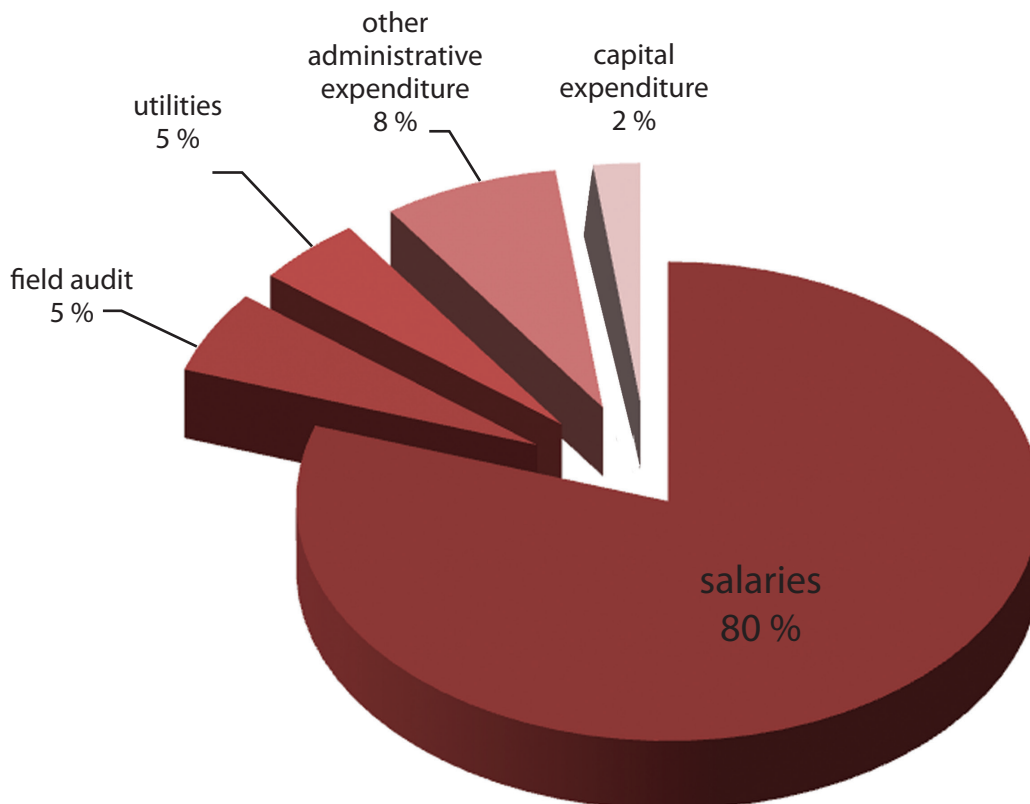
In line with the State Audit Law (Official Gazette of RM no. 66/10, 145/10, 158/11, 43/14, 154/15, 192/15, 127/2016), SAO operation is financed by the Budget of the Republic of Macedonia. The necessary funding is proposed by SAO and approved by the Assembly of the Republic of Macedonia.

In 2017 the total budget amounted to 94.822.000,00 MKD. 96% of this amount i.e. 90.822.000,00 MKD are funds provided by the Central Budget and the other 4% are SAO own revenues. SAO own revenues come from the collection of fee for audits conducted before the adoption of the State Audit Law. Pursuant to the Law passed in 2010, the funds for operation of the State Audit Office are provided by the Budget of the Republic of Macedonia.

SAO budget over the years

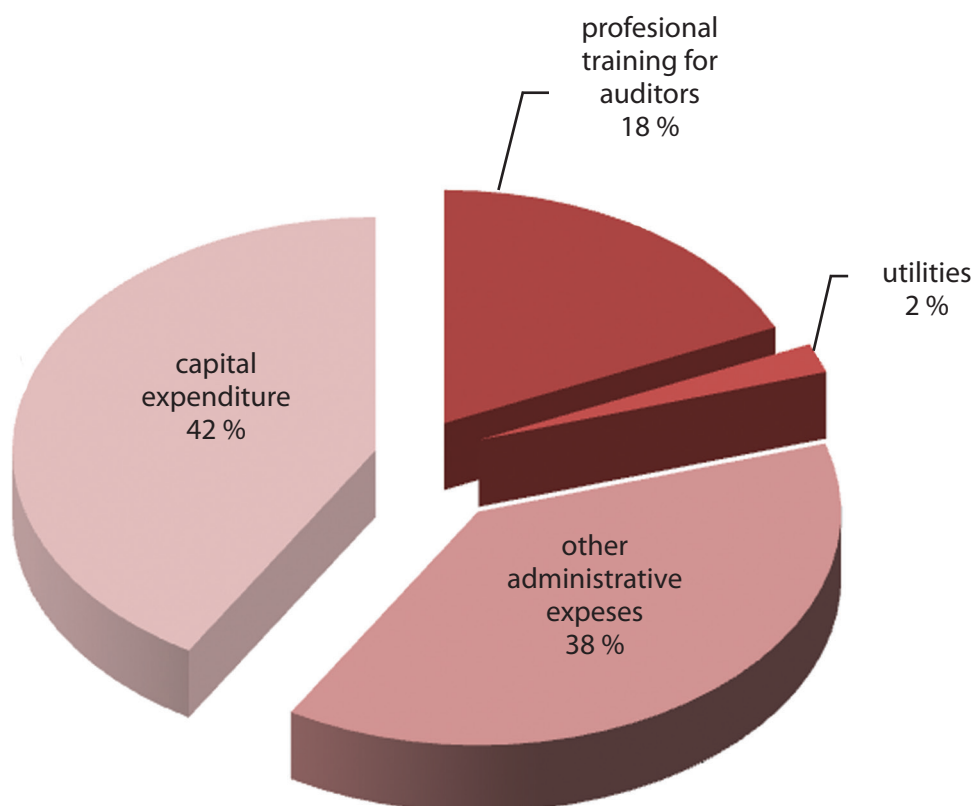


SAO expenditure in 2017



In terms of the structure of SAO budget expenditure, 80% were allocated for salaries of employees, 5% for conducting field audit on the territory of the Republic of Macedonia, 5% for public utilities, 8% for other administrative expenditures and 2% for capital expenditure. Parallel with the audits, in 2017 SAO was finishing the activities of the Project MAK-12/0015 "Implementation of audit management system" funded by donation from the Ministry of Foreign Affairs of Norway. The approved Project budget for 2017 amounted to 9.775.000,00 MKD. Planned funds were fully realized for implementation of activities and achievement of the project objective – improvement of efficiency and quality of audit work with application of an audit management system. The Project was successfully completed on 31 December 2017.

Out of total expenditure from donation, 18% were allocated for professional training and development of auditors' skills for using audit management system, 38% for administrative expenses and 2% for utilities. The largest part i.e. 42% were capital expenditure; 75% of these funds were allocated for procurement of software solutions for the audit management system (phase III), incident management software, and software for processing video, audio and graphic materials. The rest of the funds were allocated for procurement of technical support and upgrade of SAO IT infrastructure, necessary for the application of the new audit management software.



In 2017 SAO has 89 employees - authorized state auditors, state auditors and administrative support staff organized in: three departments directly involved in the audit process (audit departments, which cover different areas of the public sector), one department for audit development and following international practice for ISSAI implementation, one department for IT audit, two departments for administrative support (legal and financial affairs), and two units - for human resources and internal audit.

State audit is conducted by 79 auditors and 68 of them hold a certificate for authorized state auditor.

99% of the employees have university degree in economy, law, information technology and other fields, and the percentage of employees with master's degree is continuously increasing.

Professional development of employees

Professional development of employees is aligned with SAO strategic objectives for continuous upgrade of professional and technical skills of auditors and management. This contributes to establishing an objective system for assessment of the level and quality of completion of work tasks.

Professional training of employees was carried out through internal trainings with SAO lecturers and external experts, on-the-job trainings, as well as through courses, seminars and workshops organized by the working groups/committees of INTOSAI and EUROSAI, the European Court of Auditors, SIGMA and other international organizations and professional associations.

In 2017 SAO organized internal trainings on the use of the audit management system and for exchange of experience from participation in cooperative performance audits.

Implementation of SAO 2013-2017 Development Strategy objectives ensures continuous promotion of SAO operation and further development of the quality of state auditing by improving quality of performed audits and follow up of effects thereof, as well as of SAO institutional capacities' management system.

Until October 2017, SAO has undertaken many activities for realization of the strategic objectives:

- Audit Quality Assurance - as a method for assessing quality controls performance, is performed in line with the Guidelines for audit quality assurance. Following the completion of the quality assurance reviews in 2017, the independent QA team has provided guidance for ensuring proper application of methodology acts and best practice in audits;
- Overcoming systemic weaknesses - by pointing to identified systemic weaknesses in each audit report, as well as in SAO 2016 Annual Report;
- Practical implementation of the electronic audit management system (AMS) - in cooperation with the Office of the Auditor General of Norway (OAGN);
- Improvement of the existing system of financial management and control - in line with international standards for internal control and the Law on Public Internal Financial Control, by adopting and implementing procedures for important processes;
- Execution of SAO internal audit function - by adopting and implementing 2017 Internal Audit Plan;
- SAO is a member and actively participates in the activities of EUROSAI Task Force on Audit and Ethics - SAO established contacts with SAI of Hungary with the aim to share experience, as well as to consider possibilities for conducting a research on integrity, and thus to provide contribution to the prevention of corruption in public sector entities;
- Other activities for realization of strategic objectives in relation to professional development of employees, implementation of ISSAIs in methodology acts and state audit practice, cooperation with authorities and international cooperation are elaborated in the relevant chapters of this document.

Concerning strategic objectives for the coming period, the State Audit Office is in the initial phase of the Twinning project IPA 2013 entitled "Further improvement of administrative capacities and external audit efficiency of SAO". The project is to be realized within 2 years i.e. until September 2019, in cooperation with the twinning partners –National Audit Office of Bulgaria and State Audit Office of Croatia. The project includes several activities in relation to improving audit methodology acts, capacity building for implementation of regularity audits and performance audits, with particular focus on EU funds, IT audits, public procurement and public internal financial control, as well as recommendations for further improvement of the process for cooperation with the Assembly of the Republic of Macedonia.

Consistent with the objectives of Human Resources Management Strategy, in 2017 SAO ensured continuous professional development and training of employees in support of high quality performance of audits and in other areas of operation.

In 2017 SAO carried on with the implementation of 2013-2017 IT Strategy with continuous upgrade of its information system following development of new technologies and standards. In addition, SAO IT staff attended training for administration and maintenance of the information system, and all employees were trained to use the system. Based on SAO IT Security Policies document, SAO drafted and adopted IT Security Procedures and Procedures for AMS implementation.

In December 2017 SAO adopted Development Strategy 2018-2022, which builds on the previous Strategy. Thus the State Audit Office continues to follow the same path and develop strategically, relying on the pillars translated into strategic development objectives, which ensure continuity of a number of activities as well as new ones for further improvement of the State Audit Office and its work.

INTOSAI and EUROSAI strategic documents were the starting point of our Development Strategy for the next five-year period. It contains our efforts to promote and improve the implementation of International Standards of Supreme Audit Institutions (ISSAIs), to strengthen independence and integrity as preconditions for attaining professionalism and credibility in the work, as well as to monitor continuously the effects of performed audits and the degree of implementation of audit recommendations.

In December 2017 SAO also adopted IT Strategy 2018-2022, which aims to increase the efficiency of SAO information system, and thus to contribute to the implementation of the Development Strategy.

SAO IT Strategy is based on the performed evaluation of previous IT Strategy 2013-2017, the analysis of achieved goals and implemented activities, and the results of IT self-assessments conducted in cooperation with the Netherlands Court of Audit, as well as in line with the latest technological developments. Our IT Strategy objective is to provide development and sustainability of IT capacities and SAO information system, thus enabling continuous and high quality support of SAO operations.

Auditing standards and methodology

Within its legal competences, the State Audit Office successfully implemented 2017 Annual Program, which included 58 audits – 48 regularity audits (audits of financial statements and compliance audits), 4 performance audits and 6 compliance audits. The selection of entities/projects/themes for the Annual Program was carried out in accordance with the Law on State Audit and the Guidelines for proposing audits for SAO Annual Work Program.

Performance audits cover topics of importance for the citizens of the Republic of Macedonia such as air quality, forest protection, effectiveness of the public procurement system, financial stability and public private partnership in local self-government units.

ISSAI implementation in SAO methodology acts provides further development of audit quality.

Consistent with the analysis of compliance with ISSAIs and the ISSAI Implementation Strategy, in 2017 SAO continued the practical application of regularity and performance audit manuals, as well as the new Manual for follow up of recommendations, thus ensuring standardized approach and high quality in performing audits, as well as methodology support for monitoring measures taken upon audit recommendations.

In 2017 SAO also started implementing the IT Audit Manual, as well as the manuals for regularity audit on financial statements of political parties and election campaigns, which were prepared to provide methodology basis and guidelines for auditors taking into account the specific needs of these audits.

In 2017 SAO prepared new Manual for audit of local self-government units, thus continuing the alignment of SAO methodology acts with the ISSAIs.

Cooperation with competent authorities

In line with the State Audit Law, SAO submitted its 2016 Annual Report on conducted audits and operation to the Assembly of the Republic of Macedonia.

During the continuation of the 6th Session held on 6 November 2017, the Assembly reviewed SAO Annual Report and adopted conclusions thereof, noting that during 2016 the State Audit Office carried out activities aimed at increasing the impact on strengthening financial control and accountability of the public sector.

In addition, the Assembly positively assessed SAO activities on performed reviews on the implementation of audit recommendations, and noted the need of acting upon given recommendations in order to improve auditees' financial performance and responsible spending of public funds.

Consistent with the obligations laid down in the State Audit Law, during 2017 SAO submitted all final audit reports to the Assembly.

SAO also cooperates with other competent state authorities. With the implementation of 2017 Annual Work Program SAO submitted 16 audit reports for 12 auditees to the Public Prosecution Office on grounds of reasonable doubt for committed misdemeanor/offense.

SAO actively cooperates with all state authorities for preventing and reducing corruption in the frames of the Protocol on cooperation for the prevention and repression of corruption and conflict of interests. The State Audit Office also participates in the implementation of the National Programme for the Adoption of the Acquis (NPAA) through the activities provided in Chapter 3.23 Judiciary and fundamental rights, Area – Prevention of corruption policy, and Chapter 3.32 Financial Control, Area - External Audit, as well as in the work of other bodies for prevention of corruption.

Information technology and IT audit

The State Audit Office supports development and rational and efficient use of information technology in the audit.

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

Following technological developments in 2017, SAO carried out procedure for procurement of IT equipment through IPA funds; the implementation of procured IT equipment is planned for the first half of 2018. The procurement included personal laptop and desktop computers, servers, monitors, and operating system licenses. Through the electronic system for public procurement SAO also procured software tools for incident management and for processing video, audio and graphic materials.

Auditors are provided with internet access within SAO premises, as well as for fieldwork. Scanners are used for digital saving of audit evidence, while access to SAO information system from external networks is provided through appropriate channels (VPN).

Auditors use computer assisted audit techniques (CAATs) in the audit process, as well as IDEA software for analysis of financial statements' data.

New IT Strategy for the period 2018-2022 was drafted and approved. In line with the approved IT Security Policies, SAO adopted IT Security Procedures and IT procedures for implementation of the audit management system (AMS).

In 2017, the project for „Improving efficiency and quality of audit work with implementation of audit management system (AMS)“ was successfully brought to a completion. Test environment was set up and used to test new AMS versions, and also production environment, which is used by the auditors. AMS was designed, tested and implemented in line with SAO needs. It has several modules: annual planning module, audit execution module, auditees database module, module for exchange of information, discussion module, learning module, report module for predefined reports and module for administration. Starting from 01 March 2017, the audits from SAO Annual Work Program for 2017 were carried out using AMS. Previously, training on AMS was organized for SAO employees (for all AMS users).

The audit of information systems is part of the regularity audit where the auditor evaluates the setup and functionality of controls by identifying specific risks in auditee's internal controls (unauthorized access, unauthorized change of data, potential data loss...) in order to obtain assurance on the reliability, integrity and confidentiality of data.

In accordance with the auditing standards applied by the State Audit Office, the policies and procedures of auditee's IT environment are evaluated in order to obtain assurance whether adequate controls and implementation mechanisms are in place.

With the audits on information systems SAO points to the need of adopting strategy for development of information systems, as well as drafting, approving and implementing security policies and procedures for the systems and improving mutual cooperation, interconnecting information systems and data exchange between institutions, linking databases in certain applications and access control to applications.

The recommendations given will improve IT resources management in line with auditee's development priorities, and also reduce the risk of inefficient protection of the information systems, loss or damage of data, inaccuracy and unreliability of records and unauthorized access to confidential data.

2017 Audit activities through figures

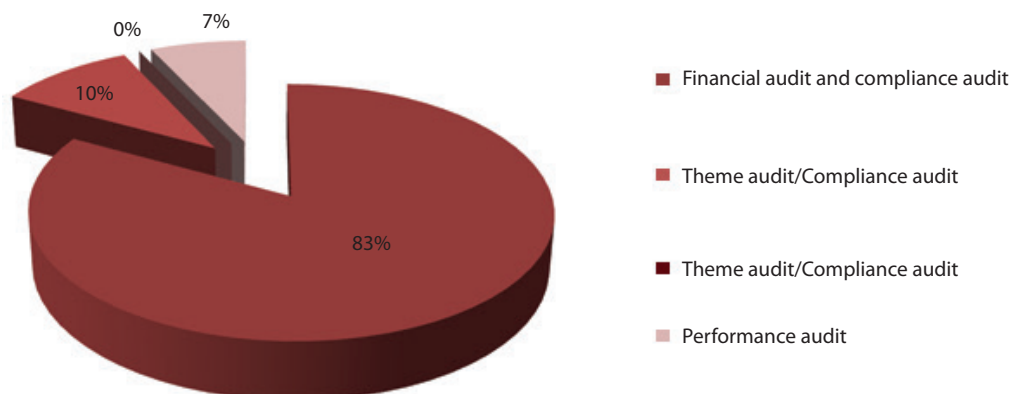
89 ISSUED AUDIT REPORTS
79 REGULARITY AUDIT REPORTS
6 COMPLIANCE AUDIT REPORTS
4 PERFORMANCE AUDIT REPORTS
183 AUDITED ENTITIES
1042 AUDIT FINDINGS
789 AUDIT RECOMMENDATIONS
16 AUDIT REPORTS SUBMITTED TO THE PUBLIC PROSECUTION OFFICE
89 AUDIT REPORTS SUBMITTED TO THE ASSEMBLY
258.840 AUDITED PUBLIC REVENUE (IN MILLION MKD)
106.671 AUDITED PUBLIC EXPENDITURE (IN MILLION MKD)

Conducted audits and issued reports

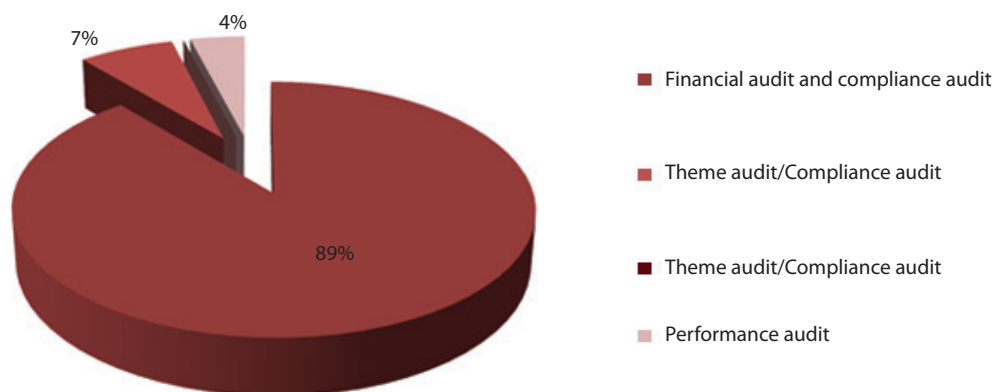
In 2017 SAO conducted 58 audits (45 in 2016): 48 regularity audit, 6 compliance audits and 4 performance audits.

89 audit reports were issued upon completed audits (85 in 2016): 79 regularity audit reports, 6 compliance audit reports and 4 performance audit reports.

Audit structure				
SAO Annual Work Programme	2017		2016	
Type of audit	Number of conducted audits and structure			
	Number	%	Number	%
1	2	3	4	5
Financial audit and compliance audit	48	83	36	80
Theme audit/Compliance audit	6	10	2	5
Performance audit / PIFC	0	0	1	2
Performance audit	4	7	6	13
Total number of audits	58	100	45	100



Structure of Audit Reports				
	2017		2016	
	Number of audit reports and structure			
	Number	%	Number	%
1	2	3	4	5
Financial audit and compliance audit	79	89	76	89
Theme audit/Compliance audit	6	7	2	2
Performance audit / PIFC	0	0	1	1
Performance audit	4	4	6	8
Total number of audits	89	100	85	100



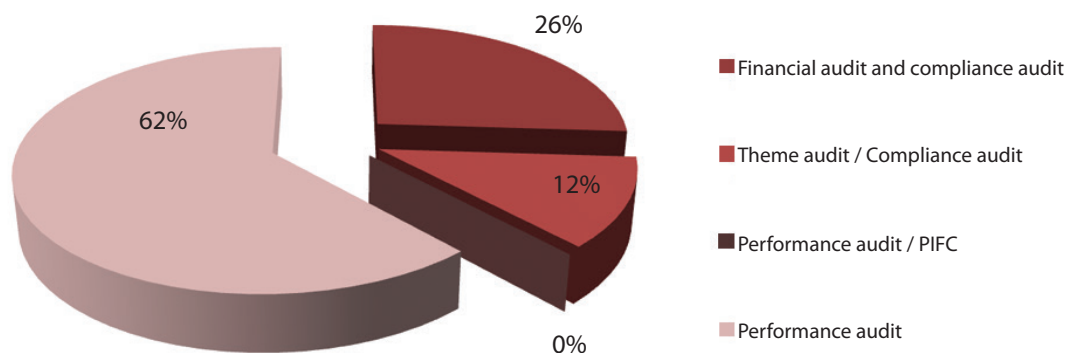
Auditees

SAO Annual Work Programme defines the entities and areas that will be subject to audit in line with the criteria for selection of entities i.e. areas to be audited on annual level.

The scope of state audit, in terms of number of auditees also covers the mandatory annual auditees in accordance with the Law.

In order to achieve audit objectives of financial and performance audits, in 2017 SAO covered 183 auditees in total. The following table presents the structure of auditees by different types of audit.

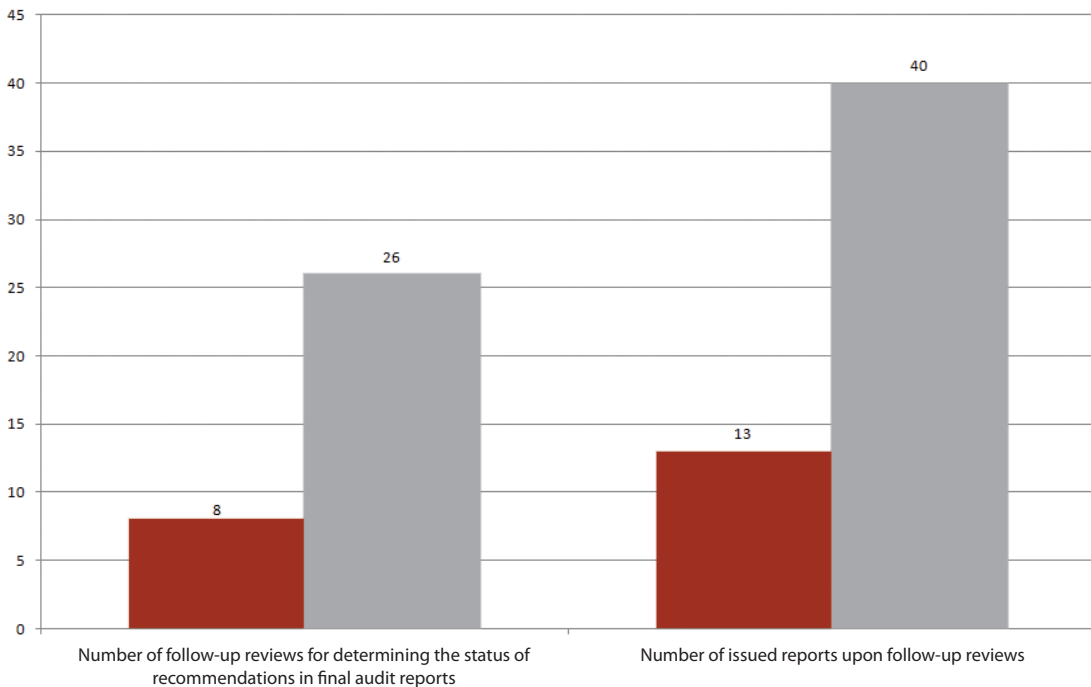
Audited entities and entities covered by performance audit				
	2017		2016	
Type of audit	Auditees	%	Auditees	%
1	2	3	4	5
Financial audit and compliance audit	48	26	36	31
Theme audit / Compliance audit	22	12	9	8
Performance audit / PIFC	0	0	1	1
Performance audit	113	62	72	60
Total number of audits	183	100	118	100



Follow up reviews on the implementation of recommendations

In 2017 SAO conducted follow up reviews on the status of implementation of recommendations given in final audit reports from 2016 and 2017 to determine the level of implementation. The table below gives the number of follow up reviews and issued reports for determining the status of recommendations given in final audit reports.

Follow up reviews on the implementation of recommendations			
	2017	2016	Total
1	2	3	4
Number of follow-up reviews for determining the status of recommendations in final audit reports	8	26	34
Number of issued reports upon follow-up reviews	13	40	53

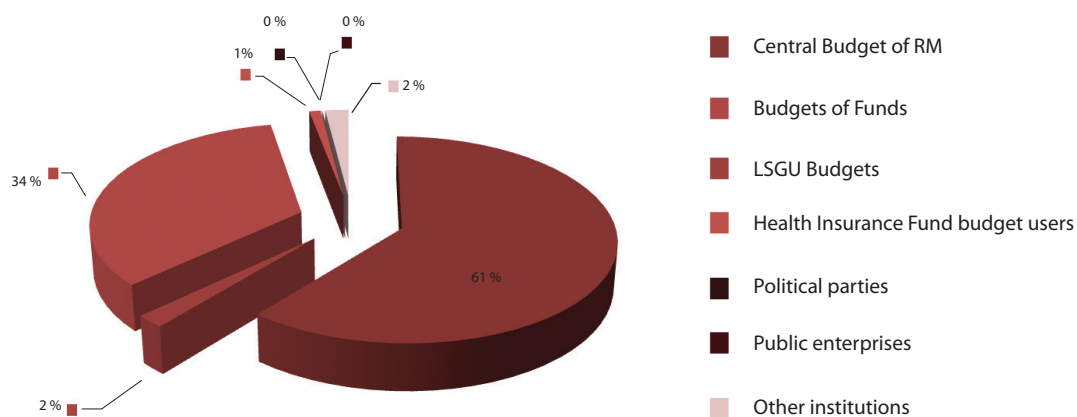


Audited public revenue

The amount of audited public revenue in 2017 is presented in the table below:

Audited public revenue (in million MKD)				
Audited public revenue in:	2017		2016	
	Revenue	%	Revenue	%
1	2	3	4	5
Central Budget of RM	156.315	61	156.493	63
LSGU Budgets	5.244	2	2.679	1
Budgets of Funds	89260	34	84993	34
Health Insurance Fund budget users (hospitals, clinics, etc.)	1510	1	955	0
Political parties	598	0	232	0
Public enterprises	640	0	6166	2
Other institutions	5273	2	118	0
Total	258.840	100	251.636	100

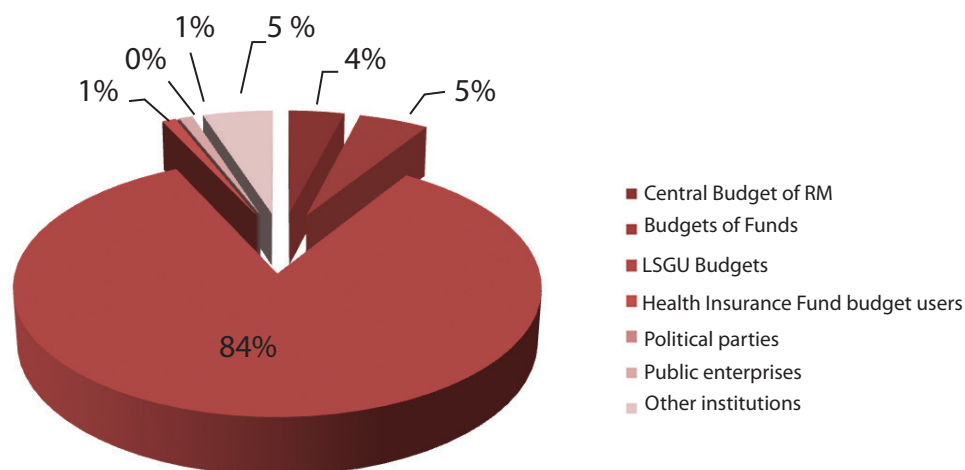
The structure of audited public revenue in 2017 presented in the annual accounts for 2016 is as follows: Central Budget revenue 61%, revenue of the budgets of local self-government units (LSGUs) 2%, budgets of the Funds 34%, users of Health Insurance Fund's budget (PHI clinics, hospitals, etc.) 1%, and revenue of other institutions 2% of the total audited revenue.



Audited public expenditure

The structure of audited public expenditure in 2017 presented in the annual accounts for 2016 is as follows: Central Budget users account for 4%, LSGU budgets' users account for 5%, users of the Budgets of the Funds account for 84%, users of Health Insurance Fund's budget (PHI hospitals, clinics, etc.) account for 1%, public enterprises account for 1%, and other institutions account for 5% of the audited expenditure.

Audited public expenditure (in million MKD)				
Audited public expenditure in:	2017		2016	
	Expenditure	%	Expenditure	%
1	2	3	4	5
Central Budget of RM	4.668	4	18.461	17
LSGU Budgets	4.955	5	2.400	2
Budgets of Funds	89.260	84	83.017	77
Health Insurance Fund budget users (hospitals, clinics, etc.)	1.497	1	951	1
Political parties	598	0	217	0
Public enterprises	629	1	3.306	3
Other institutions	5.064	5	138	0
Total	106.671	100	108.490	100



Audited public expenditure per budget type						
	(in million MKD)			(in million MKD)		
	Executed budget in 2016	Audited amount in 2017	%	Executed budget in 2015	Audited amount in 2016	%
1	2	3	4 (3/2)	5	6	7 (6/5)
Central Budget of RM (Official Gazette of RM no. 92 from 24.07.2017)	154.777	12.456	8	160.390	23.073	14
LSGU Budgets	30.493	4.955	16	29.251	2.400	8
Budgets of Funds	89.260	89.260	100	83.017	83.017	100
Total	274.530	106.671	39	272.658	108.490	40

Audit findings

With the implementation of SAO Annual Work Programme for 2017 authorized state auditors and state auditors issued audit reports that contain 1042 findings as follows:

- 25 findings in the audit report on the Core Budget;
- 893 findings in the regularity audit reports (financial together with compliance audit); and
- 124 findings in the performance audit reports;

The tables below present the share of findings in different areas / topics and types of audits.

1. Compliance Audit on the Core Budget

Type of finding		Number
1	2	3
1	Core Budget preparation	1
2	Core Budget execution	24
TOTAL		25

2. Regularity Audit (financial and compliance audit)

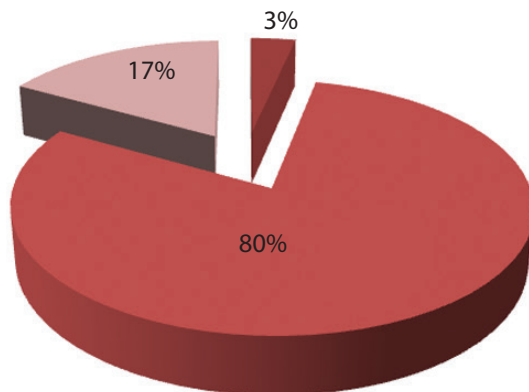
Type of finding		Number
1	2	3
1	Compliance with laws and regulations	225
2	Financial statements	204
3	Internal control system	39
4	Lawfull use of funds	57
5	Public procurement	63
TOTAL		588
6	Emphasys of matter	112
7	Other issues	186
8	Systemic weaknesses	7

3. Performance Audit

Type of finding		Number
1	2	3
1	Consistent with the audit topic	124
TOTAL		124

SUMMARY OF FINDINGS IN FINAL AUDIT REPORTS

Type of finding		Number
1	2	3
1	Compliance Audit on the Core Budget of the Republic of Macedonia	25
2	Regularity Audit (financial and compliance audit)	588
3	Performance Audit	124
TOTAL I		737
4	Emphasys of matter	112
5	Other-matter	186
6	Systemic weaknesses	7
TOTAL II		305
TOTAL I + II		1042



- Compliance Audit on the Core Budget of the Republic of Macedonia
- Regularity Audit (financial and compliance audit)
- Performance Audit

Public procurement

Within the execution of planned audits in 2017, the State Audit Office also audited public procurement procedures in auditees. With the audit on the method of planning, implementation and realization of public procurement the auditors identified 63 findings in relation to the following irregularities:

No. rend.	Type of sub-findings	Number of sub-findings
1	2	3
1.	Not implemented PP procedures / PP completed before signing PP contract / PP completed with old contracts from previous years	7
2.	Weaknesses in PP planning phase (type of PP, selection of proper procedure, planned quantities, dynamics, planned funds, submitting PP plan to the PP, Bureau, changes to the plan, etc.)	8
3.	Weaknesses in the phase of decision making on PP	7
4.	Tender documentation does not include elements prescribed by PP Law	10
5.	Noncompliance of criteria for awarding PP contracts with PP Law	7
6.	Weaknesses in bid evaluation phase	12
7.	Weaknesses in the phase of signing contracts with selected bidders (not signing contracts with selected bidders; signing contracts with different prices and different conditions or other elements of the bid; signing contracts within a period shorter than the legally prescribed one, etc.)	12
8.	Weaknesses in the phase of realization of signed contracts (warranties, prices, quantities, payment terms and other conditions different than the ones defined in the contracts)	16
9.	Lack of procedures in place for monitoring overall realization of contracts, both from quantitative and qualitative aspect	6
10.	Dividing public procurements / bypassing procedures prescribed by PP Law	5
11.	Weaknesses of technical nature in the preparation of documents /files on conducted PP (disorganized and incomplete records / files, not signed / incompletely signed minutes / reports / overviews, mathematical errors, etc.).	5
12.	Weaknesses in PP implementation within EPPS (non-implemented, improperly implemented)	5

Audit opinion

The main objective of regularity audit is to enable the auditor to express an opinion as to:

- whether financial statements present fairly and objectively, in all material respects, the financial position of the auditee and the results of its financial operations; and
- whether activities, financial transactions and information reflected in the financial statements are in line with the relevant legislation, guidelines and established policies.

In accordance with the audit objectives, auditors expressed opinion on financial statements and on compliance with laws and regulations.

In the audit reports on financial statements for 2016 auditors expressed the following opinions:

- 21% unqualified opinion;
- 27% qualified opinion;
- 40 % adverse opinion; and
- 12% disclaimer of opinion.

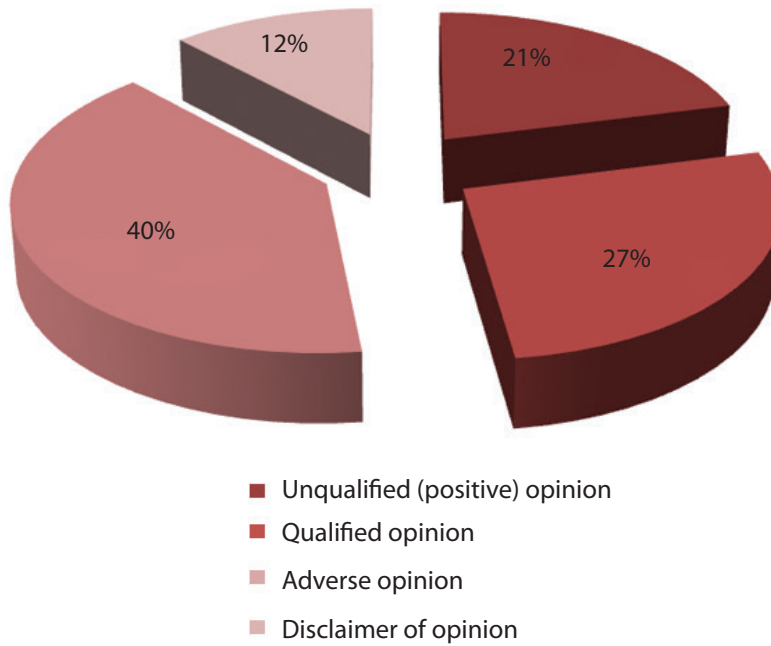
Regarding compliance with laws and regulations auditors expressed the following opinions:

- 11% unqualified opinion;
- 45% qualified opinion;
- 43% adverse opinion; and
- 1% disclaimer of opinion.

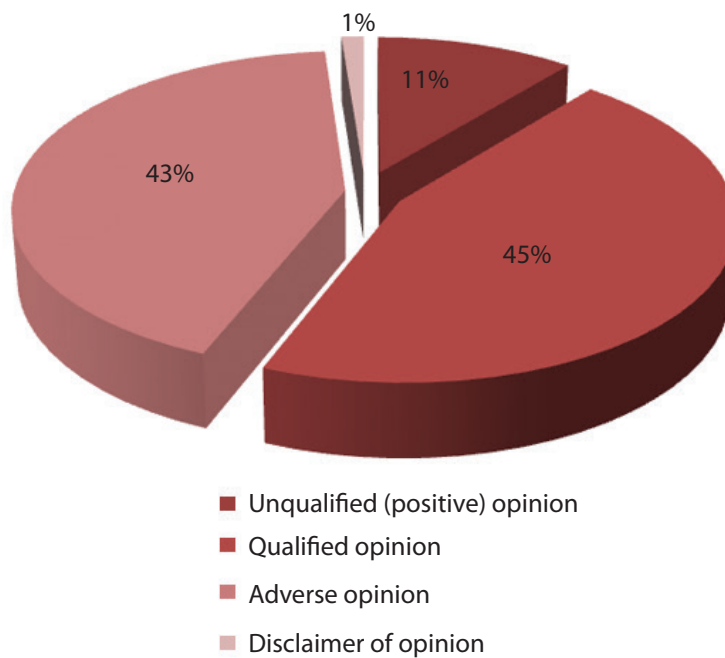
Below is an overview of expressed opinion on financial statements and compliance with laws and regulations in 2016 presented in audit reports of 2017.

Overview of audit opinion on financial statements and compliance with laws and regulations				
2017 Annual Work Programme				
Audit opinion	Financial statements		Compliance with laws and regulations	
	Number	%	Number	%
Unqualified (positive) opinion	17	21	9	11
Qualified opinion	21	27	37	45
Adverse opinion	32	40	35	43
Disclaimer of opinion	9	12	1	1
Total	79	100	82	100

Structure of audit opinion on financial statements



Structure of audit opinion on compliance with laws and regulations



Measures taken upon audit recommendations

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

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

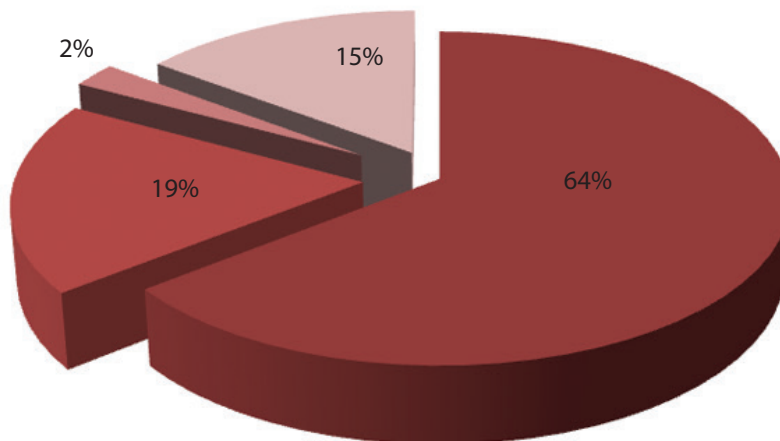
The established practice of the State Audit Office to follow up on the implementation of audit recommendations is done within regular audits, follow up reviews and follow up audits, as well as through the information provided by the auditees.

Following the completion of 2016 Annual Work Program, SAO issued a total of 670 recommendations. Auditees have taken measures upon 431 recommendations i.e. 64% of audit recommendations.

Upon completion of 2017 Annual Work Program, SAO issued 789 audit recommendations. By the time of the last draft of this Annual Report, the legal deadline for feedback from auditees on measures taken upon the recommendations was not expired for 372 recommendations. Out of 417 recommendations for which the feedback deadline has expired, 108 have been fully or partially implemented or the implementation is ongoing; 27 recommendations have not been implemented (related to other competent authorities/external factors, or disagreement); and auditees have not provided feedback for acting upon 282 audit recommendations.

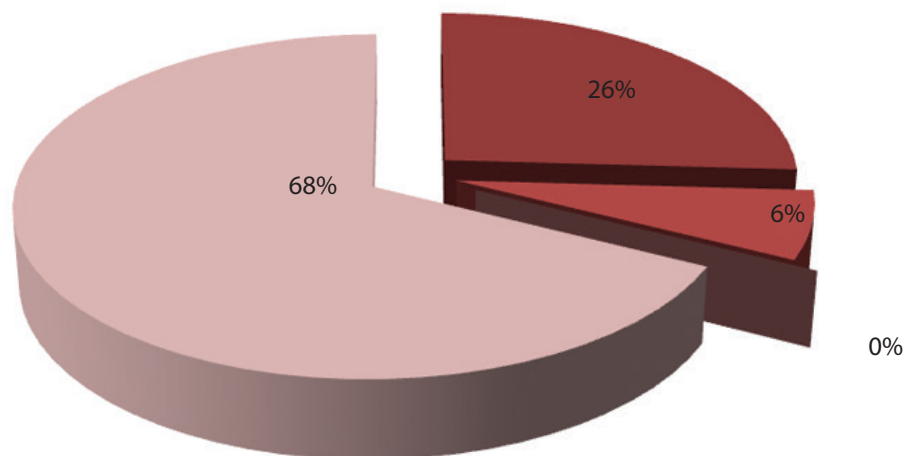
The following graphs present the status categories of measures taken upon audit recommendations in 2016 and 2017:

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS			
2016 ANNUAL WORK PROGRAMME			
DESCRIPTION		Number	%
1	Completely or partially implemented recommendations or ongoing implementation	431	64
2	Not implemented recommendations (implementation related to external factors, auditee disagrees, etc.)	124	19
3	Recommendations that cannot be implemented due to changed circumstances	16	2
4	No feedback from auditee/auditor did not have sufficient information to determine the status of the recommendation	99	15
Number of recommendations for which 90 days' feedback deadline has expired		670	100
5	Number of recommendations for which 90 days' feedback deadline has not expired	0	
TOTAL NUMBER OF RECOMMENDATIONS		670	



- Completely or partially implemented recommendations or ongoing implementation
- Not implemented recommendations (implementation related to external factors, auditee disagrees, etc.)
- Recommendations that cannot be implemented due to changed circumstances
- No feedback from auditee/auditor did not have sufficient information to determine the status of the recommendation

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS			
2017 ANNUAL WORK PROGRAMME			
	DESCRIPTION	Numer	%
1	Completely or partially implemented recommendations or ongoing implementation	108	26
2	Not implemented recommendations (implementation related to external factors, auditee disagrees, etc.)	27	6
3	Recommendations that cannot be implemented due to changed circumstances	0	0
4	No feedback from auditee/auditor did not have sufficient information to determine the status of the recommendation	282	68
Number of recommendations for which 90 days' feedback deadline has expired		417	100
5	Number of recommendations for which 90 days' feedback deadline has not expired	372	
GJITHSEJ REKOMANDIME TË DHËNA		789	



- Completely or partially implemented recommendations or ongoing implementation
- Not implemented recommendations (implementation related to external factors, auditee disagrees, etc.)
- Recommendations that cannot be implemented due to changed circumstances
- No feedback from auditee/auditor did not have sufficient information to determine the status of the recommendation

Core budget of the Republic of Macedonia

As the most important instrument of economic policy, the Budget of the Republic of Macedonia reflects expected fiscal movements, public expenditure for financing priority policies and goals aimed at maintaining economic growth and social protection. In the process of creating the Budget Proposal, Ministry of Finance applies the principle of budget balance and plans the revenue in amounts that can be realistically realized as well as the expenditure in amounts that are necessary for financing appropriate volume and quality of public goods and services. It also projects the deficit as a negative difference between the planned i.e. expected revenue for collection and the approved funds i.e. expenditure and its financing. In the Budget planning process, Ministry of Finance determines the sources for financing the deficit from external borrowing - loans from international financial institutions, credit lines intended for financing certain projects, Eurobonds and other types of external borrowing, as well as from domestic sources - issued government securities.

With the regularity audit on the Core Budget, as an annual plan of revenues, other inflows and approved Budget funds for financing core competencies of Budget users in 2016, we applied audit procedures in order to obtain reasonable assurance as to whether the **planning process of the Core Budget the Republic of Macedonia** is in line with the strategic plans of Budget users and the budget policy; whether realized revenue and other inflows and expenditure and other outflows are within the planned amounts; and whether control procedures function properly and efficiently for preventing or detecting errors in the IT systems of the Customs Administration of the Republic of Macedonia, the Public Revenue Office, as well as in the Treasury account and records.

With the analysis on the legal deadlines, we concluded that the adoption of acts related to planning and adoption of the Budget for 2016 deviates from prescribed deadlines. Regardless of the untimely drafting and adoption of the Fiscal Strategy, Ministry of Finance submitted the budget circular for 2016 to the ministries and other state administration bodies within the legal deadline, with maximum amounts of approved funds determined within the frames of maximum amounts of expenditure determined on budget user level for 2015. This creates the risk of unrealistic appropriation of funds per Budget user that may be insufficient for realization of planned activities. We also pointed to the need of drafting and adopting strategic plans as integral part of budget requests by certain state bodies.

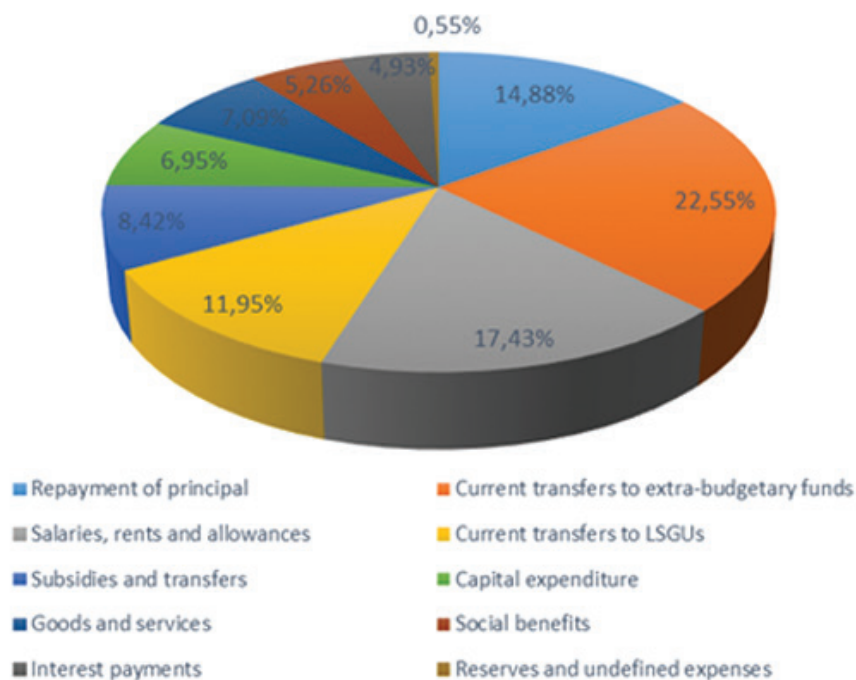
The above conditions point to the need of adhering to prescribed deadlines for drafting and adopting Fiscal Strategy, as well as to the need of submitting complete budget requests so that the adopted Budget reflects the real needs of Budget users for realization of set objectives.

The execution of the Budget of the Republic of Macedonia reflects the fiscal policy implemented in the previous year, the degree of realization of established policies and measures, and provides an overview of public finance management and the use of public funds by the Budget users.

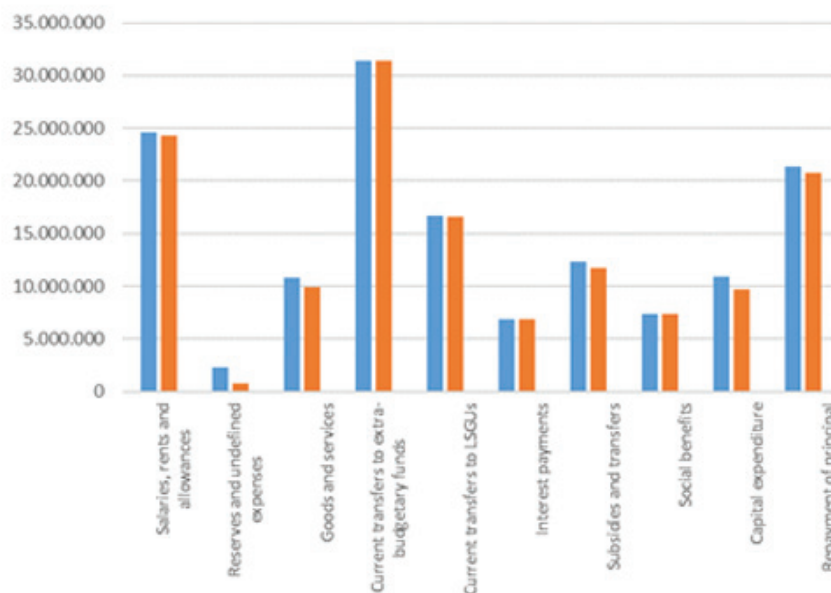
By applying audit techniques, we analyzed data obtained from the Treasury Ledger relating to total expenditure and other outflows and total revenue and other inflows. This data is recorded in the budget accounting database of the Core Budget account.

Total expenditure and other outflows in 2016 amount to 139.320.440.000,00 MKD, i.e. 5.280.477.000,00 MKD or 3.65% less than the planned amount. The share of individual types of expenditure and other outflows in relation to the Core Budget realized expenditure in 2016 is shown in graph below:

Structure of 2016 Core Budget expenditure

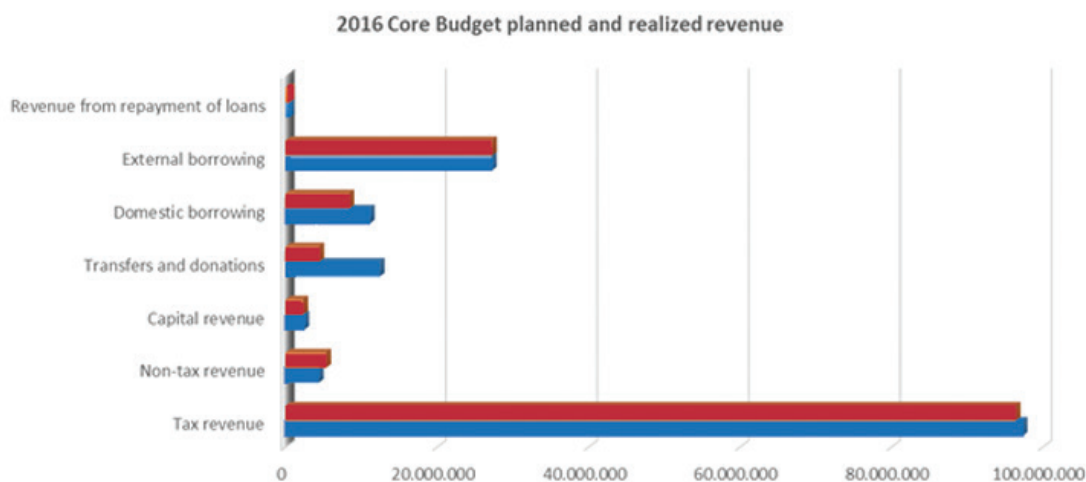


2016 Core Budget planned and realized expenditure



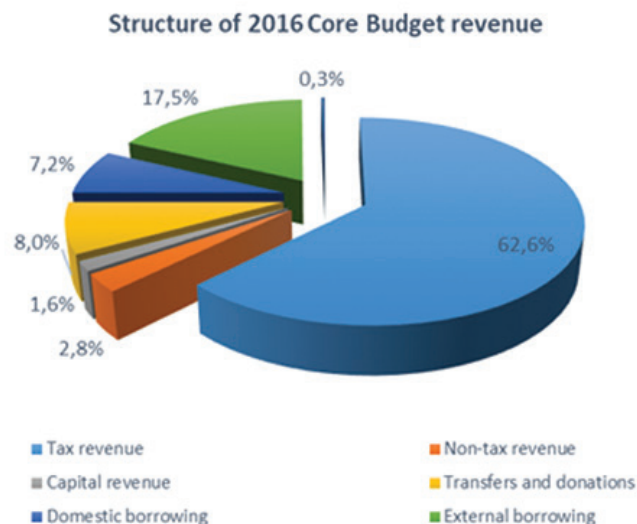
Planned revenue and other inflows in the Core Budget of the Republic of Macedonia is the basis for determining approved Budget funds for financing basic competences of Budget users. The manner of collection of revenue on the Core Budget account is regulated by the Law on budgets, the Law on execution of the Budget of the Republic of Macedonia, and other laws, bylaws and regulations that cover different types of revenue.

In 2016, planned revenue and other inflows amount to 144.600.918.000,00 MKD. Realized revenue is 7.5% more than the planned one and amounts to 155.439.988.000,00 MKD.



The largest share of Core Budget revenue is **tax revenue**. In 2016 tax revenue amounted to 97.336.145.000,00 MKD and accounts for 62.6% of Core Budget total revenue. For comparison, in 2015 tax revenue amounted to 90.341.223.000,00 MKD (58% of total revenue).

The share of different types of revenue and other inflows is shown in the graph below.



Public Revenue Office plays important role in securing tax revenue in the Budget i.e. collection of personal income tax, value added tax and profit tax.

In 2016, tax revenue generated by the Public Revenue Office amount to 92.575.405.000,00 MKD and they account for 95.11% of total Core Budget tax revenue.

In 2016, the largest share of tax revenue is value added tax revenue - 47.2%, i.e. 45.948.574.000,00 MKD, and excises revenue - 21.7%, i.e. 21.094.123.000,00 MKD.

Personal income tax participates with 14.60% in total tax revenue, in the amount of 14.204.751.000,00 MKD.

The profit tax participates with 11,06% in total tax revenue, in the amount of 10.768.674.000,00 MKD.

The IT Department within Public Revenue Office has been set up to electronically connect internal organizational units and other institutions, to monitor and coordinate matters within their competence and to promote mutual cooperation. In terms of hardware and software equipment, modernization of the same is in progress, in order to avoid possible risks of termination of operation of tax subsystems and loss of data.

Activities for development, implementation and use of the integrated system for recording and collection have been initiated, for the purpose of systematic improvement and management of the operation processes. Namely, in the Program timetable, the section „Creation of new information system“ includes activities planned for implementation of new integrated IT system, which will provide modernization of the tax records of the Public Revenue Office, overcoming problems of the existing system, secure data exchange with other institutions, and integration of all tax revenues into a single system.

Customs Administration of the Republic of Macedonia has the authority to conduct customs supervision, customs control, clearance of goods, investigative and intelligence measures and other activities in the area of customs operations.

During 2016, the Customs Administration realized revenue in the amount of 4.760.740.000,00 MKD, accounting for 4.89% of total tax revenue.

We audited the manner of issuing, recording, collecting and control of import duties and excises in the information systems of the Customs Administration and we concluded that the processes for collection of customs import duties are prescribed in Procedures and User Guidelines. By inspecting the operation of the system for collection of import duties, we found that most of the risks are covered by systematic and human resources controls, which ensures high level of collection of import duties, while the process of collection of excise duties is not automated and data is not integrated. Implementation of new integrated system is ongoing

and it is expected to cover all processes managed by the Customs Administration. In line with the above, the Customs Administration needs to continue the activities for implementation and use of the integrated collection system for the purpose of systematic improvement and management of operation processes.

Non-tax revenue in 2016 was realized in the amount of 4.360.579.000,00 MKD, compared to the planned amount of 5.350.000.000,00 MKD. Most valuable are non-tax revenues derived from fines, court and administrative fees and non-tax revenues from other government services. With the analysis we found that in 2016 these revenues were realized in a smaller amount by 1.133.205.000,00 MKD i.e. 18.49% compared to 2015.

In the budget for 2016, **capital revenue** was planned in the amount of 2.300.000.000,00 MKD, and realized in the amount of 2.456.193.000,00 MKD, i.e. 6.79% more than planned. Most of the capital revenue in the Core Budget is revenue whose realization, recording and control over the implementation is carried out by state administration bodies, within their competences determined by law. Capital revenue is revenue of the Core Budget, as well as of the local self-government units, in a ratio determined by law.

Domestic **borrowing** is done by issuing short-term or long-term securities by the Republic of Macedonia for the purpose of collecting funds. Based on domestic borrowing in 2016, inflow of funds in the amount of 11.115.647.000,00 MKD was recorded as net inflow from issued short-term securities - government bills and long-term securities - government bonds. In addition, based on external borrowing, inflows in the amount of 27.230.077.000,00 MKD were made to the Core Budget account from issued government securities on the international capital market - Eurobond of the Republic of Macedonia. The inflows on the basis of external borrowing in 2016 increased by 66% compared to 2015, due to the higher amount of newly issued Eurobond compared to the amount of the Eurobond issued in the previous year.

The collection records of all inflows and all outflows of the Budget of the Republic of Macedonia, the budgets of municipalities and other institutions in accordance with law is executed through the Treasury account. The Treasury account and other accounts of the state are managed by the Treasury organizational unit within the Ministry of Finance.

By applying audit techniques, we analyzed the **information system** data, which was set up for the needs of the treasury account. We concluded that during 2016, the treasury account continues to function with two databases: database for inflow transactions for transfer of funds and database with requests for transfer of funds to the accounts of the budget users. We also compared the data recorded in both databases managed by the Treasury and the data

recorded in the budget accounting database. We noted deviations in certain expenditure and revenue items as a result of returning wrong amounts or extra amounts paid to the Core Budget, as well as from re-entry between items. For these records, and based on sampling, supporting documentation was provided confirming the reliability of the transactions. The above conditions indicate that established controls cover the risks in the functioning and management of the treasury account in terms of completeness and accuracy of recording inflows and outflows of funds in the Core Budget.

With reference to other-matter, we emphasize the need of further regulation of laws and bylaws in relation to borrowing as a procedure which creates financial obligations. In addition, we emphasize the need of undertaking activities for regulating accounting records of repayment of principal on due government bills, in order to specify the manner of disclosing data on inflow from borrowing and expenditure for payment of principal thereof, while taking into account the cash-basis accounting principle used in the Income Statement.

With the audit on 2016 financial statements together with compliance audit we covered the regular operation of the State Election Commission (SEC) and the activities carried out for the early parliamentary elections in the Assembly of the Republic of Macedonia on 11 December 2016. We ascertained shortcomings that require taking measures against as follows:

- manner of using warehouse space by the SEC and recording supply of election material in business books;
- inconsistencies in determining the amount of compensation for the president and the members of the election bodies and the election administration for activities related to the early parliamentary elections, as well as lack of complete supporting documents for payment thereof;
- incomplete inventory of assets and sources of funds;
- incomplete records of fixed assets and liabilities;
- inconsistencies in the fees paid for using personal car for business purposes by SEC members;
- inconsistencies in the manner of implementing procedures for awarding public procurement contracts; and
- lack of guidelines on organizing voting of the members of Election Boards in the Diplomatic-Consular Offices of the Republic of Macedonia abroad.

With reference to emphasis of matter, the audit pointed to the manner of obtaining additional funds for the elections in 2016, as well as the impact of prolonging the period of constituting the Assembly of the Republic of Macedonia following the elections on the work of the State Election Commission.

With reference to other-matter, we disclosed the need to harmonize legal regulations on the manner of determining fees for the president, the deputy, the SEC members and the election administration, as well as to harmonize the laws regulating taxation of election activities.

Inspection Council coordinates the work of inspection services, prepares and monitors application of methodologies and procedures for services' operation, reviews, gives an opinion and monitors realization of annual work programs, the work of inspectors, the number and quality of performed control by inspection services, monitors the execution of budgets, gives consent on the acts for internal organization and systematization of inspection services, as well as on the laws, by-laws and other regulations in the area of inspection supervision.

With the audit on the financial statements together with compliance audit, we pointed out certain systemic weaknesses related to the provisions of the Law on Inspection Supervision as follows:

- further regulation of the manner, deadlines and dynamics for obtaining necessary data for the registries of the Inspection Council in order to provide complete records;
- further regulation of the manner of defining work posts, by types and categories, as well as of the amount of salary supplement in accordance with on-the job exposure to risks;
- further regulation of the procedure for determining disciplinary responsibility of inspectors, and re-examination of the possibility for defining the range of disciplinary measures and types of disciplinary responsibility; and
- competent bodies to take action for harmonization of deadlines for submitting draft annual programs of inspection services to the Inspection Council with the laws regulating the work of inspection services.

As an administrative organization, the State Archives performs its competencies in accordance with the Law on archive material, in relation to protection, preservation, processing and use of archive material, as well as inspection of holders of archive and documentary material.

With the audit on the financial statements together with compliance audit, we ascertained shortcomings and made recommendations as follows:

- to carry out inventory of assets and sources of funds in accordance with the legislation;
- to take on activities for obtaining title deed for the building where the central office of State Archives is located;
- to set up accounting records of the buildings where the regional offices are located;
- to make detailed calculation of the costs for the publications of the State Archives;
- to apply legal solutions when paying fees for using private vehicle for official purposes;
- to comply with the legislation when conducting public procurement procedures;
- to carry out the procedure for signing lease agreement for the buildings in accordance with the legislation and to pay the revenue on this basis as revenue to the Budget of the Republic of Macedonia; and
- to deliver report on the realization of the project „Macedonia in the foreign press in the 19th and 20th century“ to the Ministry of Culture.

We also pointed out the need to take on activities, in cooperation with the competent bodies, for regulating the procedure for publishing archived and documented material, as well as the types of publications and the manner of issuing, financing, cost and sale of publications.

Political parties are non-profit, voluntary organizations of citizens, established for realization and protection of political, economic, social, cultural and other rights and beliefs, and for participation in the process of making political decisions when partaking in the government. Political parties achieve their goals through a democratic form and expression of political will by participating in elections, or in other democratic way.

The activities of political parties are financed by public and private sources. The public sources of funding are planned annually in the budget of the Ministry of Justice for each fiscal year, while private sources of funding, provided by law, are the membership fees and donations.

In addition, for the purpose of achieving objectives and performing activities determined by party's statute and the law, political parties have the right to own business premises, equipment, office materials, vehicles and other movable property.

The State Audit Office as a competent body for supervising financial and material operations of political parties, regularly conducts audit on the regular operations accounts of the largest political parties in the country.

With the audit we identified irregularities, specifically in the part for providing complete documentation for verifying reliability of recorded expenditure; cash operations; inventory of assets and sources of funds to verify the compliance of accounting and actual situation; payment of obligations from the account for regular operations for expenses incurred in the election campaign, or lending funds to the account of the election campaign.

The audit also revealed conditions as a result of external factors and circumstances deriving from certain laws and by-laws:

- competent authorities to adopt more specific guidelines for recognizing revenues and expenditures according to the accounting principle of a modified occurrence of business changes, i.e. transactions and their recording, as well as a further regulation and harmonization of the bylaws in which the accounting positions and accounts for non-profit organizations, which also include accounting positions whose recognition is based on the accounting principle on an „accrual basis“;
- It is necessary for the competent authorities to undertake activities for harmonization of the by-laws with the sources of financing of the parties envisaged by the current legislation with the prescribed form of the Annual Financial Report for the political parties;
- For the purpose of uniform action by all political entities, it is necessary for the competent authorities to adopt more specific guidelines for regulating the manner of payment, payment, recording, in order to ensure uniformity in the manner of their accounting recording and confirmation of the legally determined limit for each member separately and the transfer of the same on the election campaign accounts and

- To harmonize the Instructions on allocation of the funds from the Budget of the Republic of Macedonia for annual financing of political parties with the Law on Financing of Political Parties in order to more precisely regulate the manner of financing of political parties from the Budget of the Republic of Macedonia.

Early parliamentary elections 2016



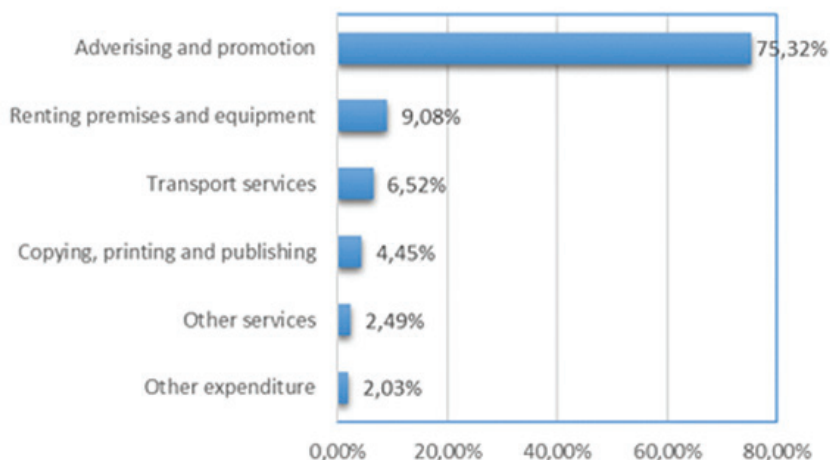
Me Kodin zgjedhor të Republikës së Maqedonisë The Electoral Code provides a legal framework for the competences of the State Audit Office to audit financial statements of participants in election campaigns in the Republic of Macedonia. The financial statements present the revenues as a result of the election campaign financing, and the expenditures i.e. the spending of funds for the entire election process.

For the Early Parliamentary Elections in 2016, we audited the total financial reports of 11 participants in the election campaign. According to the Electoral Code, the election campaign may be financed from the membership fee of the political party, from natural persons and legal entities, as well as from the Budget of the Republic of Macedonia; the funds may be spent on the activities of the organizers of the election campaign.

Total revenue:	228.912.000,00 MKD
Total expenditure:	235.588.000,00 MKD
Uncovered expenditure:	6.676.000,00 MKD

The largest part of the expenditure refers to expenses for advertising and promotion, i.e. paid political advertising, as well as for renting of premises and equipment. Other expenses include: intellectual services, per diems and travel expenses in the country, utilities and heating, telecommunication services, postal services, etc.

Types of expenditure in 2016 early parliamentary elections



With the audit on the financial statements of participants in the election process, we ascertained the following shortcomings:

- received donations from natural persons in individual amounts that exceed the limit set in the Electoral Code, as well as different treatment of the excess amount of these donations: payment into the Budget of the Republic of Macedonia, returning donor's funds or financing of election activities;
- borrowing funds from the regular account of the party as a means of financing the election campaign;
- incomplete regulation of the use of premises, equipment and vehicles, owned by political parties that are coalition members;
- part of signed contracts and submitted invoices do not contain complete supporting documentation for confirming expenditures for the election campaign.

We also found out shortcomings that are under the authority of other state bodies, which have influence on confirmation and verification of presented expenditure of participants in the election process. We highlight the following:

- some broadcasters, printed and electronic media have not submitted reports on used advertising space and price lists to the competent authorities;
- invoicing larger or lesser amount for services rendered by the broadcasters compared to the data presented in the reports on services rendered; and
- according to the Electoral Code, the State Election Commission has the authority to initiate disciplinary procedure, to file request for initiation of misdemeanor procedure, or to file criminal/felony complaint with the competent authority for non-compliance with this obligation.
- The Agency for Audio and Audiovisual Media Services of the Republic of Macedonia, in accordance with the Electoral Code, has an obligation to monitor the election media presentation and the program service of broadcasters and electronic media (internet portals). The Agency performs full monitoring of political advertising only on the national television stations, while regional and local broadcasters are covered with a sample in line with the adopted methodology. Due to the differences in the scope of monitoring, in accordance with the Electoral Code and the stated methodology, we found out inconsistency between data obtained from the broadcasters and data from the Agency.

We also identified systemic weaknesses in the Electoral Code and we made recommendations thereof:

- to clarify the financing of election campaign from membership fee of the political party;
- to regulate the manner of payment of unpaid liabilities, in cases when the total financial report presents higher expenditure than revenue, as well as the manner of handling unused funds on the campaign account;
- to harmonize the provisions in the Electoral Code related to: deadlines for closing the transactions account; preparation and delivery of the total financial report; deadline for payment of donations and deadline for payment of fee for participation in the election campaign from the Budget of the Republic of Macedonia;
- to prescribe obligation for legal entities that work with billboards and for the municipalities in the Republic of Macedonia and the City of Skopje to prepare and submit report on used billboards and the funds paid or claimed on that basis;
- to set up monitoring of paid political advertising through the electronic media (internet portals) as well as to prescribe an obligation for the electronic media to prepare and submit report on used advertising space and funds that are paid or claimed on this basis.

Securities and Exchange Commission is an independent regulatory body with public authorizations defined in laws and bylaws. The Commission regulates and controls the operation with securities on the territory of the Republic of Macedonia and, within its legal competences and authorizations, ensures lawful and efficient functioning of the securities market and protection of the rights of investors, in order to strengthen public confidence in the institutions on the securities market in the Republic of Macedonia.

We audited the financial statements for 2016 together with compliance audit and we identified state of affairs that requires taking measures and activities for improvement thereof. We point to the following shortcomings:

- not harmonized internal organization and systematization acts of the Commission in line with the legislation;
- the Collective Agreement concluded with the Trade Union of the Commission gives the employees more rights than the rights provided by the relevant laws;
- identified inconsistencies in the manner of conducting the inventory of assets and sources of funds;
- lack of orderly, chronological, timely and accurate presentation of data in business books based on proper and complete supporting documentation; and
- inconsistencies in procedures for awarding public procurement contracts.

With reference to other-matter, we emphasized that competent authorities need to adopt more specific guidelines for action regarding recognition of Commission's revenue and expenditure, in accordance with modified accrual accounting.

In addition, the Assembly of the Republic of Macedonia, as a body that appoints the Commission members, needs to adopt an act for regulating the manner and the amount of the right to salary, salary allowances, as well as allowances for certain material costs and other incomes.

Public healthcare institutions



Health care covers the system of social and individual measures, activities and procedures for: preserving and improving healthcare, prevention, early detection and suppression of diseases, injuries and other health disorders caused by the effects of work and the environment, and timely and effective treatment, health care and rehabilitation of the citizens of the Republic of Macedonia. Health care is based

on the unity of preventive, diagnostic and therapeutic and rehabilitation measures, as well as on the principles of availability, efficiency, continuity, fairness, comprehensiveness and ensuring quality and safe health care treatment.

The healthcare activity is of public interest and it is performed on primary, secondary and tertiary level by public and private healthcare institutions.

The Annual Program of the State Audit Office for 2017 covered several public healthcare institutions (PHI) at different levels. With the audit on the financial statements and compliance audit for 2016, inter alia, we identified shortcomings that relate to:

- inconsistencies in the internal control system that should provide reasonable assurance about the achievement of PHI objectives in relation to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations;
- lack of action by the competent ministry for providing timely instructions and consent on the Statutes of PHIs, as basis for adopting acts for organization and systematization of work posts;
- appointment of acting director of PHI for a period longer than the legally determined deadlines;
- absence of signed managerial contract on the regulation of mutual rights and obligations between the Minister of Health and the acting director / director of PHI;
- improper treatment of money paid in cash for provided healthcare services;

- inability to confirm the total collected funds and presentation thereof as income in the financial statements;
- inconsistencies in the manner of conducting clinical trials and allocation of funds;
- lack of records of medical equipment and lack of effective system for monitoring and maintaining those records;
- lack of complete and correct value and quantity adjustment of assets;
- not presenting the real situation of supplies, and their use during the year;
- no action taken for timely collection of claims for performed healthcare services;
- inconsistent application of provisions of the Public Procurement Law in the procedures for awarding public procurement contracts, delayed documentation and monitoring of implementation of signed contracts.

For the identified state of affairs, we made recommendations whose implementation by the competent authorities and the responsible persons in the public healthcare institutions would improve the quality of services provided to the citizens.

Electricity transmission system operator of Macedonia AD "MEPSO"



Joint Stock Company MEPSO, as the electricity transmission system operator in the Republic of Macedonia, performs electricity transmission, manages the power system of the country and is responsible for the operation of the power system, its maintenance, development and connection with the electricity transmission systems of the neighboring countries, as well as for ensuring durability of the system to meet the reasonable demands for electricity transmission. AD "MEPSO" is fully state-owned company and performs activities of public interest

that are regulated by the Energy Regulatory Commission. To perform its activity AD "MEPSO" has been granted licenses from the Energy Regulatory Commission.

With the audit on the financial statements for 2016 and compliance audit of AD "MEPSO" for 2016, we identified certain shortcomings that have an effect on the Company's operation as follows:

- the control environment requires additional activities for development and security of the IT system, organization, access to resources, keeping records of Company's software applications and licenses, use of archive applications and keeping business books for the purpose of smooth functioning of IT systems and protection of data they generate;
- the pledge right „mortgage“ is registered on a property that is jointly owned with another legal entity without the knowledge of the Company;
- title deeds for 95 immovables with total purchase value of 3.624.967.000,00 MKD have not been obtained from the competent agency;
- delegating competencies for concluding real estate procurement contract in the amount of 4.812.500 Euro to a person that according to the internal acts is not entrusted with legal matters, which is a precondition in the Law on Trade Companies;
- business information system (BIS) has been procured in the amount of 37.813.000,00 MKD without creating conditions for its full application;
- procedures for awarding public procurement contracts not always keep to the following requirements:
 - timely publication of public notices in the official EU newsletters;
 - to specify criteria for verifying economic and financial standing and technical and professional capability that are not provided for in the Public Procurement Law;
 - procurements were made without being included in the technical specifications;
 - public procurement contract was concluded in the amount of 102.088.000,00 MKD, despite the fact that the lowest price achieved at the electronic auction was 31.657.000,00 MKD;

- public procurement contract was concluded for reconstruction and adaptation of a façade; several deficiencies and flaws were identified in its realization, including regular works and surplus in the amount of 87.879.000,00 MKD which are in court procedure, additional works in the amount of 1.200.000,00 MKD that are not regulated with an annex to the contract, unforeseen work in the amount of 13.111.000,00 MKD that are not regulated with contract and, according to the information from the supervision for completion of the above works, another 27.558.000,00 MKD are needed for completion of the works; the building is also not insured;
- signed loan agreements from international lenders are not realized in accordance with the established deadlines; thus for untimely withdrawal of funds the Company has paid 693.993,00 Euro commission;
- the Company has paid an amount of 5.143.000,00 MKD for the right to recourse for annual leave above the statutory right.

In order to improve ascertained state of affairs, the audit made recommendations for taking measures and activities for overcoming identified shortcomings and providing adequate treatment in the operation of AD "MEPSO".

In addition, we point to disclosed shortcomings that may have an impact on the operation of the entity in the future in relation to:

- manner of regulation of mutual rights and obligations between the Company and the trade union, and the financing of trade union activities;
- established rights of employees in the collective agreement at the level of employer;
- building structures, which is not part of Company's activity, and donating these structures to other legal entities;
- court proceedings where the Company is the plaintiff in the amount of 743.548.000,00 MKD and court proceedings where the Company is defendant in the amount of 2.303.535.000,00 MKD; and
- the Company and other state-owned companies where the Government of the Republic of Macedonia exercises the rights and obligations of a company's assembly, have started court proceedings without requiring appropriate action by the Government to avoid costs for compensation of lawyer services, court fees, expert reports, etc.

The audit recommendations made, the adopted conclusions by the competent bodies on the operation of AD "MEPSO" and other involved entities, as well as the measures and activities to be taken by the management and Company's management board, should ensure overcoming identified shortcomings and compliance of operations with the laws, by-laws and internal acts.

Local self-government

During 2017, the State Audit Office conducted regularity audit in five local self-government units: the municipalities of Centar, Karpos, Kavadarci, Saraj and Studenicani.

In the audited municipalities, despite the budget rebalance, the audit found significant deviation of realized and planned revenue. Namely, the municipal administration did not carry out realistic assessment of its own financial resources in line with the legislation, which is based on realized revenue in the ongoing 2016, as well as on historical data. Thus, the maximum amount of municipal expenditure in the fiscal year was unrealistically determined. This demonstrates that the rebalanced budget, which increases the projection of planned annual revenue, does not rely on relevant data for increase of revenue, and thus the guidelines given by the Ministry of Finance in the budget circular are not followed.

With the exception of the Municipality of Centar, the other municipalities did not fulfill the legal obligation for submitting annual report on the use of funds from the fee for providing legal status to illegally constructed structures, to the state body competent for this area (Ministry of Transport and Communications).

Four audited municipalities have not set up an internal audit system and procedures, which is contrary to Article 23 of the Law on Public Internal Financial Control and Article 37-a paragraph 2 of the Law on Budgets. Therefore, there is a risk of inefficient management of public funds. Recurrent were the findings regarding implementation of laws and internal acts, which speaks about noncompliance of operations with the existing legislation. Weaknesses were also present in the area of transfer of funds to associations and foundations, as well as in the payment of social benefits.

In some of the audited local self-government units, the audit found payments made without complete supporting documentation as an evidence that services were performed or goods were procured.

Some of the audited municipalities have not completed the procedure for valuation and recording of the property given with a Government decision in 2000.

Audited municipalities also carried out incomplete inventory of assets and sources of assets at the end of the year.

Systemic weaknesses

In this Annual Report we will highlight the systemic weaknesses that are relevant to the local self-government units (LSGUs), with reference to the Law on Property Taxes, the Law on Utility Taxes, the Law on Firefighting, the Law on Construction, the Law on Execution and the Law on Sports. These systemic weaknesses have financial implications on LSGUs operations and need to be addressed by the competent authorities.

Law on Property Taxes

Pursuant to Article 39, paragraphs 1 and 2 of the Law on Property Taxes, the municipalities, the municipalities in the City of Skopje and the City of Skopje must regularly harmonize the real estate register with the register maintained by the Agency for Real Estate Cadaster of the Republic of Macedonia; no later than 31 December every year, registers' data should be submitted to the Central Registry of the Republic of Macedonia and to the Public Revenue Office - General Directorate.

Data in real estate registers of the City of Skopje and the municipalities in the country are not harmonized with data in the Geodetic Cadaster Information System (GCIS) of the Agency for Real Estate Cadaster, due to the incompatible basis for recording data in the registers. Namely, in the City of Skopje and in the other municipalities in the country taxpayers are registered by their unique master citizen number and other personal data, while in GCIS taxpayers are registered by cadastral municipality and cadastral parcel. Harmonization of data is a legal obligation of LSGUs, which affects the completeness of LSGUs data and has financial implications on the completeness of revenue on this basis.

For complete, efficient and quality update of database on property tax, it is necessary to have compatible registers and software connection with the state bodies and institutions (Agency for Real Estate Cadaster, Central Registry, Public Revenue Office and other institutions).

Law on Communal (Utility) Taxes

The Law on communal (utility) taxes, prescribes collection of communal taxes for using roads with passenger vehicles, cargo vehicles, buses, special vehicles and motorcycles (Tariff List, tariff no. 9), by the body responsible for vehicle registration and payed to the appropriate account within the treasury account of the municipality, the municipalities in Skopje or the City of Skopje. The current legal solution does not prescribe deadline for depositing collected tax on the municipality account; it also does not prescribe obligation to inform the municipality on the number of registered vehicles by different cubic capacity and on the monthly amount of collected tax individually and cumulatively. The existing legal provisions do not stipulate setting up a system that would provide accurate data on registered vehicles by cubic capacity and purpose, and on the other hand, municipalities do not have legal possibility to get assurance about the accuracy and reliability of funds paid and the completeness of revenue on this basis.

Concerning communal tax for street lighting, the municipalities do not receive data from EVN Makedonija AD Skopje on:

- the number of tax payers by category (number of meters), in accordance with tariff no. 10 from the Tariff List of the Law on communal taxes;
- report on the monthly amount of funds collected individually and cumulatively;
- six-monthly report on the real situation with the number of meters; and
- notice of uncollected receivables based on this communal tax.

The present Law on communal (utility) taxes does not prescribe obligation for submitting the above data. To overcome this situation, ZELS (Association of LSGUs) and EVN Makedonija AD Skopje signed Memorandum of cooperation.

Despite the signed Memorandum, EVN does not adhere to the contractual obligations under Article 6 of the Memorandum for submitting the above data and reports. The effects of such practice are reflected on the completeness and accuracy of realized revenue on this basis; the municipalities record this revenue in the accounting books as an inflow without specific information on the same. In order to ensure completeness and transparency in the collection of municipalities' own revenues, the audit recommends to the legislator to supplement the legal solution in order to overcome the unresolved weaknesses.

Law on Firefighting

Pursuant to Article 49 of the Law on firefighting, territorial firefighting units (TFFUs) of the City of Skopje and the municipalities in the Republic of Macedonia have a possibility to realize additional revenue from collected fines for violations involving fire protection and explosions; donations and other funds from insurance companies, foundations, and legal and natural persons intended for promoting fire safety; and from own revenues for services rendered. The City of Skopje and the municipalities in the country do not generate revenue on this basis, except for the revenue from the insurance companies amounting to 2% of collected premiums for insurance of motor vehicles and liability insurance for the use of motor vehicles. However, municipalities have no information on the amount of funds that are paid on this basis, nor have legal possibility to verify the accuracy and reliability of funds paid. The imprecise legal solution for other types of revenue for financing TFFUs results in failure to collect revenue on this basis.

The competent authorities need to take measures aimed at more specific definition of the legal solution concerning other types of revenues for financing TFFUs for implementation thereof by the relevant institutions.

Law on Enforcement Procedures

Article 218 of the Law on Enforcement Procedure¹ put into effect on 01 January 2017, i.e. Article 211 of the Law on Enforcement Procedures (Official Gazette of RM, no. 35/2005, 50/2006, 129/2006, 8/2008, 83/2009, 50/10, 83/10, 88/10, 171/10, 148/11 and 187/13), which reads as follows: „Execution procedure for collection of monetary claims shall not be carried out on objects and rights of the local self-government units, provided that the objects and the right are necessary for performing their activity or tasks.

What objects and rights are necessary for performing the activity and tasks of the debtor shall be determined by the president of the court where the enforcement procedure is carried out, if during the enforcement the parties do not agree on that issue or if otherwise indicated as needed.“

Pursuant to the provisions of the aforementioned articles, the presidents of local competent courts of first instance make decision on the necessary amount for carrying out activities that are exempted from enforcement procedure based on expert reports. When acting in these cases, the provisions of the Guidelines on the manner of execution of enforcement orders (adopted by the Minister of Finance), which debit the treasury account or the healthcare treasury account, i.e. debtor's account within the treasury account or the healthcare treasury

¹ Official Gazette of RM, no. 72/16 and 142/16

account, as well as the provisions of Article 210 of the Law on Enforcement Procedures are not taken into consideration.

The audit points out that in dealing with these cases, in addition to the provisions of the Law on Enforcement Procedures, the provisions of bylaws deriving from the Law on Payment Operations should also be taken into consideration.

Law on Sports

Financing activities in the field of sports and recreation is listed under the competences of municipalities, in line with Article 22 paragraph 1, point 6 of the Law on Local Self-Government. However, this is not listed under the competencies of the municipalities in the City of Skopje, which includes Municipality of Karpos, as defined in Article 15 of the Law on the City of Skopje. In line with this article, activities of public interest do not include sports, and in accordance with Article 10 paragraph 1 of the same law, this competence is given to the City of Skopje.

On the other hand, Article 22-a of the Law on Sports provides for the competencies of the municipalities, the municipalities of the City of Skopje and the City of Skopje in the field of sports, including development of mass sports and recreational activities of citizens, organizing sports events and manifestations, maintenance and construction of sports facilities, support and promotion of sports, sports clubs and professional sports clubs and support of municipal sports associations and the Sports Association of the City of Skopje. For realization of the above mentioned, the municipality councils and the Council of the City of Skopje or the competent commission for sports of the municipality, of the municipality of the City of Skopje and of the city of Skopje adopt programs on the proposal of municipal sports associations and the Sports Association of the City of Skopje. Pursuant to this article, these programs are financed from the budget of the municipalities and the budget of the City of Skopje, from donations and sponsorships. The municipal sports associations and the Sports Association of the City of Skopje submit report to the municipality councils and the Council of the City of Skopje on the realization of the programs and deadlines.

Consistent with the above, the audit opinion is that it is necessary to harmonize legal regulations in terms of more precise and clear definition and division of competences in the field of sports for the municipalities in the City of Skopje; more precise and clear definition of the manner and conditions for adoption of separate program within the municipality by the Council; and more precise and clear definition for financing such activities from the approved municipal budget funds.

Law on Construction

With the amendments to the Law on Construction in February and September 2014, Article 67-a stipulates the competencies of the municipality councils of the municipalities, the municipalities in the city of Skopje and the City of Skopje concerning decision-making for prescribing the exterior of facades of one or more buildings and reconstruction of facades of collective residential buildings, only if the municipality decides that it is of importance to the municipality. In those cases, the municipality is the investor, without defining in which cases prescribing appearance of the facade is of importance to the municipality. With the provisions of Article 67a of the Law on Construction, municipalities are given competences that are not in line with their competencies prescribed by the provisions of Article 22 of the Law on Local Self-Government, which is a systemic Law, without specifying and determining what is an object of importance for the municipality and how it is proven. Apart from the Law on Local Self-Government, these competencies are not defined and are not in accordance with the competences of the municipalities of the City of Skopje from Article 15 of the Law on the City of Skopje, and the Articles 101 to 104 of the Law on Housing.

The audit opinion is that this legal solution collides with the legal regulation on the competencies of local self-government units.

Public enterprises at local level

In accordance with 2017 Annual Work Program, we conducted regularity audit on three public enterprises at local level: PE „Parkovi i zelenilo“ of the City of Skopje, Public Utility Company „Komunalec“ Kicevo and Public Utility Company „Komunalec“ Gevgelija.

With the audit on **PE „Parkovi i zelenilo“** we identified the following shortcomings:

- lack of control procedures and mechanisms for calculating and payment of salaries of employees and lack of adopted written procedure;
- calculation and payment of salaries of employees is done on the basis of rulebooks on organization and systematization of jobs and a rulebook on salaries from 2008, which are not mutually harmonized and are not harmonized with the Statute and the Law on Labor Relations; lack of internal act passed by the Board of Directors on the value of salary points;

- the inventory of short-term credits and loans from affiliated companies in the country and investments in subsidiaries is not performed in accordance with legal regulations;
- in relation to the construction objects, no complete inventory has been performed in line with legal regulations; legalization procedure is in progress for some construction objects that have status of illegally constructed facilities; most of the facilities do not fulfill conditions and criteria to be categorized as buildings;
- the manner of financing activities for regular maintenance of public city greenery is carried out in line with a Decision adopted in November 2012, with a percentage determined by the Council of the City of Skopje in the amount of 19.5% of the collected fee for drinking water supply and drainage of urban waste water services; the Decision was adopted as a temporary solution but it is still applied;
- receivables and revenues from affiliated companies (PE "Vodovod i kanalizacija") are recorded in the accounting records, value adjustment of these receivables, as well as expenditures and revenues based on the value adjustment and collection of written off claims, for which there is no written act signed by both entities;
- the principal, recorded and presented in the business books and financial statements, is not registered in the Central Registry of the Republic of Macedonia as a monetary or non-monetary deposit of the public enterprise, i.e. there is no registered and paid state-owned capital in the name of the founder - the City of Skopje;
- in the period from 2001 to 2016, funds in the form of financial assistance were paid to Florakom and Luna LTDs, founded by PE „Parkovi i zelenilo“; there is no written document for these payments, except for the signed loan agreements in 2015 and 2016, with a return period of one year. Up to the completion of the audit, the funds were not returned to the account of the public enterprise;
- PE „Parkovi i zelenilo“ as a founder / owner and sole shareholder, has not brought a decision in the past period for covering the loss expressed in the annual accounts and annual financial statements of the companies Florakom and Luna, thus the PE acted contrary to the founding acts and the legal regulations; and
- the manner of obtaining funds for financing communal activity – building (construction) and maintaining public greenery is regulated with the provisions of the Law on Communal (Utility) Taxes and the Law on Greenery, but it has not been applied in line with the legal regulations.

Public Utility Company „Komunalec“ Kicevo is a public enterprise that covers all public utilities. With the audit we identified the following:

- lack of signed agreement between the Mayor of the Municipality of Kicevo and the PE Director for regulating the rights, obligations and responsibilities;

- lack of reports on the PE operations with data on the type and scope of work performed, which should be submitted to the Mayor;
- public cleanness services are performed without proper records for what has been done. The invoices are not prepared in the amount for the performed works and are not delivered to the municipality;
- the fee for using drinking water and discharge of waste water is not paid in the Budget of the Republic of Macedonia;
- large percentage of technical and commercial water loss is recorded, and the invoices for water consumption are charged per household member (lump sum);
- there is no complete record of the users at the city market;
- works by freight motor vehicles are carried out without complete records who has given the job order, where and for which purpose the vehicle will be used;
- presented receivables from buyers do not give realistic picture of the number and value of sued claims, the possibility for collection of receivables, as well as the receivables from buyers, which are in liquidation or bankruptcy process; and
- deadlines for bids in the implementation of public procurement procedures are extended without amending or supplementing the tender documentation.

Public Utility Company „Komunalec“ Gevgelija was founded to perform communal activities of public interest in the municipality of Gevgelija: collection, processing and supply of water, sewage disposal, collection and disposal of waste, remediation and other services such as: waste management, civil engineering, warehousing and auxiliary transport activities, services related to maintenance of buildings and activities for landscaping and maintenance of the environment and nature.

In order to improve the conditions identified with the audit, we made recommendations for taking measures and activities in relation to:

- harmonization of statute provisions with the legislation;
- deployment of public servants in line with the foreseen points for each job post and determining the amount of salary points for calculating salaries of public servants;
- adopting accounting policies for regulating specific principles, rules and practices applied by the public enterprise in the preparation and presentation of financial statements;
- setting up and recording the equity in the Central Registry of the Republic of Macedonia as a state-owned capital on the name of the founder;
- continuation of initiated activities for determining the status of facilities used for performing PE activity;
- assessment of collectability of receivables at the end of each reporting period and actual presentation thereof in business books and financial statements;

- removing factors that contribute to water loss in the water supply system, for the purpose of realistic and objective invoicing and charging for used water quantities.

With reference to other-matter, we emphasized the need to re-examine certain shortcomings of importance for the operation of the public enterprise, which refer to the competent authorities:

- adoption of bylaws envisaged in the Law on determining prices of water services, in order to establish efficient system for determining prices of water services; and
- reviewing provisions of the Law on Enforcement Procedures and the Law on Notary in the sections that regulate the procedure for collection of the debt for communal services.

To improve ascertained state of affairs, the audit gave recommendations for taking measures and activities by the responsible persons and the competent authorities.

Ministry of Culture

In line with the Law on Organization and Operation of the State Administration bodies, the Ministry of Culture performs activities related to: monitoring, analyzing and proposing acts and measures for development and promotion of culture; organization, financing and development of a network of national institutions and financing programs and projects of national interest in this field; protection of cultural wealth, as well as activities related to publishing, music, art, film, galleries, libraries, archives, museums and cinemas; cultural centers and cultural mediation activities; copyright and related rights protection; celebration of events and prominent figures of national interest with monuments; and supervision under Ministry's competences.

With the regularity audit for 2016, we ascertained the following state of affairs:

- The buildings of „Star Teatar“ and „Museum of Macedonian Struggle for Statehood and Independence, Museum of VMRO (Internal Macedonian Revolutionary Organization) and Museum of Victims of the Communist Regime“ in Skopje were put into use before obtaining technical approval and report on performed technical assessment by the supervising engineer;

- Preparation of preliminary design for construction of “Univerzalna Sala” was approved without taking into consideration the type of the object, its shape and dimensions, the specific facade, as well as the scope and type of contents of the design program; the preliminary design was several times more expensive than the originally determined value, and thus the project was not realized;
- According to the extract from the detailed urban plan for the Central City area of the City of Skopje “Small Ring”, the construction of the building with Sculptural Composition is intended for cultural events, and it covers all types of activities that take place in specialized buildings like theater, cinema, museum, gallery, cultural center, philharmonics, opera and the like; however, this object does not belong to any specialized construction identified with the code of purpose;
- The payment of interim certificates for construction of the Sculptural Composition was made through program 50 - Protection of Cultural Heritage, item 482 - Other construction works, which is not in line with the purpose of this program. This is non-earmarked spending, because the money is not intended for protection of cultural heritage, but for construction of a building for presenting the life and work of Mother Teresa;
- Consistent with the contracts signed with a foreign supplier, the Ministry procured stage, lighting and sound equipment for the needs of the theaters in the Republic of Macedonia and construction works were carried out for production, delivery, installation, mounting, testing and commissioning of equipment and installations for scene-technological systems. The obligations towards the foreign supplier were paid by opening a letter of credit in the National Bank of the Republic of Macedonia, which includes VAT;
- The construction of Teatar Veles in Veles started in 2008, and in 2016 the activities were still ongoing and contracts for contingencies were signed, the deadlines stipulated in the main contracts were not met, and there are a number of procedures for negotiating contingencies contrary to the legal regulations;
- Construction work was carried out by the holder of the procurement before the bid was submitted and procurement contract was signed for Teatar Veles in Veles;
- For the building of Teatar Veles in Veles no technical inspection was performed, only internal technical review by phases was performed on 02.06.2015; the technical review included several remarks and unfinished items. Although the theater was put into operation in June 2014, the building is still under construction;
- Ministry of Culture is in a process of implementation of 11 capital projects for printing books, with a total value of 557.822.000,00 MKD, which started in 2009 and are still ongoing. The audit did not obtain reasonable assurance for the need and national interest in printing these books, because the inventory on 31 December 2017 identified a supply of 514.494 books in the amount of 301.273.000,00 MKD;

- The criteria for determining the amount of funds to be given to project holders were not defined for the announced competition for granting funds for projects of national interest in the field of culture. The amount of funds for supporting chosen projects by the Ministry was determined on the basis of the judgment of the Commission members;
- Concerning the annual competition for allocation of funds for projects of national interest in the field of culture, the audit identified shortcomings in the work of the commissions in all activities in the field of culture;
- The inventory of assets and their sources was not performed in accordance with the prescribed laws and by-laws, the inventory was done after its deadline and the accounting value of assets was not harmonized with the actual value;
- Obligations in the accounting records are not recorded at the time of service execution, but when the payment is made, which results in unrealistic presenting of obligations towards suppliers;
- Ministry of Culture has announced a competition for selection of design solution for the Sculptural Composition by awarding prizes, and as part of procedure for awarding PP contract for design of the selected solution, which is a combination of two procedures;
- For construction of the Great Concert Hall of Macedonian Philharmonics, the annual public procurement plans do not envisage multi-annual dynamics; however, decisions for implementation, as well as the opinion of the Ministry of Finance envisage multiannual dynamics for realization of PP plans;
- For the determined surpluses and shortfalls, the contractors for the Great Concert Hall of Macedonian Philharmonics did not inform the contracting authority about the need of funds and time for execution as stipulated in the contract and the legal provisions.

With reference to emphasis of matter, the audit highlights the following:

- The construction of capital objects lasts a long period and multi-annual contracts are signed for their construction; however, the funds are planned on annual basis and are not envisaged in the development section of the Budget of the Republic of Macedonia.
- Based on a Government Decision, from the Budget of the Republic of Macedonia account MK - Financing activities in the field of culture, an amount of 300.000.000,00 MKD was paid to the account of the City of Skopje for reconstruction of facades of buildings in the center of the city; these funds were earmarked under item "protection of cultural heritage", and thus the funds were spent unlawfully.
- The entire procedure related to the construction of the Sculptural Composition does not give a clear picture of the nature of the object and is not in line with the relevant legislation.

The audit made recommendations to the Ministry for taking measures and activities for improving ascertained state of affairs.

Ministry of Local Self-government

The Ministry of Local Self-Government is an administrative body whose legal competences are in the domain of the local self-government system for providing quality and uniformed public services to the citizens, as well as for balanced development of the country by encouraging local and regional development and cross-border cooperation.

With the audit on the financial statements for 2016 together with compliance audit in the Ministry of Local Self-Government, the following was ascertained:

- the system of internal controls does not function fully and creates a risk of changes and loss of accounting data;
- payments are made on various grounds with incomplete documentation;
- in the course of 2016, no Strategic or Annual Internal Audit Plan was adopted and no internal audit in the Ministry was performed;
- obligations in the accounting records are not recorded at the time of service execution, but when the payment is made, which results in unrealistic presenting of obligations towards suppliers;
- 227 million MKD were allocated for balanced regional development in 2016, which is below the legally stipulated limit, and amounts to 0.04% of GDP. Allocation of smaller amount of funds from the Budget of the Republic of Macedonia does not contribute to reducing regional disparities and achieving balanced and sustainable regional development;
- the inventory in 2016 was not completely implemented and the provisions of the Rulebook on accounting for budgets and budget users were not followed;
- On 27 December 2011, on behalf of the Government, the Ministry signed Agreement for sharing expenditures between the Government and the United Nations Development Program (UNDP) for the project „Innovative Solutions for Better Access to Services at Local Level“. The agreement was concluded in the period of adoption of Decision for announcing elections until completion of selection of Members of the Assembly of the Republic of Macedonia and election of the Government of the Republic of Macedonia. The financial resources are managed by UNDP in accordance with UNDP's regulations, rules, policies, and internal and external audit procedures.

The audit made recommendations to the Ministry for taking measures and activities for improving ascertained state of affairs.

Compliance audit

6. Financial obligations and financial instability in Local self-government units

In line with the Annual Work Program for 2017, we conducted compliance audit on the subject "Financial obligations and financial instability in in the local self-government units". Through questionnaires the audit included all municipalities, the Ministry of Local Self-Government and the Ministry of Finance - Budget Department and Treasury Department within their legal competencies. We received answered questionnaires from 95% of the municipalities, i.e. from 77 municipalities. Then we selected 12 municipalities where we conducted audit by checking documentation and collecting evidence: Kumanovo, Zelenikovo, Gradsko, Negotino, Berovo, Pehcevo, Zelino, Bogovinje, Tetovo, Delcevo, Zrnovci and Karbinci. The audit covered the period from 2012 to 2016, and for certain issues the period until May 2017.

With the audit we identified the following shortcomings:

- unrealistic budget planning with significant deviation between planned and realized revenues, as follows: in 2012, 64% of budget revenues were realized, in 2013 - 61%, in 2014 - 63%, in 2015 - 65% and in 2016 - 60%;
- even after implementing budget rebalance, planned and realized revenues were not in compliance. Some municipalities, despite the minimal implementation of the budget, no budget rebalance is prepared and adopted. Unrealistic budget planning is characteristic for the adopted Programs for certain activities that are under the competence of the municipalities; regardless of the non-implementation of the budgets, the scope of planned activities / works is not reduced, which on the other hand enables the mayors to conduct public procurement procedures and to take on financial obligations, although there is no real possibility for obtaining funds;
- the share of outstanding liabilities to suppliers on 31 December 2016, for the period 2012 - 2016, in relation to realized revenue by years at municipality level ranges from 25% to 44%, while the share of outstanding liabilities for long-term borrowings and loans on December 31 2016, for the period 2012 – 2016, in relation to realized revenue by years at municipality level ranges from 11% to 18%;

- there is difference between data on short-term liabilities towards suppliers and long-term liabilities on various grounds presented in the questionnaires, and data presented in the balance sheets and data in the quarterly reports submitted by the municipalities to the Ministry of Finance, as well as in the accounting records of the municipalities;
- the inventory of liabilities towards suppliers is usually a specification of balances as of 31 December of the current year, without determined legal basis, i.e. documentation for the origin of liabilities and date / year of occurrence;
- regarding application of provisions of the Law on Financial Discipline in relation to deadlines for payment of obligations towards suppliers, we found that some municipalities do not apply the provisions of the Law, as well as that municipalities with blocked accounts do not have real possibility for application of the Law;
- the municipalities that meet the requirements for financial instability did not act in accordance with the Law on Financing of Local Self-Government Units, because they did not declare financial instability and did not undertake necessary activities;
- out of 14 municipalities with blocked bank accounts, 11 municipalities have the status of blockade and have determined limit with a court decision;
- in 3 municipalities we found that the percentage of the limit is higher than the total realized revenue of the municipality - in one municipality the determined annual limit is 34% higher than the total realized revenue on annual level, in another municipality is 28% higher and in the third municipality is 4% higher;
- municipalities that have met conditions for financial instability, regardless of this situation, started new capital projects, had new employments and promotions of the employees, and also paid obligations towards suppliers with calculations (cessions, compensations, etc.), which is contrary to the legislation;
- total indebtedness of the municipalities with blocked accounts in May 2017 amounted to 2.035.715.000,00 MKD based on total amount of enforcement orders, and the interest amounts to 410.078.000,00 MKD. The interest is calculated by the National Bank of the Republic of Macedonia until the date of preparation of the specification. The final amount of the interest will be determined with the complete realization of enforcement orders;
- for the period 2012-2016, the total borrowing at municipality level, consistent with enforcement orders, amounts to 1.253.723.000,00 MKD in 2012 and 1.900.685.000,00 MKD in 2016; we noted increase of indebtedness of municipalities by 51.6% from 2012 until 2016;
- there are municipalities that have blocked accounts since 2005 or 2008, and still entered the second phase of fiscal decentralization although they did not fulfill the legal requirements; and

- some municipalities that used borrowings from the Budget of the Republic of Macedonia have repaid the funds, but larger number of municipalities did not repay the borrowed funds, although the deadline has expired.

For overcoming identified shortcomings, we gave recommendations to the competent authorities at local level and to the competent ministry, because the situation is alarming, and no measures have been taken thereof.

7. Determining, collecting and using fees for operators of installations that affect the environment

Protection and improvement of the environment is a system of measures and activities (social, political, economic, technical, educational and other) that provide support and create conditions for protection against pollution, degradation and influence on the media and different areas of the environment (protection against ozone depletion, preventing harmful noise and vibration, protection against ionizing and non-ionizing radiation, protection against unpleasant odor, use and disposal of waste, and other types of environment protection).

Activities in the field of environment are carried out by the Ministry of Environment, that is, the Directorate for Environment, which is responsible for issuing environmental permits, determining the fees for operators of installations that have an impact on the environment, and keeping the Register of issued permits. Keeping the Environmental Cadaster, Pollutant Register and Environmental Monitoring are responsibility of Macedonian Environmental Information Centre, a department within the Ministry.

Pursuant to the Law on Environment, operators of installations whose activities have an environmental impact are obliged to obtain integrated environmental permit (IED) or adjustment permit with an adjustment plan as a precondition for continuation or commencement of operation of the installation until meeting requirements for obtaining IED.



The permit is issued as an A-IED by the Ministry or B-IED by the municipality or the City of Skopje. When it comes to installation located in protected area, the permit is issued by the Ministry.

With the audit on determining, collecting and using fees to be paid by operators of installations that have an impact on the environment, we found the following:

- annual fee for obtaining license and regular supervision is not accurately and completely determined in some calculations due to the inefficient internal control system, the imprecise provisions of laws and bylaws, and different and inappropriate application of these provisions;
- permits, changes and transfers thereof, as well as decisions on the fee are not always issued and recorded appropriately and timely; thus, there is no complete information and no regular calculation, monitoring and collection of the appropriate fee;

- large number of operators of installations did not abide by the legal deadline for implementation of operational plans and transition from adjustment permit to integrated environmental permit, which affects the quality of the environment and the revenues of the Ministry;
- National Information System that would cover all data has not been established and the form for the manner of keeping and gathering data for the system is not prescribed; also, there are no complete data in the Environmental Cadaster and the Pollutant Register;
- necessary funds and professional personnel for accreditation of the Central and Calibration Laboratories within the Ministry are not obtained;
- established records of accounts receivable based on determined fees is not complete, accurate and up-to-date; no report on accounts receivable aging is prepared; and no activities are taken for timely collection of accounts receivable;
- most of the accounts receivable presented in the business books refer to receivables from three operators of installations; they do not reflect the real situation of outstanding receivables due to the inability to collect receivables from the bankruptcy estate and unregistered statements for compensation with the operators of installations;
- funds collected from the annual fee for possession of permit and regular supervision of the installation are not used for the purposes stipulated by the law, but for financing projects and other activities foreseen in the annual environmental investment programs;
- the largest part of planned funds in the annual environmental investment programs are intended for activities for protection, preservation and improvement of water quality; small part of the activities are intended for raising public awareness, education and training, and encouraging educational, research and development studies, programs and projects; and no funds are envisaged for protection and improvement of air quality, remediation and construction of landfills, processing and selection of waste, and other areas of the environment;
- criteria in public competitions do not provide sufficient competitiveness and objectivity in the evaluation and selection of applicants and projects / programs for the available funds;
- there is no complete monitoring and control whether the funds allocated to projects are used in accordance with the signed contracts and there is a risk that the funds are not always used for encouraging, preserving, protecting and promoting the environment.

For overcoming identified shortcomings, recommendations were made for taking appropriate measures and activities aimed at providing adequate funds for environmental protection and ensuring sustainable development - development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

3. Employment Service Agency



АГЕНЦИЈА ЗА ВРАБОТУВАЊЕ НА
РЕПУБЛИКА МАКЕДОНИЈА

In order to facilitate the process of employment of disabled persons, the Republic of Macedonia has created Special Fund for Disabled Persons within the Employment Service Agency for financing activities for improving conditions for employment and work of disabled persons, adaptation of the workplace, contributions for pension and disability insurance, contribution for health insurance and contribution for employment of disabled person, contributions for pension and disability insurance for all employees in the protective company, and for procurement of equipment.

The State Audit Office conducted compliance audit on the **Activities and measures taken by users of the Special Fund within the Employment Service Agency of the Republic of Macedonia for 2016**. The audit ascertained the following state of affairs:

- it is necessary to overcome certain weaknesses and inconsistencies in the laws and bylaws that regulate allocation and use of funds from the Special Fund account, to allow equal manner of allocation of funds and earmarked use thereof;
- no funds have been provided from the Budget of the Republic of Macedonia, based on paid VAT and customs by the protective companies, as one of the sources for financing the Special Fund;
- the Agency Managing Board untimely decided on part of the requests for granting non-refundable funds from the Special Fund submitted in the past years; for some cases the delay was from one to three years;
- although the mandate of the Commission for issuing finding and opinion for the tasks that can be performed by a disabled person at an appropriate position has expired, it continued to perform its function, which affects the validity of issued findings and opinions. For most of the issued findings and opinions it was ascertained that no direct meeting was held with the disabled person as required by the relevant law, which reduces the objectivity in the assessment of the situation and the finding drawn up by the Commission; and

- there are no supervisory activities over the implementation of the provisions of the Law on Employment of Disabled Persons and no inspection supervision of the special conditions for employment and work of disabled persons in protective companies and companies that employ disabled persons.

For overcoming ascertained shortcomings, we gave recommendations in the final audit report and we expect that the competent authorities and the responsible person of the Agency will take appropriate measures and activities thereof.

9. Pension And Disability Insurance Fund Of Macedonia



ФОНД НА ПЕНЗИСКОТО И ИНВАЛИДСКОТО
ОСИГУРУВАЊЕ НА МАКЕДОНИЈА

The State Audit Office conducted **compliance audit on the public procurement in the Pension and Disability Insurance Fund of Macedonia for 2016.**

With the audit we found the following shortcomings:

- The system of internal controls in the public procurement planning process is implemented without procedure for determining annual requirements supported by analyzes, complete and harmonized guidelines for procurement priorities and commencement by organizational units. Reduced control activities of the Public Procurement Unit create a risk of occurrence of omissions in the implementation of public procurement procedures; we note that some omissions were dealt with during the course of the audit;
- For some public procurement procedures that have been planned and implemented, the audit did not find sufficient evidence for their priority and necessity;
- Procurement of catering services has been carried out without proper public procurement procedures;
- For certain public procurements, there is no minimum criterion set with relevant bylaw for defining technical specification criteria and proving technical and professional capability; also there is no similarity with the criteria stated in the market analysis overall;
- In some procurement procedures, in the bid evaluation phase, the Procurement Committee has not asked the bidders to clarify or supplement documents necessary for reviewing the validity and completeness of documentation for determining capability of the bidders;

- In public procurement procedures with price reduction after conducted electronic auction, a practice has been established to sign the public procurement contract with selected most favorable bidder without submitting bid with the reduced total price(-s) per items compared to the initially offered bid. Activities were taken to overcome identified weaknesses with the implementation of public procurement procedures in 2017;
- PP contract for procurement of electrical power has been signed in an amount bigger than the achieved one at the e-auction, i.e. the value of the contract was in the amount of the estimated value of the public procurement decision. During the course of the audit, an annex was signed with the price achieved at the e-auction.

For overcoming ascertained shortcomings, we gave recommendations in the final audit report and we expect that the competent authorities and the responsible person of the Fund will take appropriate measures and activities thereof.

With reference to emphasis of matter, the audit disclosed several shortcomings related to the digitization of microfilms by economic operators, based on signed PP contracts, and the need of re-examining the manner of digitization of the remaining microfilms in the coming period.

10. Health Insurance Fund of Macedonia



The State Audit Office conducted compliance audit on the **monitoring of settlement of obligations for payment of due contributions for compulsory health insurance in the Health Insurance Fund of Macedonia in the period from 2009 to 2016.**

With the audit we ascertained the following:

- the amount of total unpaid contributions for compulsory health insurance, as of 31 December 2008, was not accurately determined due to incomplete and incorrect records of the tax numbers and names of entities, and the amount and borrowing period of entities;
- data received from the regional offices and the Department for legal affairs related to the process of monitoring of collection of receivables on the basis of unpaid contributions are not in accord due to lack of coordination of actions and lack of coordination activities for providing unified way of monitoring receivables by the Headquarters of the Fund;
- despite the Fund's expectations that large number of tax payers will use the benefits of the Law on abeyance and the Law on settlement of interest, the response was insufficient;
- the signed Agreement for recording and monitoring receivables between the Public Revenue Office (PRO) and the Fund is not in accordance with the Law on contributions for compulsory social insurance, i.e. it does not stipulate an obligation for the PRO to submit legally determined information to the institutions, which impacts the completeness of presented receivables on the basis of unpaid contributions in the financial statements of the Fund.

For overcoming identified shortcomings, the audit gave recommendations to the responsible persons of the Fund for taking appropriate measures and activities.

Performance audit

In line with 2017 Annual Work Programme, we conducted 4 performance audits covering 113 entities.

All performance audits are assessments focused on the quality and quantity of public funds and services in areas where we identified significant financial risks and opportunities for social and systemic improvements. We also created indicators, thus providing added value to the selected activities

5. Efficiency of measures, policies and projects for protection of forests in the Republic of Macedonia

Forests are national wealth, i.e. part of the heritage of the Republic of Macedonia. As goods of public interest, they enjoy special protection.

According to data from the State Statistical Office, the total area with forests is 983.388 hectares - 90% are state owned and 10% are privately owned.

We carried out performance audit in order to answer the question whether competent institutions undertake measures, activities and projects for efficient forest protection, as well as to assess the strategic and legal framework for protection of forests in the country, financing of protection, and measures taken for effective protection.

Concerning adoption and implementation of laws and bylaws related to protection of forests, we found that no activities have been taken for drafting some of the envisaged legal solutions, and some legal solutions have not been timely updated. Furthermore, we noted that the activities for implementation of national inventory and setting up cadaster of forests and forest land have not been initiated; there is no single information system and no national plan for management of open-air fires. We pointed to the need of setting up national committee and national council for forestry.

With regard to securing financial resources, we found that some public enterprises do not pay the funds for extended reproduction of forests and sale of seized timber from illegal logging to the account of the Budget of the Republic of Macedonia, while the funds for simple reproduction are not put on a separate account.

We also identified several shortcomings as potential dangers for the forests in the Republic of Macedonia, such as higher consumption of firewood by households than the recorded timber harvested, as well as incompliance of data of the competent institutions for illegal logging in the country.

We noted insufficient coordination, staffing and equipment of the forest police, the forest protection service and the technical service, unfavorable age structure of pilots in the aviation department, as well as a need to strengthen mutual communication, coordination, cooperation and action of the entities responsible for protection of forests from fires.

In relation to the measures for efficient forest protection, we found lack of adopted Program of measures and activities for data collection on forest damage, lack of a register of forest damages, Macedonian information system for forest fires is not used by all competent institutions, and there is insufficient involvement of scientific and expert institutions in the field of forestry.

As to setting up complete and efficient system of forest protection in the Republic of Macedonia, we found that competent institutions have not taken all necessary activities for: conducting inventory and setting up a cadaster of forests and forest land; protection of forests from illegal logging; protection from forest fires; forestation and preservation of forests; adoption and update of basic planning documents for forest protection; adoption of by-laws related to forest protection; protection of forests from pests; implementation of afforestation to ensure greater efficiency and effectiveness; obtaining additional financial resources for starting envisaged projects; strengthening human resources; obtaining material and technical resources; better communication and coordination between competent institutions; and greater efficiency of the institutions responsible for supervision, monitoring and control of forests in the Republic of Macedonia.

Realization of aforementioned activities will contribute to setting up an effective system for forest protection in the Republic of Macedonia, with the aim of preserving their condition and not allowing destruction of forest, taking into account their ecological importance.

Based on the results of the performed audit we gave recommendations to the competent institutions aimed at improving efficiency of forest protection and overcoming aforementioned shortcomings.

2. Effectiveness of Local Self-government units in annual planning and realization of annual public procurement plan

The main objective of the municipalities is to improve the quality of life of citizens and meet their needs in the spheres of communal infrastructure, urban planning and construction, education, culture, sports and other areas of public life. The competencies of the municipality are realized through performance of public works, which requires engagement and utilization of institutional and administrative capacities, that is, material and financial resources and human resources available to the municipalities. Municipalities accomplish their planned objectives through implementation of annual plans by awarding contracts for procurement of works, goods and services in line with the Law on Public Procurement, which amount to 50 - 60% of the annual budget funds. When spending funds with public procurement contracts, municipalities should ensure transparency and integrity both before the citizens and the business community, rational and efficient use of budget funds, competition, equal treatment and non-discrimination of economic operators.

The performance audit was focused on examining the planning, selection and implementation of projects in the annual work programs of municipalities so as to assess whether the management in local self-government units undertook appropriate activities for efficient annual planning of public procurements and effective implementation of annual public procurement plan.

The audit covered activities for implementation of public procurements in the years 2014, 2015 and 2016 in all 81 municipalities in the Republic of Macedonia, including the City of Skopje as a separate local self-government unit.

For efficient and effective realization of activities, municipalities need to establish the following:

- functional organizational structure and defined competencies;
- complete, realistic and applicable annual programs - approved by the management and in agreement with the funds provided by the Budget;
- clear and complete working procedures that are easy to apply, updated and available to all employees;
- persons involved in public procurement need to possess knowledge, experience, abilities, licenses, and to be appropriately trained;
- clear and accurate tender documentation, with precise criteria and technical specifications;
- fair conditions and competitiveness for all economic operators;

- activities of public procurement commissions to be carried out within deadlines set in the PP plan;
- internal controls need to be continuously checked and assessed in support of achievement of entity's objectives.

With the audit we identified shortcomings that impact the efficient and effective realization of activities, as follows:

- Municipalities have a trained, but insufficient number of personnel involved in public procurements. Limited financial resources are the main reason for insufficient staffing of departments / units, including public procurement units;
- Municipalities that implemented applicable working procedures have more successful realization of planned objectives;
- Lack of clearly defined criteria for selecting projects covered by annual programs creates a risk of subjectivity and favoring in decision-making;
- Annual public procurement plan that does not contain complete information on specific projects and their estimated value makes it difficult to monitor realization of planned projects in annual plans of departments, which contributes to reducing the effectiveness of overall planning of the municipality;
- Annual planning of public procurement needs does not take into account experience from previous years in relation to the realization of planned revenues in the budget; consequently, the public procurement plan is not fully implemented or the municipality undertakes obligations that will have to be paid from next year's budget;
- Most of the municipalities have not adopted procedures with clear instructions for annual public procurement planning, while the municipalities that have, the procedures do not cover all stages of the public procurement process;
- Inconsistencies in the planning of procedures occur most often due to:
 - √ incorrect identifying of the subject / type of procurement;
 - √ inadequate market analysis;
 - √ unclear and imprecise tender documentation, i.e. unrealistic criteria, incomplete and inaccurate technical specification; and
 - √ lack of analysis of current trends of market prices to confirm that planned funds with the program and the budget are sufficient for realization of the procurement.
- Lack of established practice for regular preparing and submitting information to the management bodies in relation to the implementation of the annual plan.

We gave recommendations to the municipal administration bodies as follows:

- to strengthen and improve human resources of public procurement units and to do continuous vocational training and development;
- to set up priorities in selection of projects in annual programs, and to prescribe and adopt internal procedures for the public procurement process, including annual planning;
- to carry out public procurement planning in line with the real potential of the municipality for realization of planned revenues;
- to update the public procurement plan regularly in accordance with the changes to the municipality budget;
- to prescribe monitoring and reporting on implementation of annual public procurement plan.

We also gave recommendations to the Public Procurement Bureau for taking measures and activities for reviewing and further regulating of the laws and bylaws in relation to:

- the manner of determining type of procurement (goods, services and works) in cases when there is a combination of procurement of goods, works and services;
- the lowest price as a criterion for selection of most favorable bid; and
- the obligation to publish estimated value of the procurement.

The effects of measures and activities to be taken upon the audit recommendations should contribute to improvement of legislation and more efficient planning in the municipalities, and thus to increase the effectiveness of realization of public procurement plans and meeting the needs of the citizens.

7. Air quality



In accordance with 2017 Annual Work Program and at the initiative of the Netherlands Court of Audit, we carried out cooperative performance audit on air quality. The audit was carried out by SAls of 15 countries - neighboring countries, EU Member States and Switzerland.

The Netherlands Court of Audit was coordinating the audit together with the Supreme Audit Institution of Poland.

The audit covered the period 2014-2016 and several entities at central level - Ministry of Environment and Physical Planning,

Institute for Public Health and State Environmental Inspectorate. We also covered all local self-government units with questionnaires.

The audit objective was to find whether measures / actions taken at central and local level for improving air quality are effective in terms of reducing emissions of polluting substances that affect the environment and human health.

SAls of participating countries identified the following audit areas:

1. Air pollution - a problem we are facing;
2. Organizational structure of the air quality management system;
3. Legal and legislative framework for air quality;
4. Measures and activities for improving air quality;
5. Financing measures / activities and measurability of the effects of implementation thereof;
6. Air quality monitoring and reporting system.

Each country had the opportunity to cover all identified areas or to define its own areas of interest. The State Audit Office of the Republic of Macedonia covered all identified areas.

With the audit we identified shortcomings by areas as follows:

- The most critical pollutants that affect the air quality in the country are suspended particulate matter PM10 and PM2.5;
- The average annual concentrations of PM10 exceed the annual limit value (40 µg / m³) in all monitoring stations placed in the urban areas since 2005; the highest recorded values are in Tetovo and Skopje (Lisice), which exceed 120 µg / m³;
- Concentrations of PM2.5 are measured in two monitoring stations in Skopje, and their average annual value is two times higher than the limit value;

The assessment of the quality of ambient air is not complete due to:

- incomplete data on the emissions at the stationary sources of pollution;
- data on the quantities of pollutant emissions from non-production sources are not taken into consideration;
- poor access to quality input data limits the use of dispersion models for assessing air quality.

Although the organizational setup of the air quality management system is clearly defined in the legal regulations, certain weaknesses were identified as follows:

- the engagement of environmental inspection supervision does not fully comply with the requirements arising from the EU law, hence new Law on Environmental Inspection was drafted in 2016;
- administrative and technical capacity of competent institutions is insufficient at central, and in particular at local level, in terms of human resources, equipment and financial resources;
- Republic of Macedonia is not subject to sanctions by the EU, nor there are sanctions at central / local level for failing to achieve the objectives set by air quality policies;
- measuring transboundary transfer of pollutants is carried out in only one measuring station;
- Ministry of Environment and Physical Planning and the municipalities have not established cooperation with the competent authorities of the neighboring countries;
- the legal and strategic framework regulating ambient air quality in the Republic of Macedonia is aligned with EU Directives in the field of ambient air quality;
- amendments contained in the Commission's new Directive 2015/1480 (EU) concerning the annexes of Directive 2004/107 / EC and Directive 2008/50 / EC, as well as the amendments to Directive 2001/81 / EC, are still not transposed in national legislation;
- No information and alarm thresholds for PM10 particles have been defined, due to certain remarks and requests for corrections by the non-governmental sector.

Although certain measures have been taken for protection of ambient air, they are not sufficient to achieve satisfactory results in relation to reduction of pollution.

- For the Environmental Investment Program, the same amount of Budget funds was allocated in 2014, 2015 and 2016 and no funds were allocated for projects related to the medium air;
- Funds for implementation of the Annual Work Program of the State automatic monitoring system for ambient air quality are not sufficient for servicing, procurement of spare parts for the measuring stations, dislocation of existing monitoring stations, procurement of laboratory equipment and chemical analyses, and accreditation of the Central and Calibration Laboratories;

- According to data from the State Statistical Office, the investments and expenses for air protection are 13% in 2014 and 2015, and 6% in 2016, of the total investments and costs for the environment. Most of these are made in the industry and the specialized producers (83-96%), while the participation of the remaining sectors of economic activity is small and ranges from 4-17%.

Regarding completeness of data and reports on monitoring air quality, we found the following:

- In the period 2014-2016, out of 17 monitoring stations, 3 did not function; in the other stations, some parameters were not measured, and some parameters are not covered with minimum data;
- Except in 2014, in the remaining years subject to audit, benzene concentrations were not measured regularly, and indicative measuring campaigns that were not sufficiently representative were carried out for heavy metals and polycyclic aromatic hydrocarbons;
- Some of the installations do not submit reports on measuring made to the Directorate for Environment and Macedonian Environmental Information Center;
- AIRVIRO - air quality information system has been set up, which is linked to the air quality web portal. Although the database is designed with a large volume of data, data from other sources for assessing quality of ambient air are missing, and hence the database is incomplete;
- The established Cadaster of Air Pollutants is incomplete due to lack of data from non-production sources of emissions, as well as data from measuring done on some of the production sources of emissions.

The audit gave recommendations to the competent institutions and bodies for overcoming identified shortcomings.

8. Public private partnership



We conducted performance audit on the topic „Public private partnership at local level“ in order to answer the question: „Does the legal framework and institutional setup provide for successful creation of public private partnership with local self-government units and what are the effects of signed contracts between public and private partners“ and we made recommendations aimed at establishing efficient system for public private partnership and increasing the effects thereof.

Public Private Partnership is a medium-term, and most often long-term cooperation between public and private sectors, whereby combining experience and competences of the two sectors contribute to more successful resolving of problems at national, regional and local level.

Creating partnerships in these two sectors is driven by the logic that better results will be achieved through joint cooperation, than by working individually. The cost-effectiveness of PPP, in terms of traditional provision of public goods and services, should be the result of a quality designed project solution, financial structure and joint management of the project.

The performance audit covered the period 2011-2017, with particular focus on creating public-private partnership with local self-government units.

Audit activities covered the following areas:

- Legislation, competencies and coordination of institutions;
- Implementation of procedures for creating PPPs by the municipalities;
- Effects from the implementation of PPP contracts.

This audit covered the public private partnerships of local self-government units with private partners in the area of public street lighting, administrative buildings and construction of sports facilities.

The performance audit included:

- Ministry of Economy;
- Municipalities of Gyorche Petrov and Kriva Palanka (for the construction of administrative building);
- Municipalities of Chair, Sveti Nikole and Studenicani (in the area of street lighting);
- Municipality of Aerodrom (for construction of a sports complex);
- Municipalities of Tetovo and Gazi Baba (for construction of a football field).

With the audit we found that existing institutional setup of public private partnership in the Republic of Macedonia and the practical implementation of public private partnership models partially ensure successful realization of the projects.

For successful implementation of projects with public private partnership, it is necessary to strengthen institutional capacities at central and local level. Systemic approach of all institutions involved in the process of implementation of public private partnership procedures is necessary. In addition, involved institutions should act in accordance with their competencies as follows: to revise the Law on Concessions and Public Private Partnership, to establish an institution / body that will be responsible for giving an opinion on initiation of procedure for implementation of a public private partnership agreement, and to draft and adopt a strategic document with guidelines for successful implementation of public private partnerships

In 2017 the State Audit Office had extensive international cooperation on bilateral and multilateral level. Participation in cooperative audits in the area of public procurement and the environment with SAs from EU and the region has contributed to the professional development of SAO staff and the quality of performance audits, as some of our main priorities in the previous period.

Following the successful realization of 2015 parallel performance audit project in the field of energy efficiency, SAI of Sweden initiated a new project for cooperative performance audit (PPII) for the Network SAs on the topic of public procurement. The project commenced in February 2016. With the support of Swedish SAI and ECA it was completed by the end of 2017. After its completion, a Synthesis Report was prepared presenting key findings and main conclusions of the national audit reports of participating SAs.

In 2017 SAO participated in a cooperative audit on air quality coordinated by the Netherlands Court of Audit and SAI of Poland.

The benefits of cooperative audits are multiple, in particular for the opportunity for professional development of auditors through peer-to-peer activities, for flexible approach and using other SAs experience, as well as for strengthening confidence in one's own capacity for carrying out performance audit.

The exchange of knowledge and experience in the field of state audit with colleagues from other SAs was accomplished through the standard forms of cooperation, mainly in coordination with INTINTOSAI² and EUROSAs³. KSAO contribution in the working groups and bodies established for realization of EUROSAs 2011-2017 strategic objectives and for promoting ethics and integrity in SAs and public administration continued with equal intensity in 2017.

SAO staff has participated at international events for professional development in the following areas: implementation of ISSAs⁴ for performance audit, internal audit, preservation of water quality, strengthening integrity of SAs and fight against corruption, public debt management, cooperative audits, municipal audits and environmental audits.

The State Audit Office is a veteran member in the Network of SAs of candidate and potential candidate countries for EU accession and the European Court of Auditors. We entered into the second decade of our active participation and contribution to the accomplishment of Network's activities aimed at setting up audit structures in the countries preparing to join the European family.

² International Organization of Supreme Audit Institutions - Macedonia SAO is INTOSAI member since 2001

³ European Organization of Supreme Audit Institutions - Macedonia SAO is EUROSAs member since 2002

⁴ International Standards of Supreme Audit Institutions

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

Activities within EUROSAI, INTOSAI and other organizations



The State Audit Office maintains its membership in EUROSAI WGs on Environmental Auditing (since 2002) and on IT audit (since 2005) with continuous and active participation in their activities.

Sixth consecutive year SAO participates in the activities of EUROSAI Task Force on audit and ethics (chaired by the SAI of Portugal) for

strengthening integrity and ethics in SAIs and the public administration.

During 2017, the State Audit Office actively contributed to the implementation of EUROSAI Strategic Plan 2011-2017 through its representatives in the Goal Teams 1, 2 and 3, whose activities were aimed at building SAI capacities, application of professional standards and exchange of knowledge between EUROSAI members and beyond. SAO representatives actively participated in the process of setting up the new EUROSAI Task Force on Municipality Audit as well as in its activities during the initial meeting in Vilnius (April 2017) and the first seminar and annual meeting held in Riga (October 2017).

SAI of Estonia organized the third Young EUROSAI Conference 3.0 in September 2017. SAO representatives were two junior auditors. Young participants exchanged views on the topic "Updates Available". It pointed to the need of continuous advancement in the profession, which combined with development of digitization and increased volume of available data is an imperative for every auditor. The purpose of the Conference was to exchange ideas, success stories and less successful practice in order to find ways to further improve the work of auditors and to raise the level of audit quality.

In 2017 several activities were organized within INTOSAI Development Initiative (IDI) for Audit of Sustainable Development Goals (SDGs), which included: training of mentors, design and

development of training for audit of SDGs and the planning phase. Within the program aimed at training SAIs for auditing SDG goals, SAO representative took part in the trainings held in Jamaica and India.

During 2017, SAO high-level delegations took part in several important international events, and we highlight the following:

- **X EUROSAI Congress**, held in Istanbul (May 2017). EUROSAI members discussed on the topic "Implementation of ISSAIs: Challenges and solutions for further improvement". The expected result of the Congress was to promote exchange of ideas and experience among SAIs in order to contribute to further improvement of ISSAI framework through technical discussions and strategic solutions;
- At the **24th UN / INTOSAI Symposium** held regularly in Vienna (June 2017), the topics covered the work of supreme audit institutions in monitoring implementation of sustainable development goals of UN 2030 agenda for sustainable development, good governance and fight against corruption, and promoting INTOSAI credibility as a recognized international organization;
- **UNCTAD Conference** was held in Geneva (November 2017). The main topic was public debt management;
- INTOSAI marked **40th anniversary of the adoption of the Lima Declaration of Guidelines on Auditing Precepts** in December last year in Lima, Peru.

Within the Belt & Road Routes initiative introduced by the President of the People's Republic of China, two SAO representatives took part in the international audit seminar organized by the SAI and the Ministry of Commerce of China held in Nanjing (July 2017).



In 2017, the Centre for Financial Reporting Reform (CFRR), part of the World Bank's Governance Global Practice of the World Bank Group from Vienna, together with the governments of Austria and Switzerland launched the Public Sector Accounting and Reporting Program (PULSAR) to develop public sector financial reporting framework in the Western Balkan countries and countries that were formerly part of the Soviet Union. SAO representative participated in the first workshop held in Vienna (December 2017).

The State Audit Office has expanded its presence in two more international working groups. The first one is EUROSAI project group on „The role of SAIs in Spreading Integrity Culture“, led by SAI of Hungary. This activity is part of EUROSAI Strategic Plan 2018-2023, adopted at the EUROSAI Congress in Istanbul. The other new membership is in INTOSAI Public Debt Working Group. The activities of this working group will be focused on exchange of experience among supreme audit institutions in relation to reporting and sound public debt management in line with ISSAIs.

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

Network activities aimed at facilitating integration of candidate countries in the European family are taking place in coordination with the Network SAIs liaison officers and with the support of Joint Working Group on Audit Activities (JWGAA) established by the Contact Committee, EU SAIs and SIGMA.

At the regular annual meeting of Network SAIs liaison officers held in Stockholm (May 2017), the rotating chair was the representative of the State Audit Office. Subject of harmonization were the activities from the Outline Work Plan (2016 -2017) that were to be completed by the end of 2017 and the new priorities of the members in defining Network activities for the new Outline Work Plan (2018-2020).



Within the Parallel Performance Audit Project II in the field of public procurement, six workshops were organized covering all audit stages - from planning to reporting. The last two were held in 2017 in Skopje and Belgrade. Professional and financial assistance for this project was provided by SAI of Sweden in coordination with the JWGAA, and with the participation of ECA representatives. Synthesis Report based on the national audit reports of participating SAIs was published on the websites of ECA and SAI of Sweden).

At the Contact Committee meeting held in Luxembourg (October 2017), the Heads of Network SAIs (Turkey, Macedonia, Montenegro, Serbia, Albania, Bosnia and Herzegovina, ECR and Kosovo* as an observer) adopted the new Outline Work Plan (2018-2020). The activities aimed at strengthening capacities of Network members through cooperation with EU SAIs and the ECA, will focus on the cooperation with parliaments to improve the audit impact, IT support in the audit process and audit software, development of performance indicators, as well as on the continuation of the series of workshops for development of financial audit that began in the second half of 2017. At the meeting, the participants also adopted new version-update of the document Framework of cooperation of the Network SAIs, which was necessary to reflect the current state and composition of the Network.

Participation of SAO representatives together with other Network members in the meetings of the Contact Committee (comprised of Heads of EU SAIs) provides continuous monitoring of the latest developments in the field of public finance management in the EU, the impact of new EU regulations on the work of ECA and national SAIs, as well as exchange of experience in the audit practice (methods, approach, selection of audit area/topic) aimed at improving responsibility and accountability in spending resources granted by European funds..

Bilateral and regional cooperation



At the 5th annual and final meeting of the project team held in Skopje (October 2017) it was assessed that the five-year project activities resulted in successful implementation of the Audit Management System (AMS) in support of the audit process at the level of the entire institution. The successful completion of the project was made possible thanks to its sound funding, the commitment of the project team members and the support of the top management of both institutions (SAO and OAGN).

The realistic planning of activities was also of key importance

- mapping audit processes, preparing feasibility study, harmonizing SAO methodology in parallel with the AMS development, upgrading IT infrastructure, as well as the involvement of auditors in all key stages of the process, including AMS testing and training for its use, administration and maintenance.

The successful AMS implementation prompted interest in several SAIs from the region, and in 2017, SAO organized demo presentation of the software to the colleagues from Serbia, Montenegro and Bosnia and Herzegovina.

High-level SAO delegation participated at the 10 years' anniversary of the establishment of the Suprema Audit Institution of Serbia.

In 2017 SAO held bilateral meetings with high-level delegations from the Turkish Court of Accounts, SAI of Serbia and SAI of Montenegro. The interest was focused on the Audit Management System (AMS), the SAPRI software for analysis of final audit report data, in particular follow-up of implementation of audit recommendations, as well as promotion of the bilateral cooperation.

Cooperation with OECD - SIGMA and the European Commission

At the end of 2017, the State Audit Office started the implementation of a twinning project (2017-2019) financed by EU „Further improvement of administrative capacities and external audit efficiency of the State Audit Office“. The twinning project partners – SAO, SAI of Bulgaria and SAI of Croatia, held the first technical meeting in Skopje in December 2017 to agree on the activities for the coming period.

The cooperation with SIGMA was realized within the Network activities. Several activities of the Outline Work Plan of the Network (2016-2017) were realized with financial and logistics support by SIGMA. This cooperation has positive effects on the process of building the State Audit Office as a competent external audit institution in line with EU criteria and international standards on state auditing.

Transparency

The transparency in the work of the State Audit Office, in the context of promoting the system of communication and information exchange with national and international legal entities, and informing the public about SAO operation, is defined as one of the five key strategic objectives of the new Development Strategy 2018-2022. Thus, transparency was consistently applied in the course of 2017, with regular informing of the public through the already established system.

The continuous publication of final audit reports on SAO website, as an essential part of the process of implementation of the Annual Work Program, dominated in the transparency process in 2017.

In addition to the contents of final audit reports resulting from performed audit on entities in line with the law, the public was also informed about other SAO activities. All planned and realized activities during 2017 were published on SAO website.

The published information referred to trainings held during workshops as part of the continuous professional development of state auditors, meetings of SAO representatives with other SAI delegations, both in Macedonia and abroad, participation of SAO representatives at meetings, congresses and other audit-related events.

In relation to the international audit activities, in 2017 SAO representatives actively participated in congresses, meetings and working sessions organized by INTOSAI and EUROSAI, and the public was informed about all these events.

Media and journalists showed interest in the results of SAO work in 2017 and published information, articles and comments, mainly in relation to the findings in final audit reports.

In terms of transparency and in line with the Law on Free Access to Public Information, 15 requests from natural and legal entities and journalists were submitted to SAO in 2017. SAO responded to these requests within the established legal deadlines.



PCM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 166
www.rsmmk.mk



РЕПУБЛИКА МАКЕДОНИЈА
ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
СКОПЈЕ

Бр. 01-537/1
08.06.2018 год.

ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Македонија

Ние извршиме ревизија на приложените финансиски извештаи на Државниот завод за ревизија за средствата од Буџетот на РМ, односно за остварени приходи и расходи преку сметката 020021504063710 – Редовна сметка средства од буџетот на РМ, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2017, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

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

Одговорност на ревизорот

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

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на PCM Иницијата и тргува како PCM. PCM е трговското име кое се користи од страна на члените на PCM Иницијата. Сметка член на Иницијата PCM е независно друштво кое работи согласно своите дополнителни правила и одбрани. Иницијата PCM сака да не е погодно правно лице во некои јурисдикции.



PCM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 166
www.rsmmk.mk

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

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

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија – Редовна сметка средства од буџетот на РМ заклучно со 31 декември 2017 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на PCM Иницијата и тргува како PCM. PCM е трговското име кое се користи од страна на члените на PCM Иницијата. Сметка член на Иницијата PCM е независно друштво кое работи согласно своите дополнителни правила и одбрани. Иницијата PCM сака да не е погодно правно лице во некои јурисдикции.



PCM МАКЕДОНИЈА ДООЕЛ Скопје
Дане Груев б. 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsm.mk

Извештај за други правни и резултатни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаји на Државниот завод за ревизија за 2017 година.

Скопје, 07 Јуни 2018 година

Овластен ревизор
Миле Ниневски

Друштво за ревизија
PCM МАКЕДОНИЈА Скопје



Друштво за ревизија PCM
МАКЕДОНИЈА ДООЕЛ Скопје

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на PCM групата и тргува како PCM. PCM е трговското име кое се користи од страна на членовите на PCM групата. Сето член на групата PCM е независно друштво кое работи согласно своите доделени права и обврски. Мрежата PCM сепак не е посебно правно лице во илјадна јурисдикција.

Државен завод за ревизија
финансиски извештај за Сметката на основен буџет 637-19 за годината завршена на 31 декември 2017

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение		во денари	
	Буџет	2017	Реализирано	2017
Приходи				
Трансфери и донации	3.1.	90.822.000	87.810.362	89.404.941
Вкупно приходи		90.822.000	87.810.362	89.404.941
Расходи				
Тековни расходи	3.2.			
Плати, наемнини и надоместоци	3.2.1.	72.368.000	70.341.026	71.710.930
Сток и услуги	3.2.2.	16.447.000	15.644.732	17.344.621
Разни трансфери	3.2.3.	140.000	30.000	88.746
Вкупно тековни расходи		88.955.000	86.015.758	89.144.297
Капитални расходи	3.3.			
Капитални расходи		1.867.000	1.794.604	260.644
Вкупно капитални расходи		1.867.000	1.794.604	260.644
Отплата на главнина				
Вкупно расходи		90.822.000	87.810.362	89.404.941

Нето вишок на приходи - добивка по оданочување

Скопје, 09.03.2018

Раководител на Сектор за
финансиски прашања
Блага Николова



Заменик главен државен ревизор
Насер Адеми

БИЛАНС НА СОСТОЈБА

Активa	Опис на позицијата	Образло- жение	2017	2016
				во денари
Тековни средства				
Побарувања од вработените	4.1.		59.896	142.661
Активни временски разграничувања	4.1.1.		6.479.563	6.358.392
Залози	4.1.2.		1.276.074	956.551
Вкупно тековни средства	4.1.3.		7.815.533	7.457.604
Постојани средства				
Нематеријални средства	4.2.		288.135	52.875
Материјални средства	4.2.1.		5.659.001	5.093.743
Вкупно постојани средства	4.2.2.		5.947.136	5.146.618
Вкупна актива			13.762.669	12.604.222
Вонбилансна актива			77.829.200	77.829.200
Пасива				
Тековни обврски				
Краткорочни обврски спрема добавувачи	4.3.			589.448
Краткорочни обврски за плати и други обврски спрема вработените	4.3.1.		697.296	
Пасивни временски разграничувања	4.3.2.		5.782.267	5.788.944
Вкупно тековни обврски	4.3.3.		6.539.459	6.501.053
Извори на средства				
Извори на капитални средства	4.4.		7.178.303	6.103.169
Резервациони средства			44.907	
Вкупно извори на деповни средства			7.223.210	6.103.169
Вкупна пасива			13.762.669	12.604.222
Вонбилансна пасива			77.829.200	77.829.200

Скопје, 09.03.2018

Раководител на сектор за
финансиски прашања
Блага Николова

Заменик главен државен ревизор

Насер Адеми



РСМ МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија

T+389 (0)2 3233 301

T+389 (0)2 3233 302

F+389 (0)2 3216 186

www.rsm.mk



РЕПУБЛИКА МАКЕДОНИЈА
ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
СКОПЈЕ

Бр. 07-537/2

Дд. 06. 20.18.гггг

ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Македонија

Ние извршивме ревизија на приложените финансиски извештај на Државниот завод за ревизија за средствата на приходи наплатени од органи, односно за остварени приходи и расходи преку сметката 020021504063119 – Сметка на приходи наплатени од органи, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2017, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештај

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

Одговорност на ревизорот

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



PCSM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsmmk.mk

Ревизијата вклучува извршување на постапки за прибавување на ревизорски докази за износите и обелоденувањата во финансиските извештаи. Избраните постапки зависат од ресудувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално погрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да обликува ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за ефикасноста на интерната контрола на ентитетот. Ревизијата исто така вклучува и оценка на соодветноста на користените сметководствени политики и на разумноста на сметководствените проценки направени од страна на раководството, како и оценка на севкупното презентирање на финансиските извештаи.

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

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија – сметка на сопствени приходи наплатени од органи заклучно со 31 декември 2017 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

PCSM МАКЕДОНИЈА ДООЕЛ Скопје е член на РСМ Мрежата и тргува само РСМ. РСМ е трговското име кое се користи од страна на членките на РСМ Мрежата. Секој член на мрежата РСМ е независно друштво кое работи согласно своите дополнителни права и обврски. Мрежата РСМ савтаа не е посебно правно лице во нивната јурisdикција.



PCSM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsmmk.mk

Извештај за Други правни и резултативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2017 година.

Скопје, 07 јуни 2018 година

Овластен ревизор
Миле Ниневски

Друштво за ревизија
PCSM МАКЕДОНИЈА Скопје

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

PCSM МАКЕДОНИЈА ДООЕЛ Скопје е член на РСМ Мрежата и тргува само РСМ. РСМ е трговското име кое се користи од страна на членките на РСМ Мрежата. Секој член на мрежата РСМ е независно друштво кое работи согласно своите дополнителни права и обврски. Мрежата РСМ савтаа не е посебно правно лице во нивната јурisdикција.

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образло жение	Буџет 2017	Реализирано 2017	Реализирано 20	во денари
					20
Приходи		4.000.000			
Неденочни приходи	3.1.		149.910	65.79	
Трансфери и донации	3.2.	6.160.237	6.310.147	6.520.53	
Вкупно приходи		4.000.000	6.310.147	6.586.33	
Расходи		4.000.000			
Тековни расходи	3.3.				
Разни трансфери	3.3.1.			426.09	
Вкупно тековни расходи		4.000.000		426.09	
Капитални расходи	3.4.				
Капитални расходи					
Вкупно капитални расходи					
Вкупно расходи		4.000.000		426.09	
Остварен вишок на приходи			6.310.147	6.160.23	
Даноци, придонеси и други давачки од вишокот на приходи					
Нето вишок на приходи			6.310.147	6.160.23	
Распоредување на вишокот на приходи					
Дел од нето вишокот на приходи за пренос во наредна година			6.310.147	6.160.23	
Обврски за данок на добивка					
Вкупно распоред на вишок на приходи			6.310.147	6.160.23	

Скопје, 09.03.2018

Раководител на сектор за
финансиски прашања
Блага Николова

Раководител на сектор за
финансиски прашања
Блага Николова

Заменик главен државен ревизор
Насер Адеми



БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образло жение	2017	2016	во денари
				2016
Актива				
Тековни средства	4.1.			
Парични средства	4.1.1.	6.310.147	6.160.237	
Поборувања од кулувачите во земјата	4.1.2.	4.170.182	4.170.182	
Поборувања од вработените	4.1.3.		50.102	
Активни временски разграничувања	4.1.4.			
Вкупно тековни средства		10.480.329	10.380.521	
Постојани средства	4.2.			
Нематеријални средства	4.2.1.			
Материјални средства	4.2.2.			
Вкупно постојани средства				
Вкупна актива		10.480.329	10.380.521	
Вонбилансна евиденција - актива		2.686.027	2.686.027	
Пасива				
Тековни обврски	4.3.			
Краткорочни обврски спрема добавувачи	4.3.1.			
Пасивни временски разграничувања	4.3.2.	10.480.329	10.380.521	
Вкупно тековни обврски		10.480.329	10.380.521	
Извори на средства	4.4.			
Извори на капитални средства				
Резервациони резерва				
Вкупно извори на деловни средства				
Вкупна пасива		10.480.329	10.380.521	
Вонбилансна евиденција - пасива		2.686.027	2.686.027	

Скопје, 09.03.2018

Раководител на сектор за
финансиски прашања
Блага Николова

Заменик главен државен ревизор
Насер Адеми





RSM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsmmk.mk



РЕПУБЛИКА МАКЕДОНИЈА
ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
СКОПЈЕ

Бр. 01-537/3

28.06.2018 год.

ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Македонија

Ние извршиме ревизија на приложените финансиски извештаи на Проектот МАК-120015 „ИМПЛЕМЕНТАЦИЈА НА СИСТЕМ ЗА УПРАВУВАЊЕ СО РЕВИЗИЈА“ на Државниот завод за ревизија, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2017, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

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

Одговорност на ревизорот

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

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM МАКЕДОНИЈА ДООЕЛ Скопје е член на RSM мрежата и групата RSM. RSM е трговското име кое се користи од страна на члените на RSM мрежата. Семеј член на мрежата RSM е независно друштво кое работи согласно своите сопствени права и обврски. Мрежата RSM самата не е посебно правно лице во никаква јурисдикција.



RSM МАКЕДОНИЈА ДООЕЛ Скопје

Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsmmk.mk

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

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

Мислење

Според, нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Проектот МАК-120015 „ИМПЛЕМЕНТАЦИЈА НА СИСТЕМ ЗА УПРАВУВАЊЕ СО РЕВИЗИЈА“ на Државниот завод за ревизија заклучно со 31 декември 2017 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM МАКЕДОНИЈА ДООЕЛ Скопје е член на RSM мрежата и групата RSM. RSM е трговското име кое се користи од страна на члените на RSM мрежата. Семеј член на мрежата RSM е независно друштво кое работи согласно своите сопствени права и обврски. Мрежата RSM самата не е посебно правно лице во никаква јурисдикција.



RSM МАКЕДОНИЈА ДООБЕЛ Скопје
Даме Груев 8, 1000 Скопје, Р. Македонија
Т+389 (0)2 3233 301
Т+389 (0)2 3233 302
Ф+389 (0)2 3216 186
www.rsmmk.mk

Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2017 година.

Скопје, 07 јуни 2018 година

Овластен ревизор

Миле Ниневски

Друштво за ревизија

RSM МАКЕДОНИЈА Скопје

Друштво за ревизија РЕМ
МАКЕДОНИЈА ДООБЕЛ Скопје

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM МАКЕДОНИЈА ДООБЕЛ Скопје е член на РСМ, членката и тргува како РСМ. РСМ е трговското име кое се користи од страна на членките на РСМ, членката. Сетно член на членката е независно друштво кое работи согласно своите доделени права и обврски. Членката РСМ савста не е поврвно правно лице во македнска јурисдикција.

Државен завод за ревизија
Финансиски извештај за Проект МАК-12/0015 за годината завршена на 31 декември 2017

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложен ие	Буџет 2017	во денари	
			Реализирано 2017	Реализирано 2016
Приходи				
Трансфери и донации	3.1.	9.775.000	9.929.099	15.384.980
Вкупно приходи		9.775.000	9.929.099	15.384.980
Расходи				
Тековни расходи	3.2.	5.727.000	5.727.000	3.100.453
Стоки и услуги	3.2.1.	5.727.000	5.727.000	3.100.453
Вкупно тековни расходи		5.727.000	5.727.000	3.100.453
Капитални расходи	3.3.	4.048.000	4.048.000	2.436.200
Капитални расходи	3.3.	4.048.000	4.048.000	2.436.200
Вкупно капитални расходи		4.048.000	4.048.000	2.436.200
Отплата на главнина				
Вкупно расходи		9.775.000	9.775.000	5.536.653
Нереализирани средства од Буџетот		-	154.099	9.848.327
Даноци, придонеси и други давачки од вишокот на приходи - добивка пред оданочување				

Нето вишок на приходи - добивка по
оданочување

154.099

9.848.327

Скопје, 09.03.2018

Раководител на сектор за
финансиски прашања
Блага Николова

Заменик главен државен ревизор

Насер Адеми

Државен завод за ревизија
 Финансиски извештаи за Проект МАК-12/0015 за годината завршена на 31. Декември 2017

БИЛАНС НА СОСТОЈБА

Активa	Опис на позицијата	Образло- жение	во денари	
			2017	2016
Тековни средства				
4.1.	Жиро сметка	4.1.	154.099	9.848.327
4.1.1.	Поборувања од вработените	4.1.1.	-	-
4.1.2.	Активни временски разграничувања	4.1.2.	-	1.832.200
4.1.3.	Активни временски разграничувања	4.1.3.	154.099	11.880.527
	Вкупно тековни средства		154.099	11.880.527
Постојани средства				
4.2.	Нематеријални средства	4.2.	6.984.323	6.551.109
4.2.1.	Нематеријални средства	4.2.1.	2.714.246	2.173.561
4.2.2.	Материјални средства	4.2.2.	9.698.569	8.724.670
	Вкупно постојани средства		9.698.569	8.724.670
	Вкупна актива		9.852.668	20.405.197
Вонбилансна актива				

Пасива

Тековни обврски				
4.3.	Краткорочни обврски спрема добавувачи	4.3.	-	1.832.200
4.3.1.	Пасивни временски разграничувања	4.3.1.	154.099	9.848.327
4.3.2.	Пасивни временски разграничувања	4.3.2.	-	-
	Вкупно тековни обврски		154.099	11.880.527

Долгорочни обврски

Извори на средства				
4.4.	Извори на капитални средства	4.4.	9.614.683	8.724.670
4.4.1.	Резервационна резерва	4.4.1.	83.886	-
	Вкупно извори на капитални средства		9.698.569	8.724.670
	Вкупна пасива		9.852.668	20.405.197
Вонбилансна пасива				

Скопје, 09.03.2018


 Раководител на сектор за
 финансиски прашања
 Блага Николова


 Заменник главен државен ревизор
 Насер Адеми



State Audit Office
Palata „Emanuel Cuckov“
Jordan Mijalkov Str.
1000 Skopje
Tel: +389 2 3211 262
Fax: + 389 2 3126 311
e-mail: dzr@dzr.gov.mk
www.dzr.mk