



ANNUAL REPORT

ON PERFORMED AUDITS
AND OPERATION OF THE
STATE AUDIT OFFICE



2021

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Introductory Address by Auditor General

Another year has passed marked by difficulties and challenges caused by Covid 19 global pandemic, a year in which the normal course of events, habits and routines changed globally, and the society and the economy faced a new reality.

Nonetheless, the work of the State Audit Office continued by overcoming obstacles in fulfilling our vision and mission and the Annual Work Program for 2021. Owing to the well-established system of operation, technical and other conditions necessary for unimpeded execution of work tasks and dedicated management and employees, we succeeded in summarizing our work in this report. I am proud to present to you the Annual Report on performed audits and operation of the State Audit Office for 2021.

The mission of each supreme audit institution is to contribute to sound public financial management. Hence, watching over public funds and giving clear and effective recommendations to contribute to improvement of public funds management are SAO mission and vision. The Annual Report for 2021 contains 1170 identified shortcomings and 654 audit recommendations from 109 audit reports that present objective information on the work of audited entities.

As for the performance indicators for our work, with the audits in 2021 we have increased the scope of audited expenditure in relation to the total budget funds and the indicators for the implementation of audit recommendations have significantly improved. In addition, the added audit value has increased in terms of the amount of less calculated, less returned or less paid funds in the Budget of the Republic of North Macedonia, which points to the fact that SAO contribution to strengthening institutions and managerial responsibility is becoming more significant in our society.

With the performance audits, which to my satisfaction are gaining more importance every year, we focus on issues that are topical, of interest to the public and other stakeholders, with special emphasis on their added value. The impact of Covid 19 crisis is extremely heterogeneous, with significant implications on the financial system and implementation of central and local government policies.

Therefore, I believe that it is of particular importance for supreme audit institutions to assess the impact of the pandemic at local level through various aspects - healthcare, economic, social and fiscal. With this in mind, and with the intention of meeting the challenges posed by the pandemic, SAO Annual Work Program for 2021 included three audits related to measures and activities taken for protection and prevention from unforeseen events and potential crises.

In our audit reports, regardless of the type and audit objective, in addition to identified shortcomings we point to systemic weaknesses, i.e. limitations and imprecisions in regulations. By pointing out the need to overcome these weaknesses, we contribute to strengthening the legal system and creating favorable environment for further development of legal entities.

We continuously invested in development of the State Audit Office as a supreme audit institution, in improvement of audit processes in line with international standards and best practice of EU member states, as well as in professional development of our employees. The State Audit Office has implemented a significant volume of activities at international level, both within EUROSAI and INTOSAI membership, as well as with other international organizations.

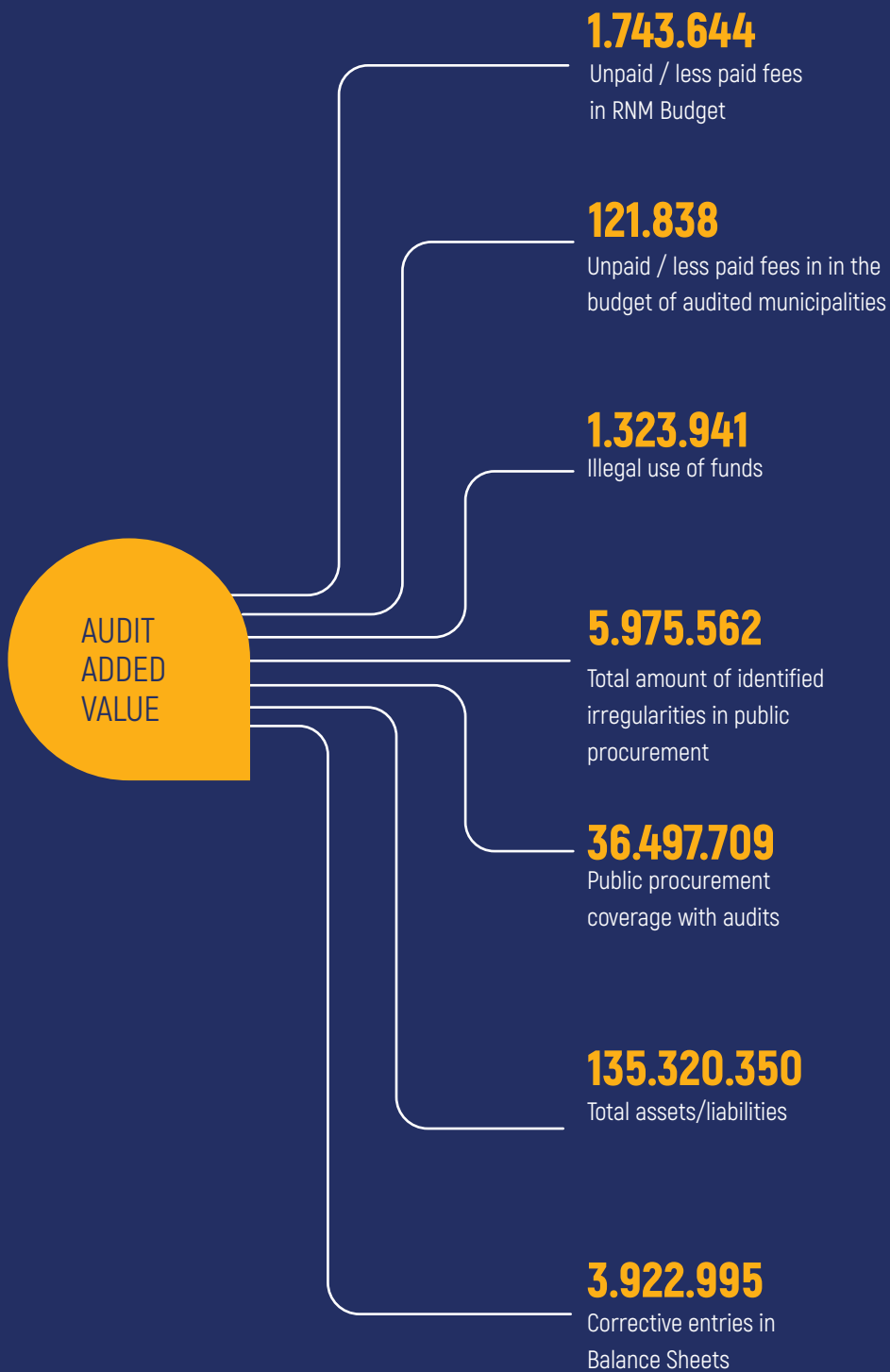
In achieving its strategic objectives, the State Audit Office strives to cooperate and cooperates with the citizens and the media to increase transparency, accountability and responsibility in the use of taxpayers' funds. For that purpose, we continuously take on activities to increase the number of stakeholders and I am pleased to point out that their number in December 2021 is 380, which compared to the end of 2020 is a 100% increase.

Every crisis is an opportunity to awaken what is good in people - creativity, responsibility, compassion and the ability to solve problems. We, the State Audit Office, believe that we have the courage to see things for what they really are, as well as the skills to help us continue the process of gaining trust, recognition of the work of our institution, strengthening the reputation of an independent, objective and efficient SAI focused on protection of taxpayers' assets.

Auditor General
Maksim Acevski, MSc



KEY RESULTS OF STATE AUDIT OFFICE OPERATION



in 000 denars

STATE AUDIT OFFICE 2021

ANNUAL WORK PROGRAM



SUSTAINABLE DEVELOPMENT GOALS COVERED BY AUDITS

68 PERFORMED AUDITS

56 REGULARITY AUDITS

7 PERFORMANCE AUDITS

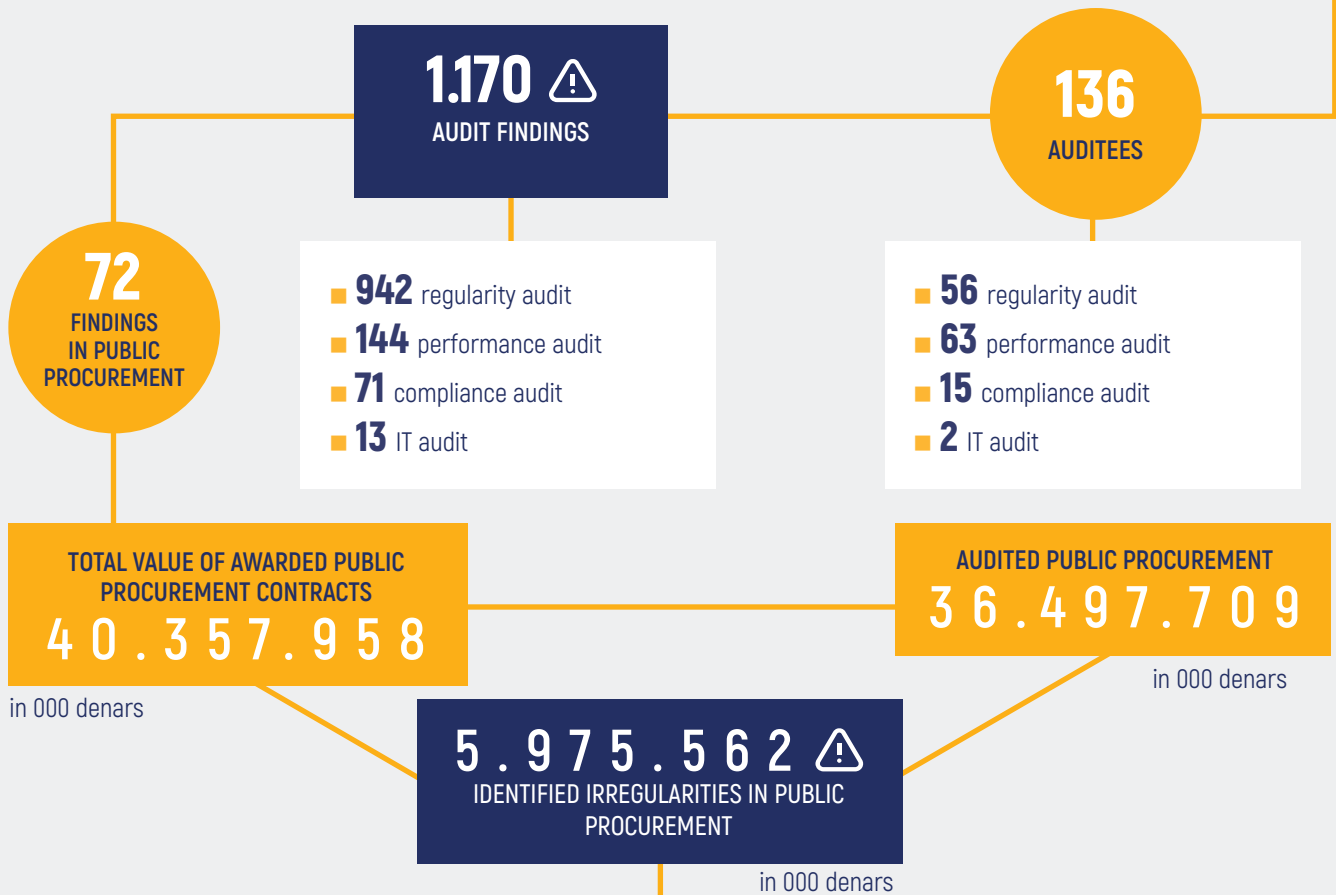
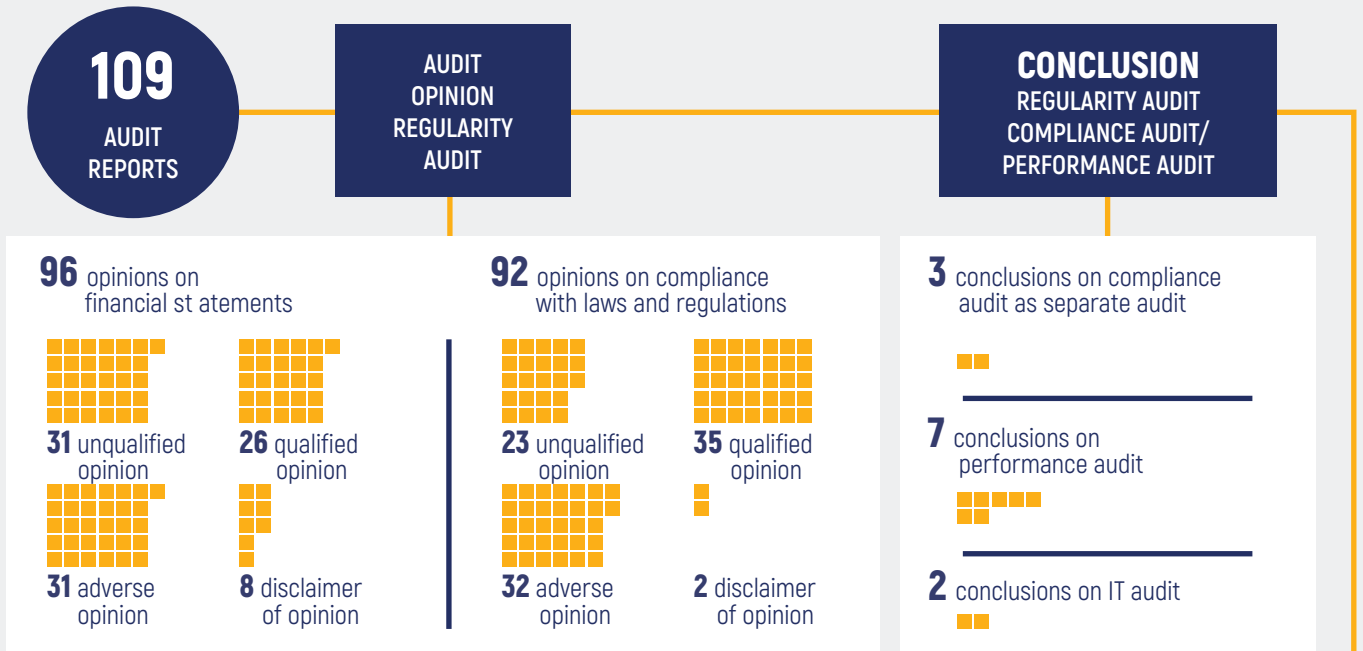
3 COMPLIANCE AUDITS

2 IT AUDITS

TOPICS COVERED BY AUDITS



Audit activity through figures



- weaknesses in realization of signed public procurement contracts
- weaknesses in public procurement contracts signing phase
- irregularities in preparation of tender documentation/technical specification
- tender documentation contains restrictive elements in relation to competition
- irregularities in evaluation of bids
- weaknesses in public procurement planning phase

AUDITED PUBLIC REVENUE AND PUBLIC EXPENDITURE

TOTAL **511.923 MILLION DENARS** audited public revenue and **236.060 MILLION DENARS** audited public expenditure with 2021 SAO Annual Work Program

	Audited public revenue		Audited public expenditure	
Central Budget of R.N. Macedonia	217.686	161.101	12.693	2.535
Budgets of Funds	121.805	109.548	115.718	107.048
Budgets of local self-government units	3.393	2.048	2.829	1.651
Health Insurance Fund budget users	782	555	773	552
Political parties	397	642	294	550
Public enterprises	1.744	303	1.953	292
Other institutions/ Legal entities in which the state is dominant shareholder	13.939	1.317	15.220	1.134
Audited public revenue with performance audit	57.299	395	7.022	807
Audited public revenue with compliance audit	94.878	71.386	79.558	69.863

■ 2021 Annual Work Program ■ 2020 Annual Work Program

in 000.000 denars

AUDIT RECOMMENDATIONS AND MEASURES TAKEN

2021

654
AUDIT
RECOMMENDATIONS

■ **300** RECOMMENDATIONS FOR WHICH 90 DAYS' FEEDBACK DEADLINE HAS EXPIRED

■ **354** RECOMMENDATIONS FOR WHICH 90 DAYS' FEEDBACK DEADLINE HAS NOT EXPIRED

■ **93** RECOMMENDATIONS FOR WHICH 90 DAYS' FEEDBACK DEADLINE HAS EXPIRED WITHOUT VERIFIED STATUS

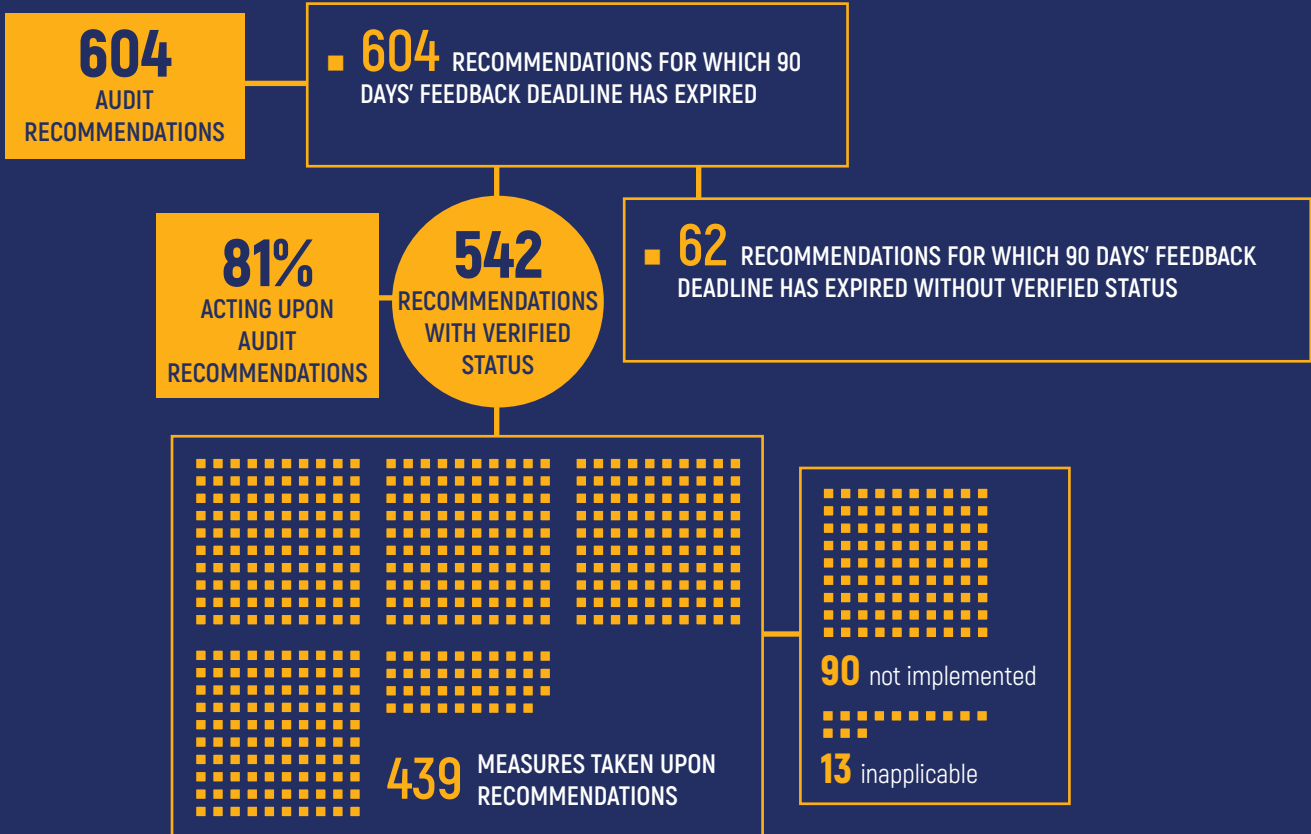
88%
ACTING UPON AUDIT
RECOMMENDATIONS

207
RECOMMENDATIONS
WITH VERIFIED
STATUS

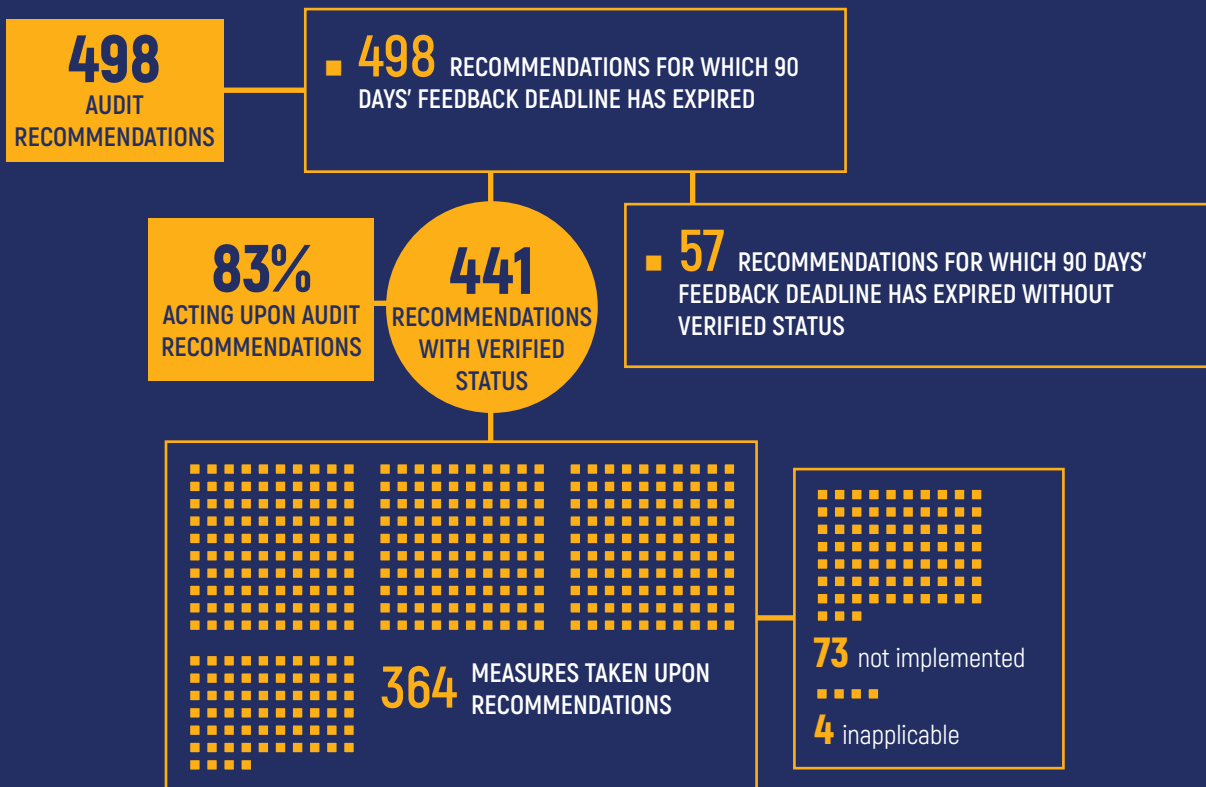
182 MEASURES TAKEN UPON
RECOMMENDATIONS

23 not implemented
2 inapplicable

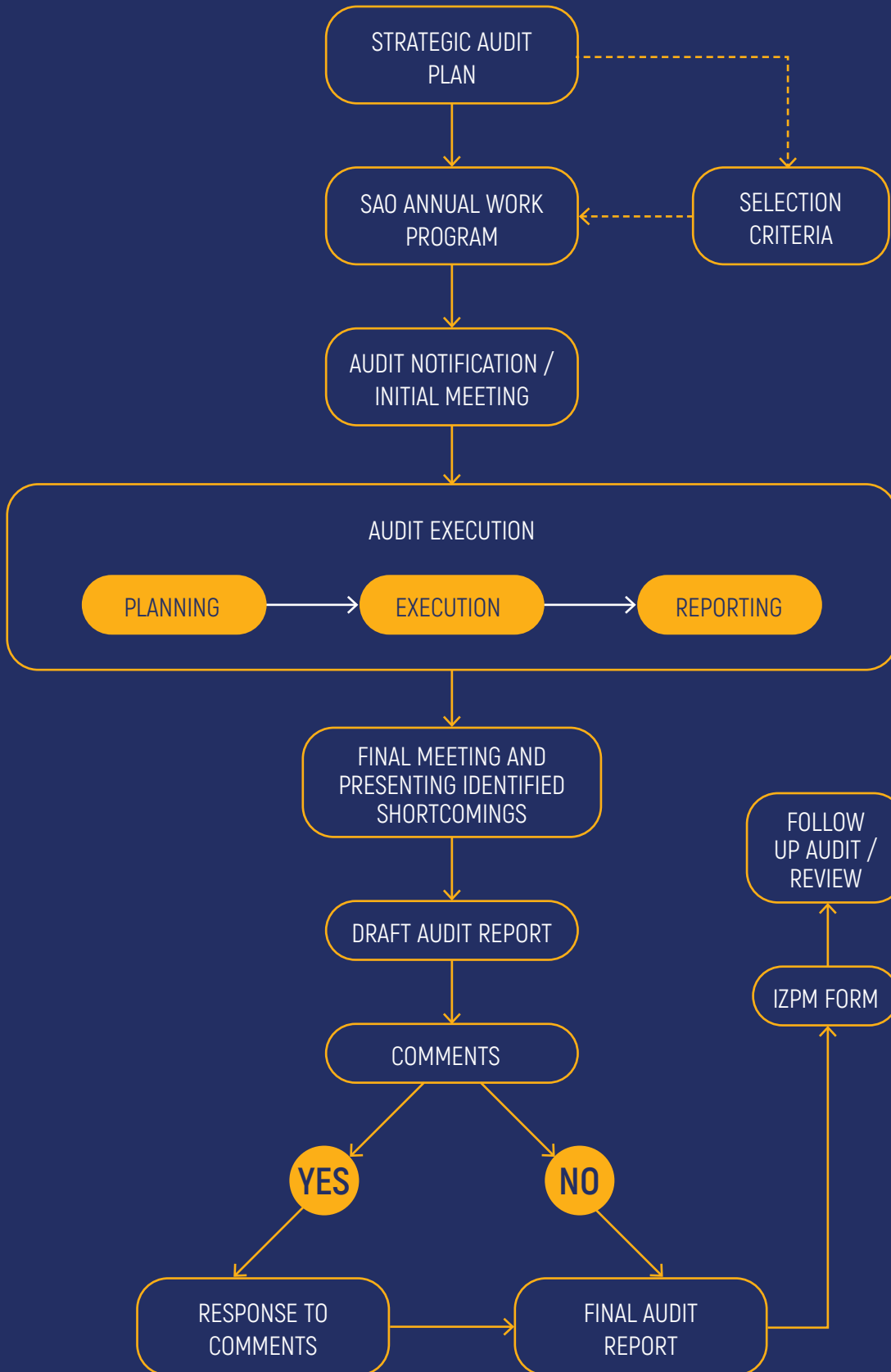
2020



2019



AUDIT PROCESS





**ABOUT
THE STATE
AUDIT
OFFICE**

The State Audit Office (SAO) is an independent supreme audit institution in the Republic of North Macedonia, which transparently, timely and objectively informs the competent institutions and the public about the audit findings from conducted audits for more than 20 years. The State Audit Office was founded by the State Audit Law adopted in 1997. The first audits were carried out in 1999.

As a supreme audit institution, SAO is conducting audits in line with the auditing principles, standards and guidelines contained in INTOSAI Framework of Professional Pronouncements (IFPP), with high professional qualifications and continuous professional development of employees being the core of its work.

The independence of the institution is stipulated in the State Audit Law, which regulates SAO competencies, the broad mandate for conducting regularity and performance audits with unlimited access to all necessary information, documentation and records for conducting state audit. SAO independently prepares the Annual Work Program, objectively decides on the entities to be subject to audit and the audit method, the contents of the reports on performed audits, without bias and free from influence from the legislative and the executive power.

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

SAO is recognized as an institution of high values –

professional skills,

responsible performance,

teamwork, reliability and professional ethics,

integrity and

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



MISSION

The State Audit Office is the supreme audit institution of the Republic of North Macedonia whose objective is to communicate audit findings timely and objectively to the Parliament, the Government, other public office holders as well as the public. The State Audit Office provides support to the Parliament in meeting its responsibilities by identifying and disclosing irregularities, cases of illegal operation and potential cases of corruption and abuse of office. With clear and effective recommendations, SAO provides support to the state institutions and the beneficiaries of public funds for improving the management thereof. Thus, SAO contributes to the improvement of the lives of the citizens of the Republic of North Macedonia.



VISION

Aiming to meet our objective successfully – to watch over public funds and to contribute to improved management thereof, our vision is to ensure continuous quality of operations, thus retaining the epithet of an independent and professional partner with high integrity and a bearer of progress in public funds management, accountability and transparency.



OBJECTIVES

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

- ▶ to ensure state audit independence as a constitutional category, in line with the principles of Mexico Declaration;
- ▶ to achieve optimal number of employees and to harmonize organizational setup and total number of employees with SAO competencies and strategic objectives;
- ▶ to promote ethics and integrity;
- ▶ to increase further the quality of audit performance in accordance with auditing standards and state audit methodology practice;
- ▶ to prepare and update audit methodology acts;
- ▶ to implement further the audit management system (AMS);
- ▶ to continue practicing audit quality assurance by selecting audits for review so as to improve the quality of operations; and
- ▶ to deepen cooperation with competent institutions in the fight against corruption and conflict of interests.

LEGAL FRAMEWORK, STRATEGIC AND METHODOLOGY DOCUMENTS

1.1. LEGAL FRAMEWORK

In relation to state audit legal framework, the Law on Amending the State Audit Law was published in the Official Gazette of RNM no. 122 from 3 June 2021 (Official Gazette of RM no. 66/10, 145/10, 12/14, 43/14, 154/15, 192 / 15, 27/16 and 83/18). The amendments refer to harmonization with the new constitutional name of the country and harmonization of misdemeanor provisions with the provisions of the Law on Misdemeanors.

The National Programme for Adoption of the Acquis (NPAA) 2021-25 adopted by RNM Government in Chapter 3.32 Financial Control, Area - External Audit contains short-term priority to improve legal framework for strengthening SAO constitutional, financial and operational independence and to draft and propose new State Audit Law harmonized with ISSAIs and internationally accepted practice.

Strengthening external audit legal framework by achieving constitutional independence and strengthening financial and operational independence of SAO in line with INTOSAI principles, standards and guidelines by drafting and submitting new State Audit Law to the Assembly of RNM are defined as priority measures and activities in the draft PFM Reform Programme "Smart Public Finances" 2022 - 2025 and the draft Action Plan for implementation of PFM Reform Programme for 2022.

Within the Twinning project "**Improvement of external audit and parliamentary oversight**", an assessment of the state audit legal framework was performed and recommendations were made for strengthening

external audit legal framework and achieving SAO constitutional independence as well as for strengthening financial and operational independence in line with international standards and EU best practice.

As a result of these activities and with support of the Twinning project in 2021, SAO prepared:

- ▶ Proposals for draft amendments to the Constitution of the Republic of North Macedonia for regulating SAO as a constitutional category;
- ▶ Draft new State Audit Law for strengthening SAO financial and operational independence.

Within the Twinning project activities, an assessment was made on the laws on audit of financing of political parties and election campaigns, public procurement and the new Law on Budgets, which are related to the state audit legal framework, in order to make proposals for harmonization and improvement thereof.

With the support of the Twinning project, an assessment was also made and proposals were given on improvement of the legal framework of SAO and the Assembly of RNM for submitting and reviewing audit reports.

1.2. STRATEGIC DOCUMENTS

Developing strategic documents is one of the key steps for SAI development and achievement of its vision, mission and objectives. The Annual Report of the European Commission on the Progress of the Republic of North Macedonia in the Chapter on External Audit, which is under SAO competence, pointed out aspects that need improvement, as follows:

to guarantee SAO independence in the Constitution of RNM;

legal framework is for the most part in line with the standards of the International Organization of Supreme Audit Institutions (INTOSAI);

to improve further performance audit;

audited entities to implement audit recommendations systematically and timely;

to increase oversight and monitoring by the Assembly of RNM by following SAO reports aimed at improving the degree of implemented recommendations.

Acting in accordance with the recommendations given and taking activities for realization of the objectives set, SAO continuously undertakes activities for implementation of existing and development and adoption of new strategic documents, as follows:

Development Strategy 2018 - 2022;

IT Strategy 2018 - 2022;

Human Resources Management Strategy 2020 - 2023;

Communication Strategy 2020 - 2023;

Risk Management Strategy 2020-2023;

Guidelines for Strategic and Annual Audit Planning;

Decision on determining SAO strategic audit objectives 2021 - 2023 and priority audit areas by audit departments; and

Strategic Audit Plan 2021 - 2023.

SAO Development Strategy 2018-2022 outlines the efforts to strengthen independence and integrity as preconditions for achieving professionalism and credibility in operations, to promote and improve implementation of international principles, standards and guidelines contained in INTOSAI Framework of Professional Pronouncements, and to follow continuously effects of performed audits and degree of implementation of audit recommendations contained in audit reports. The annual implementation of SAO Development Strategy was carried out through the activities set out in SAO Annual Work Program for 2021.

Within the Twinning Project activities in 2021, proposals were prepared for a new five-year SAO Development Strategy with action plan for its implementation aimed at improving SAO strategic and annual planning.

In 2021, SAO carried out activities for implementation of the IT Strategy 2018-2022 to increase the efficiency of SAO IT system and to contribute to the implementation of SAO Development Strategy 2018 - 2022 regarding reorganization of the existing domain structure in line with new acts for organization and systematization of SAO, support in administration and improvement of the audit management

system (AMS) and the software for analysis of audit reports' data, findings and recommendations (SAPRI).

Audit support was provided by downloading and processing databases of audited entities with CAATs, and new licenses were obtained for IDEA software for data analysis, sampling and documenting. IT policies and procedures, AMS procedures and ISO 9001 standards are continuously implemented.

Concerning implementation of SAO HR Management Strategy 2020-2023, activities were taken for implementation of HR management function in SAO to build efficient and functional system by providing employment conditions for qualified professionals with high degree of integrity, who are ready to effectively perform assigned functions and competencies. In addition, professional development of employees is promoted and real system for performance appraisal with fair and transparent procedures for professional and career development of employees, and additional financial and other incentives for employees are introduced.

SAO continued its cooperation with Westminster Foundation for Democracy (WFD) within the project titled "Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations", supported by the British Government. The activities pertain to the implementation of the remaining two project phases in relation to SAO Communication Strategy 2020 - 2023, with focus on SAO communication and cooperation with competent institutions - the Public Prosecutor's Office of RNM and the Assembly of RNM, and NGOs.

The Guidelines for Strategic and Annual Audit Planning was the basis for preparing the Decision on determining SAO strategic audit objectives 2021 - 2023 and priority audit areas by audit departments, as well as for the preparing SAO Strategic Audit Plan 2021 - 2023 adopted in December 2020. SAO 2021 Annual Work Program was prepared based on the previously mentioned strategic audit documents.

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

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

1.3. METHODOLOGY DOCUMENTS

As part of the Twinning project "Improvement of External Audit and Parliamentary Oversight", in 2021 SAO prepared improved methodology acts on performance audit, IT audit, guidelines for audit of EU funds, detecting fraud and irregularities, and recommendations for improving follow up of implementation of audit recommendations.

New compliance audit manual was also developed based on the recommendations from the previous IPA 2013 funded Twinning project. Within the Twinning project, SAO IT Audit Manual was harmonized with GUID 5100 - Guidance on Audit of Information Systems.

Within the Twinning project activities, proposals were prepared on improving the structure and contents of SAO Annual Report, as well as draft Rules for internal flow of printed and electronic documents for improving SAO internal communication.

As a result of the cooperation with OECD-SIGMA on state budget audit, draft Guidelines for audit of the Budget of the Republic of North Macedonia was prepared. With the Twinning project in 2021, analysis was made and recommendations were prepared for improving the audit process of the Annual Account of the Budget of the Republic of North Macedonia.

To improve presentation of audit results and recommendations, new structure and contents of audit reports was prepared in line with ISSAIs, also within the Twinning project.

On 27 May 2021, Certification body performed the third recertification review. The Report stated that SAO management system is fully compliant with the requirements of the standard MKC EN ISO 9001: 2015, thus extending the validity of the certificate and confirming that SAO applies the Management System in accordance with the requirements of the ISO standard until 30 May 2024.

SAO 2020 Annual Report on performed audits and operation was prepared and submitted to the Assembly of the Republic of North Macedonia within the legal deadline by the end of June 2021. It is also available on SAO website in three languages: Macedonian, Albanian and English.

The Assembly of the Republic of North Macedonia, at its 54th session, reviewed and adopted SAO 2020 Annual Report on performed audits and operation. The Assembly adopted Conclusions upon the Annual Report that were submitted together with the Report of the Committee on Finance and Budget to the Government of RNM, the Ministry of Finance and the State Audit Office.

SAO has established practice to make available information and data contained in SAO Annual Report to other supreme audit institutions, the European Court of Auditors, INTOSAI and EUROSAI, EU Delegation to the Republic of North Macedonia, missions of international organizations and some diplomatic missions in the country.

SAO implemented 2021 Annual Work Program, which was based on the Strategic Audit Plan 2021 - 2023 and in line with the adopted Guidelines for strategic and annual audit planning and the Decision on determining SAO strategic audit objectives 2021 - 2023 and priority audit areas by audit departments.

Feeling the need to increase its transparency, accountability and responsibility in performing legal competencies, SAO for the first time published a form "Notification for submitting audit request" (https://dzt.mk/contact/barane_za_revizija) on its website within the frames of the preparation of 2021 Annual Work Program. At the same time, the form was also sent to over 190 stakeholders. From the received audit requests from stakeholders, SAO included the performance audit on "Effectiveness of Government measures on gender equality and appropriate gender budget initiatives" and the aspect of gender budget initiatives will be also covered in four performance audits.

The Annual Work Program for 2021 contains nine performance audits. With the areas covered and the recommendations provided with these performance audits, SAO actively contributed to the work of the competent authorities and the use of public funds, healthcare and social issues, natural resources and environmental protection.

Concerning challenges posed by Covid 19 pandemic, in 2021 Annual Work Program SAO included four performance audits on government economic measures, government loans and public debt management, support for employment of occupations most affected by the pandemic, as well as measures and policies for support of the tourism sector.

SAO prepared Annual Plan for Prevention of Corruption for 2021, which envisages measures and activities for prevention of corruption at the institution level. SAO also prepared separate audit program for compliance of the work of auditees in relation to whistleblower protection and free access to public information, which provides up-to-date guidance and new methodology tools for auditors in performing this important audit aspect.

In 2021, SAO participated in an international working group for developing "Audit Practice Guide for Auditing Gender Equality in the Western Balkans", as a methodology act for conducting gender-based audit. The Guide is developed within the project "Promotion of gender responsive policies and budgets: towards transparent, inclusive and accountable governance in the Republic of North Macedonia", which is implemented by UN Women with financial support from the Swiss Agency for Development and Cooperation and the Swedish International Cooperation and Development Agency (SIDA). The Guide is expected to be completed in 2022.

SAO implemented 2021 Annual Plan for continuous professional development and training and in December 2021, SAO adopted 2022 Annual Plan for continuous professional development¹, as well as 2022 Annual Plan for prevention of corruption², which are published on SAO website.

In accordance with Article 23 paragraph 2 of the State Audit Law, SAO submitted its Annual Work Program for 2022³ to the Assembly of the Republic of North Macedonia within the legal deadline. The Annual Work Program contains 183 audits, of which 166 regularity audits, 12 performance audits and 5 compliance audits. Of the planned audits, 45 concern entities and audit topics in accordance with the State Audit Law and 138 audits relate to entities that participated in 2021 Local Elections. When determining performance audits for this Annual Program, we took into consideration the following criteria: SAO strategic objectives, UN Sustainable Development Goals, and criteria set up by SIGMA-OECD assessment methodology.

Within the Twinning project activities, high-level delegations from SAIs of North Macedonia and Croatia participated in the meeting with the President of the Assembly Mr. Talat Xhaferi, to present the draft Memorandum of Cooperation between the Assembly and SAO, emphasizing the need to strengthen cooperation between both institutions, in particular for reviewing and acting upon submitted audit reports.

¹ https://dzt.mk/sites/default/files/2022-01/Godisen_plan_kontinuirano_profesionalno_usovrsuvanje_2022_godina.pdf

² https://dzt.mk/sites/default/files/2021-12/Godisen_plan_sprecevvanje_korupcija_DZR_2022_godina.pdf

³ https://dzt.mk/sites/default/files/2021-12/Godisna_programa_za_rabota_DZR_2022_godina.pdf



TRANSPARENCY
AND COOPERATION

2.1. TRANSPARENCY IN SAO OPERATION

During 2021, SAO continued its efforts to intensify activities aimed at increasing transparency and accountability of operations. Professional and timely informing of all stakeholders (media, investigative journalists, civil society organizations, wider public) about state audit results is one of the most important strategic commitments of SAO in 2021. Guided by the strategic commitments set out in SAO Communication Strategy 2020-2023, SAO focused on fostering communication and becoming allies with the media, citizens and civil society organizations in achieving the objective of increased transparency and accountability and responsibility of public sector entities for the use of public funds. Cooperation between SAO and the media, civil society organizations and journalists was achieved through press releases, answers to questions and participation in debate shows. The manner of continuous and timely informing of stakeholders was

also strengthened by publishing final audit reports on SAO website, and by sending press releases and audit report abstracts with key identified shortcomings to all stakeholders (190 in 2020, 380 in 2021).

Due to the activities taken in 2021 for strengthening communication and cooperation with stakeholders by informing and presenting state audit results, SAO has significantly improved its transparency, visibility and accountability before the public and the citizens.

Objective, timely and accurate information to the public and the media, civil society organizations and relevant institutions was important strategic priority of SAO in 2021, as one of the key principles of the Communication Strategy 2020 - 2023.

GROWING TREND OF SAO MAILING LIST

At the beginning of 2020, SAO created "mailing list of stakeholders" with initial 190 contacts. During 2021, the list was continuously updated and by mid-2021, SAO had a list of 380 stakeholders. At the end of 2021 and the beginning of 2022, the number of stakeholders reached 930 contacts. SAO continuously informs these stakeholders on the results of its work by sending final

audit reports, press releases and audit report abstracts for every financial audit.

Along these lines, in 2021 SAO demonstrated its commitment and efforts for greater involvement of stakeholders and users of audit reports.

SAO MAILING LIST AND COMMUNICATION WITH STAKEHOLDERS



SAO MAILING LIST AND COMMUNICATION WITH 930 STAKEHOLDERS

as of April 2022



TELEVISION APPEARANCES, INFORMATIVE ARTICLES, OPEN DEBATES

SAO efforts to be open to the public, media and civil society and to present state audit activities and results are evident in 2021 by the number of television appearances of Auditor General and Deputy Auditor General on national televisions. Advisors and Assistants to the Auditor General also had guest appearances and gave short statements in daily information editions on the media in the interest of presenting SAO results. In 2021, SAO management gave nine interviews and statements for daily information editions on the media.

CLIPPING ON SAO RESULTS

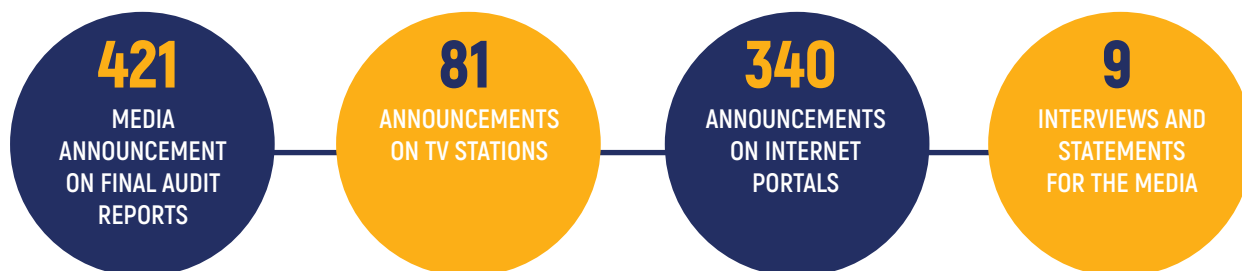
Increased interest in SAO work and results and improved communication and cooperation with representatives of media and civil sector is evident in the statistical data and evaluation of media announcements (clipping) in relation to published final audit reports and journalists' questions about current audits and final and published audit reports.

Namely, during 2021, 11 questions from journalists were submitted to the State Audit Office and answers were provided in the shortest possible time. Additionally, employees of the Unit for public relations and information on state audit results continuously inform representatives of media and civil society organizations about issues and dilemmas that arise regarding audit work and final audit reports.

SAO activities were presented in national and local media. In 2021, 421 announcements were made on published final audit reports and other SAO activities, of which 81 announcements on national televisions and 340 announcements on the internet portals.

STATE AUDIT OFFICE AND RELATIONS WITH THE MEDIA

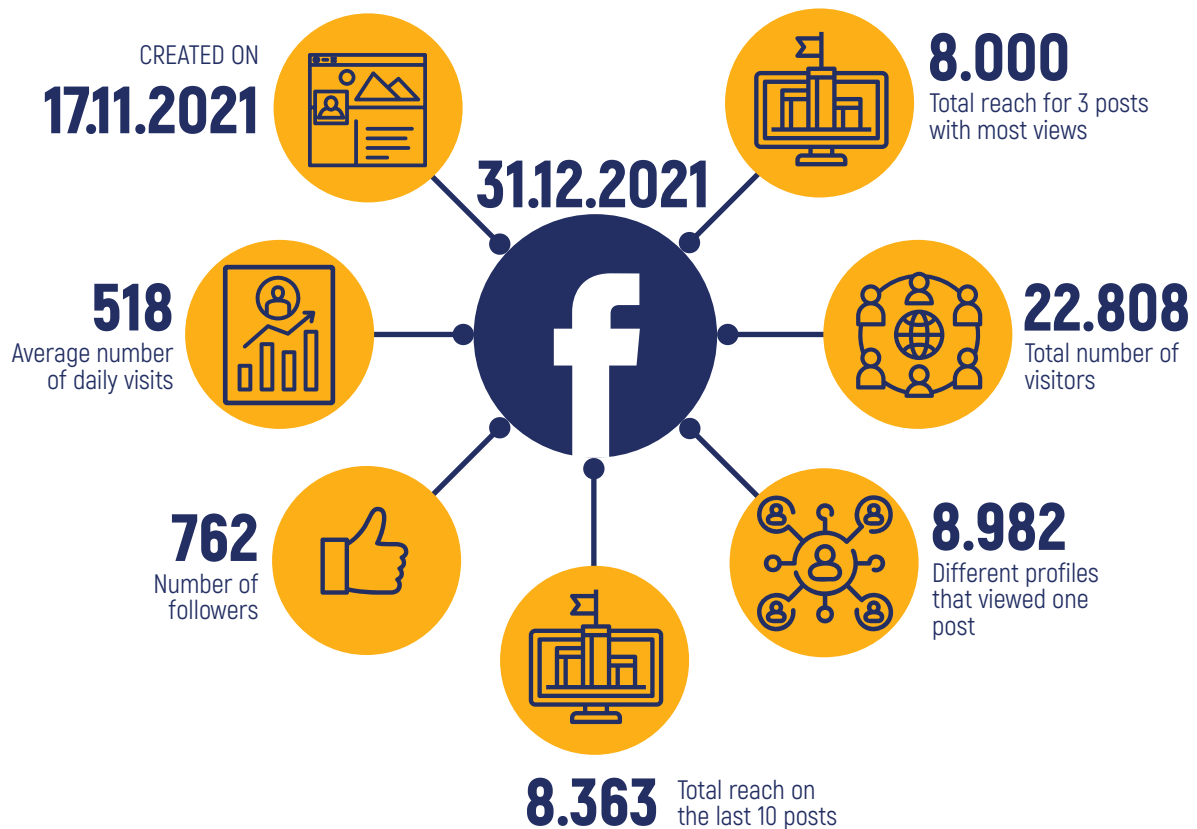
31.12.2021



OFFICIAL SAO FACEBOOK PAGE

The official Facebook page of the State Audit Office was opened and promoted as a planned activity of SAO Communication Strategy on 17 November 2021. On this page, citizens and stakeholders are informed about state audit activities and achieved results. At the same time, this new communication tool provides a space for creative and constructive discussion and exchange of opinions.

Since FB page creation **until 31 December 2021**, an average of **518 visits** per day were recorded on SAO Facebook page.



To increase visibility of effects of performed audits and current SAO operation, additional activities were taken to promote SAO social media. Thus, in the first four months of 2022 (01.01.2022 - 31.04.2022), an average of 1.394 visits per day were recorded on SAO Facebook page, which is an increase of 269% compared to the daily visits in 2021.

YOUTUBE CHANNEL

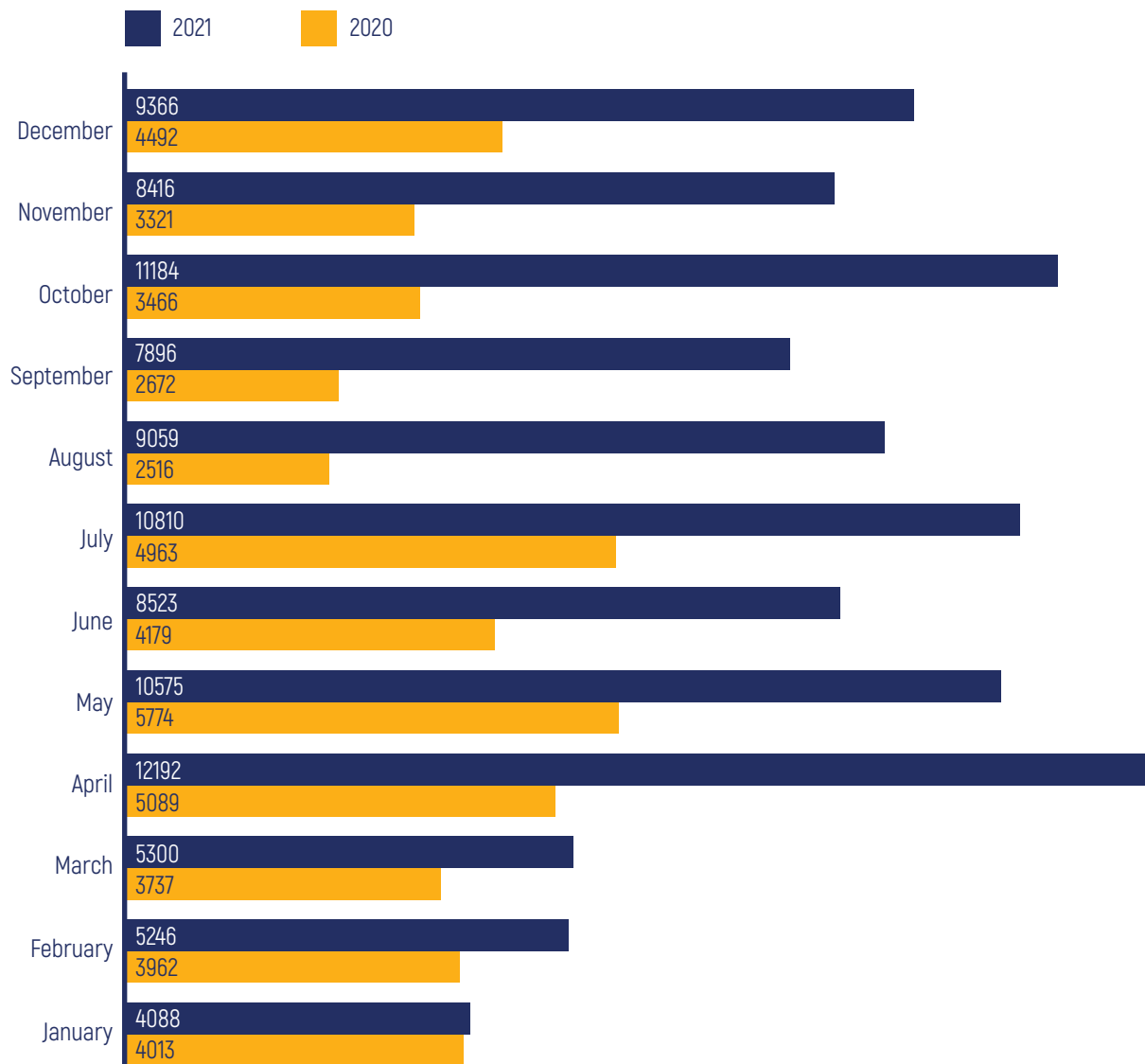
During 2021, activities were taken for timely update of the contents of SAO YouTube channel with all videos of media appearances of Auditor General, Deputy Auditor General and other SAO employees. These contents were also promoted on SAO Facebook page.

INCREASED TRAFFIC TO SAO WEBSITE

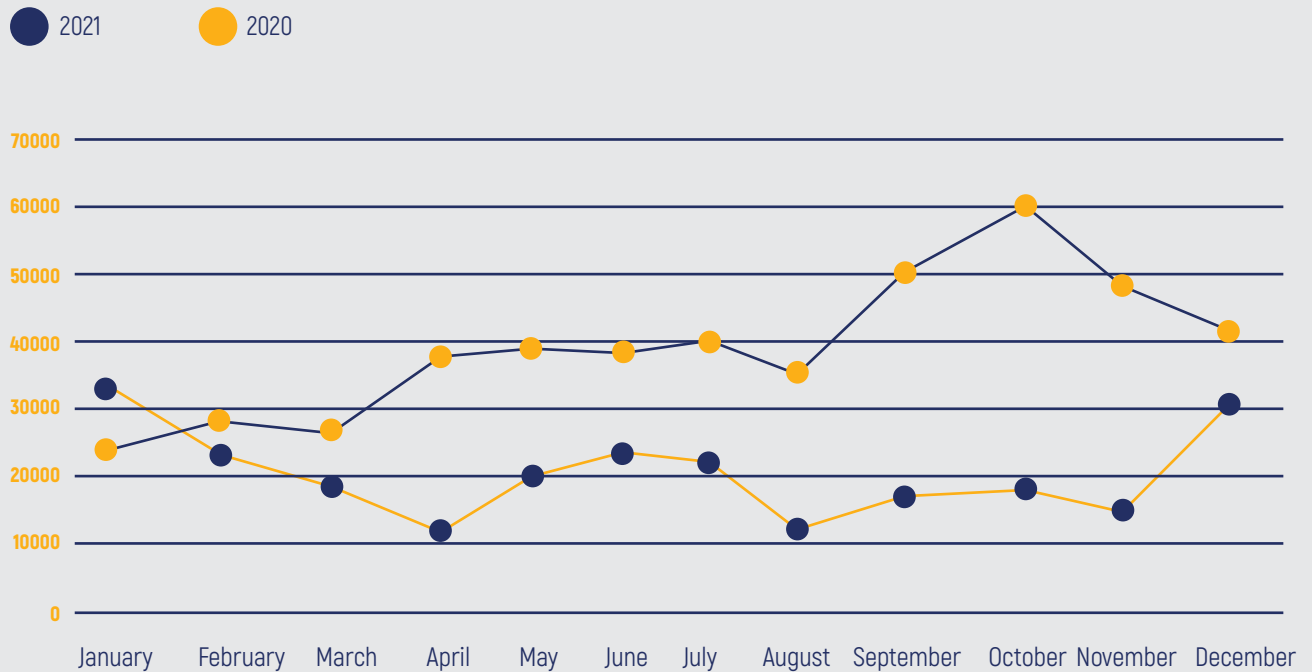
The activities for increasing SAO transparency and accountability and the continuous updating of the mailing list, gave visible results in 2021. Informing all stakeholders about audit activities and published final audit reports, contributed to increased traffic to SAO website compared to 2020.

In 2020, there were on average 4.000 visits and 20.500 downloaded contents per month. In 2021, there were on average 8.600 visits and 39.000 downloaded contents per month, which is a 100% increase in the visits to SAO website.

VISITS TO **WWW.DZR.MK**



VISITED CONTENTS AT WWW.DZR.MK

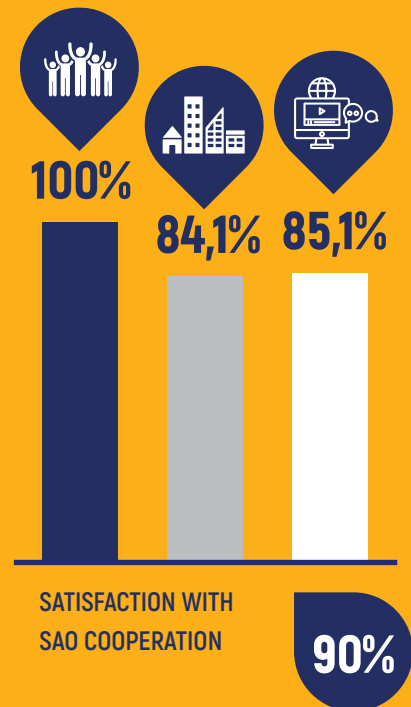
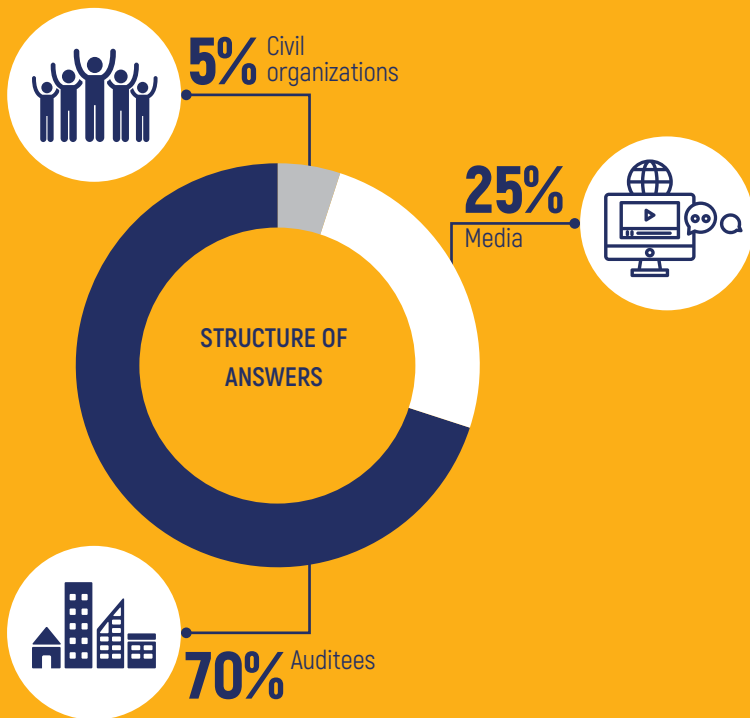


PUBLIC SURVEY - DEGREE OF SATISFATION

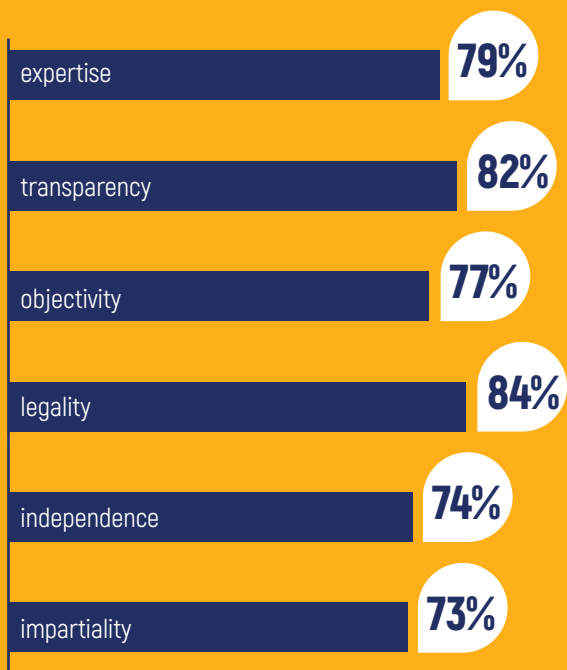
The State Audit Office conducts public survey continuously as a research tool for the opinion on and impact of SAO work among stakeholders.

To improve the quality and strengthen transparency, accountability and visibility of its work, SAO sent a questionnaire/survey on the level of satisfaction with SAO cooperation and information on the work of our institution to all 930 stakeholders - 558 institutions, 322 media and 50 civil society organizations. Concerning the degree of satisfaction with SAO cooperation, 90% of the respondents were satisfied, noting that a great step has been made in terms of openness and cooperation with SAO, in particular through timely information on issued audit reports, SAO

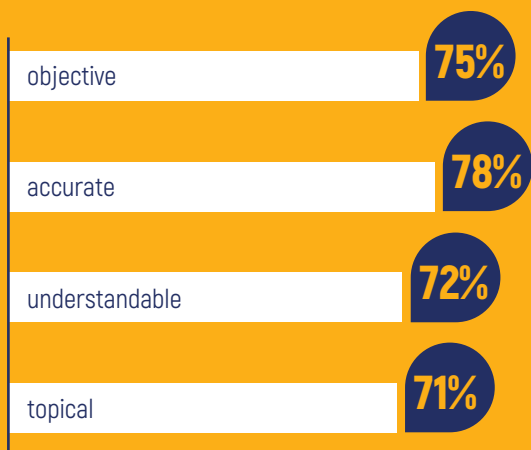
activities, and increased openness to the media and civil society organizations. High percentage of confidence was also expressed concerning SAO work, which was assessed as impartial, independent, legal, objective, transparent and professional. There is also high degree of satisfaction with the quality of issued final audit reports, which were assessed, as topical, understandable, accurate and objective.



THROUGH ITS WORK SAO PROVIDES



SAO FINAL AUDIT REPORTS ARE



2.2. COOPERATION WITH PROFESSIONAL ASSOCIATIONS AND INSTITUTIONS, CIVIL SOCIETY ORGANIZATIONS AND THE WIDER PUBLIC

To achieve its strategic objectives, in 2021 SAO continued its practice of developing cooperation and communication with numerous professional associations, institutions, including higher education institutions, civil / non-government organizations, as well as with the public.

SAO is recognized as a serious partner by these institutions / organizations that provides detailed information and analysis, exchange of experience, information and knowledge in areas of common interest. Conversely, these institutions actively contribute to strengthening effectiveness of SAO work and maximize the impact of audit reports, in creating additional pressure on the auditees to act on the findings of audit reports. For that purpose, SAO started signing Memoranda of Cooperation, which ensured strengthening cooperation with the above-mentioned institutions.

STATE AUDIT OFFICE MEMORANDA OF COOPERATION



State institutions / Professional organizations

The State Audit Office cooperates with numerous national professional associations and institutions and has signed memorandum of cooperation with the Institute of Certified Auditors, the Association of Journalists of Macedonia, the State Commission for Prevention of Corruption and the Clearing House Clearing Interbank Systems AD Skopje KIBS, and the Geological Survey of the Republic of North Macedonia.

Pursuant to the signed memorandum with the Institute of Certified Auditors of the Republic of Macedonia, and taking into consideration the efforts for continuous and quality performance of its legal competencies, SAO provided IFAC Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements - part I, II and III of IFAC. In addition, all SAO employees attended a two-day online training, as part of the Annual Plan for continuous professional development of the Institute of Certified Auditors of the Republic of Macedonia. The training covered the most important requirements of the auditing standards and their practical application.

In 2021, the State Audit Office signed Memorandum of Understanding and Data Exchange Protocol with the State Commission for Prevention of Corruption and KIBS Clearing House. The Memorandum was signed to implement the provisions of the Law on Prevention of Corruption and Conflict of Interest and the State Audit Law, and to provide necessary data from the Single Register of Transaction Accounts (ERTS) for supervising transactions during election campaigns. This activity creates conditions for realization of competencies, rights and obligations of the SCPC and SAO in performing supervision and audit of the participants in election campaigns.

In 2021, SAO representatives contributed to the preparation of the Strategy for Improvement of the Public Procurement System in the Republic of North Macedonia 2022-2026, as well as to the preparation of the National Strategy for Fight against Fraud for Protection of Financial Interests of EU in the Republic of North Macedonia 2022-2025.

Aimed at sharing knowledge and experience from conducted audits in the field of public procurement, in 2021 SAO held a workshop on the same topic for the needs of the State Commission for Prevention of Corruption.

Educational institutions

SAO signed Memorandum of Cooperation with South East European University as well as with the Faculty of Economics at Ss. Cyril and Methodius University in Skopje (UKIM), thus encouraging and affirming areas of common interest, building and strengthening mutual business relations, and ensuring availability of professional exchange of experience. Some of the agreed common goals are:

- ▶ preparing and publishing articles, manuals, scientific papers, and commentaries in the field of audit;
- ▶ organizing forums, seminars and workshops;
- ▶ developing study programs and training modules;
- ▶ developing joint research projects;
- ▶ collaborating to link and approximate theory and practice for the needs of the students.

Based on the above, these higher education institutions submitted requests for development of study programs and modules in the field of audit. In addition, questionnaires were submitted, to serve as basis for drafting publications, scientific papers or analyses in the field of audit and internal control system.

Institute for Democracy 'Societas Civilis' Skopje

In 2021, SAO representatives took part in the activities of the project "Anti-Corruption Talks in Parliament", implemented by the Institute for Democracy "Societas Civilis" – Skopje. The project aims to support the reform process in the Republic of North Macedonia by strengthening the oversight role of the Parliament in relation to anti-corruption and by creating a forum for discussion between the Parliament and the institutions that are part of the anti-corruption system. The project reports to the Parliament on its work, to make joint efforts for ensuring efficient fight against corruption, rule of law, public procurement and financial control. At these workshops, participants exchanged viewpoints and

experience with MPs and the institutions responsible for fight against corruption, about long-term plans for fight against corruption, inter-institutional cooperation and necessary resources for effective fight against corruption to meet future challenges.

Institute for Communication Studies and Alliance for Advocacy and Lobbying

SAO supported "Clarify everything" campaign („Разбистри сè") initiated by the Institute of Communication Studies (ICS) and the Advocacy and Lobbying Alliance, which involves several civil society organizations, media and universities. This campaign aims to raise citizens' awareness of their participation in the adoption and change of public policies, and to enable better dialogue with relevant institutions in the policy-making process. Campaign's activities focus on two specific areas:

- ▶ Water resources management (how to use and protect water), and
- ▶ Setting up efficient inspection supervision against overuse of natural resources (mineral resources, forests, soil and water).

SAO, as supreme audit institution, continuously performs audits that cover topics in the field of water use and water law, as well as audits on topics concerning environment and use of natural resources and reports on the ascertained state of affairs in final audit reports.

Center for Civil Communications

SAO continuously monitors the procedures for conducting public procurement the audited entities and points to identified shortcomings and weaknesses in the phases of planning, implementation and execution of public procurement procedures.

In 2021, the State Audit Office continued its cooperation with the Center for Civil Communications in the area of public procurement within the project "Towards Accountable Public Enterprises", which focused on capacity building capacity for fight against corruption in public enterprises established by the Government, the City of Skopje and the municipalities of Gostivar, Kavadarci and Struga.

In that regard, one-day workshop was organized for presenting data from the research "Mapping corruption risks in public procurement of enterprises owned by the Government and the municipalities" to SAO auditors. At the same time, SAO employees participated in workshop on "Risks of corruption in public procurement in public enterprises and state-owned companies and LSGUs", with presentation on "Improving the process of implementation of public procurement contracts and key weaknesses in the public procurement process through the prism of the State Audit Office".

At the final conference "Needs and challenges in strengthening public procurement integrity" organized by the Center for Civil Communications, Auditor General Maksim Acevski, participated in the panel discussion. He pointed out that in awarding public procurement contracts there are essentially two approaches, prevention and repression. In this context, he added that no law, bylaw or strategy would give the expected results if there were no sincere commitment to move things in direction of providing adequate value for the money. There is a possibility for LSGUs to award group public procurements but it is rarely used, which is considered as a weakness. Such an option can contribute to greater effects by providing professionals to prepare professional tender documentation and evaluation of bids, which in turn will contribute to rationalization of costs and human resources involved in awarding public procurements.

Transparency International

In the period May - June 2021, Transparency International Macedonia organized four online trainings, aimed at strengthening cooperation between institutions responsible for fight against corruption, and improving cooperation and action of competent institutions. SAO employees shared their knowledge and experience with the other participants in the field of state audit, structure of audit reports and state audit methodology, good practice for analysis of audit reports and the role of good governance in the fight against corruption and audit of political parties.

Wider public (citizens)

SAO is an independent institution that enables citizens to monitor spending of public money, by sharing information about the work of public institutions and the measures that need to be taken to ensure good and transparent public funds management. In line with the Law on Free Access to Public Information, SAO received

12 requests for public information and responded positively. At the same time, in accordance with the Open Government Partnership National Action Plan and the commitment for "Pro-active publication of public information by information holders on their websites", SAO is publishing all documents that are of interest to the public on its website.

2.3. COOPERATION WITH COMPETENT AUTHORITIES AND ITS EFFECTS

To achieve main audit objectives – watching over public funds and improving management thereof, and detecting deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy in public funds management, SAO makes clear and effective recommendations to prevent or impede deviations and violations in the future. The corrective measures for implementation of recommendations enable the management of the audited entity to improve effectiveness, efficiency and economy of operations.

Through clear, accurate, objective and timely information on identified irregularities, non-compliance with legal regulations, illegal handling of public funds and possible cases of corruption and abuse of office, in 2021 SAO contributed to fulfillment of part of RNM Assembly's competencies.

SAO pays due attention to processing and analyzing information from final audit reports of the certified state

auditor. SAO processes and analyses audit reports' data on regular basis with an integrated, autonomous and functional software application. In this way, reliable, up-to-date, timely and relevant information is provided for the needs of SAO, the competent authorities and other stakeholders.

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

We continuously record, monitor and analyze the feedback on acting upon final audit reports submitted to the Public Prosecutor's Office of the Republic of North Macedonia, the State Commission for Prevention of Corruption, MF - Financial Police Directorate, Ministry of Interior and Deputy Prime Minister of RNM in charge of good governance policies.

The effect of ascertained state of affairs that point to irregularities and illegalities in the operation of entities

may be expected only if competent institutions take necessary measures.

Monitoring and informing on activities taken by competent institutions for overcoming ascertained irregularities and illegalities in the work of the auditees is one of SAO strategic objectives.

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

Within realization of SAO Annual Work Program for 2021, final audit reports were submitted to the following competent institutions:

Public Prosecutor's Office - 9 final audit reports for 9 audited entities (audits);

State Commission for Prevention of Corruption - 2 final audit reports;

State Commission for Prevention of Corruption - 7 final audit reports for seven political parties and coalitions submitted ex officio in line with the amendments to the Electoral Code Article 85-b (Official Gazette of RNM no. 42/2020), ex officio;

Deputy Prime Minister of RNM in charge of good governance policies - 2 final audit reports;

In April 2022, SAO submitted request to the competent bodies for feedback on measures taken upon submitted key final audit reports.

Until the day of reporting, feedback has been received by the Public Prosecutor's Office of the Republic of North Macedonia and the Ministry of Finance - Financial Police Directorate.

SAO actively cooperates with all state bodies for prevention and fight against corruption within the Protocol on Cooperation for Prevention and Repression of Corruption and Conflict of Interest.

The State Audit Office participates in the implementation of the National Program for Adoption of the Acquis (NPAA) through the activities provided in Chapter 3.23. Judiciary and Fundamental Rights, Area - Anti-Corruption Policy, and Chapter 3.32 Financial Control, Area - External Audit, as well as in the work of other bodies and bodies for prevention of corruption.

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ADMINISTRATIVE
CAPACITIES

3.1. ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

The State Audit Office continuously invests in and ensures continuous professional development of human resources by:

implementing specialization of internal organizational units;

assigning employees on job positions in line with their professional qualifications, work experience and acquired skills;

ensuring continuous career development through promotion;

hiring new staff for conducting state audit, and

providing continuous professional development of knowledge of state auditors.

In cooperation with the competent authorities, SAO makes continuous efforts to increase the number of employees and to ensure continuous growth of human resources in line with SAO acts for internal organization and systematization of job positions.

Gender structure of SAO employees

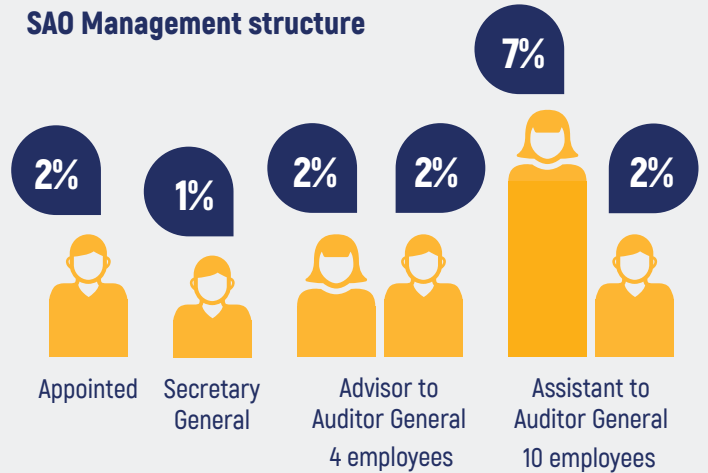
115

EMPLOYEES

71 women
44 men



SAO Management structure



Gender structure of Heads of audit team

21
HEAD OF AUDIT TEAM



ASSESSMENT OF SAO OPERATION BY THE EUROPEAN COMMISSION

The Report of the European Commission for the Republic of North Macedonia for 2021 considers that SAO institutional and HR capacity seen through the prism of published audit reports, ascertained state of affairs in audited entities, applied methodologies, issued audit opinions in line with ISSAIs and the level of audit quality, are adequate and comply with INTOSAI standards.

European Commission assesses that following the adoption of new acts for organization and systematization of jobs in 2020 by Auditor General upon extensive and in-depth functional analysis of SAO and employments, the number of employees has increased by more than 30% compared to 2019.

In the report, Chapter 2.4 Public Procurement states that the role and capacity of SAO in conducting public procurement audits have been improved with the implementation of the new public procurement

audit program, particularly emphasizing the regularity audit on emergency public procurements related to Covid 19.

Point 5.32 of Chapter 32. Financial Control, states that SAO independence is not yet guaranteed in the Constitution, the cooperation between SAO and the Assembly has improved, but it should be further developed, and parliamentary oversight of budget preparation and implementation needs further strengthening.

3.2. PROFESSIONAL DEVELOPMENT OF STATE AUDITORS

Recognizing the role and importance of professional knowledge and skills of employees, SAO continuously invests in human resources.

To identify the needs for continuous professional development of employees, priority areas for training were determined through a survey and Annual Plan for continuous professional development and training for 2021 was prepared and published⁴. This activity is a requirement of INTOSAI and ISSAIs.

Despite the continued presence of consequences of Covid 19 pandemic, the plan was fully implemented and trainings were conducted in the following areas:

⁴ https://dzt.mk/sites/default/files/2021-02/Godisen_plan_KPUO_2021.pdf



audit - methodology trainings - basic and advanced level;	practical application of ISSAIs;	prevention of corruption, integrity and communication;	IT;	IAS and IFRS;
taxes and contributions;	protection and access to public information;	trainings provided through current / new SAO projects;	trainings organized within workshops and seminars according to planned SAO international activities for 2021, and	other types of training.

The Annual Plan for continuous professional development and training for 2021 contained significantly increased volume of educational events aimed at increasing knowledge and skills of employees, primarily state auditors, with participation in seminars, trainings, workshops and other educational events organized by SAO, international organizations, professional associations, international initiatives, as well as national and international private legal entities that offer education in several areas related to state auditing.

Based on the experience gained in the previous year for the needs of professional development of employees, in 2021 SAO organized and provided participation in a number of trainings and workshops (67) on various topics.

SAO managed to exceed the objective of at least five days per year of professional continuous training of state auditors in the field of accounting as an extremely important segment for understanding auditing and as recommendation of the International Federation of Accountants - IFAC.

On average, auditors had 20 days of continuous professional development in the field of financial accounting and audit.

During 2021, specially designed trainings were conducted for the newly employed state auditors to facilitate their professional adaptation in the work environment and to gain experience on the respective job position by performing various audit tasks and by participating in targeted training.



From the multitude of trainings and participation in seminars and workshops designed for SAO employees as well as for public sector employees, in 2021 SAO continued its active cooperation with EUROSAI and INTOSAI, distinguished international organizations and specialized international training centers.

SAO continuously provides electronic access to the database of "Official Gazette of the Republic of North Macedonia" and uses the services of renowned national companies for economic-financial and legal consulting for updated information and analysis of news and recent developments in the field of accounting and audit.

By investing in the knowledge and skills of employees, SAO delivers multiple effect conveyed by increase of the quality of work performed and appropriate recommendations in final audit reports that provide advice to public sector entities.



REPLACEMENT OF SERVERS AND OPERATION SYSTEM, DATA STORAGE AND NETWORK EQUIPMENT



PROCUREMENT OF LAPTOPS



MANDATORY DATA ENCRYPTION



PROCUREMENT OF SCANNERS



TRAINING

3.3. IT RESOURCES

In 2021, SAO took steps for modernization of its IT resources. Complete upgrade of the information system was successfully performed - replacement of servers and the operating system, replacement of hard disks, and replacement of the network equipment. Additionally, we completed the installation and testing of the equipment at the secondary location in case of a serious IT incident at the primary location (Disaster Recovery Site).

Concerning needs of employees, SAO purchased laptops and replaced state auditors' old ones with the latest version of the operating system. This step completely facilitates the work of auditors, by unifying the equipment and tools they use in the audit process. Mandatory data encryption has been introduced to protect audit work processes, as well as to protect data obtained from audited entities.

The use of remote access by auditees for providing electronic data upon request of the audit proved as a successful pilot project. In conditions of pandemic, it significantly facilitated data exchange with auditees.

In 2021, we purchased smaller and lighter scanners for converting data and other evidence from paper to electronic form by the auditors in the audit process.

For the new employees, we provided training on SAO information system, appropriate use of IT resources, use of software tools, applications and the audit management system (AMS), which are actively used in the audit process. We also introduced them to SAO IT policies and procedures - the basis for successful, correct and safe use of assets and data.

The practice of using technical possibilities (platform) for video conferences and meetings with internal and external parties continued throughout this year. The activities of the twinning project were realized using this platform and without physical presence due to the various limitations during the pandemic.

Development of information technology and its use by the auditees provided for the use of computer-assisted audit techniques (CAATs) in the audit process. CAATs are computer-based tools that allow the auditor to perform series of automated tests to evaluate entity's information system or electronic data. CAATs provide higher level of certainty and sufficient and appropriate audit evidence. SAO also uses IDEA software for analyzing data used for generating financial statements, as well as for audit sampling.

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

In addition, SAO Information System Security Policy was consistently applied, with particular attention to the application of IT security procedures and IT procedures for AMS implementation.

3.4. FINANCIAL RESOURCES FOR SAO OPERATION

In line with the State Audit Law, financial resources for SAO operation are provided from the Budget of the Republic of North Macedonia.

The total planned budget for 2021 for all budget accounts (631, 637 and 785) amounted to 116.295.000 denars. The approved plan amounted to 114.068.000 denars and the realization was 111.870.000 denars.

Of these, 96.84% (112.623.000 denars) are funds provided from the budget account 637, 2.55% (2.970.000 denars) from budget account 631, and 0.6% (702.000.000 denars) from donor account 785.

Total planned budget

116.295.000
denars

► Budget Account 637

SAO has 98.68% realization (111.147.000 denars) of the approved budget on the budget account 637 for 2021, which amounted to 112.623.000 denars.

As for the structure of planned expenditure of budget account 637, 84.26% (94.898.000 denars) refer to salaries, contributions and allowances for employees, 12.17% (13.715.000 denars) refer to goods and services, 0.26% (300.000 denars) for transfers and donations, and 3.29% (3.710.000 denars) for capital expenditures.

In the structure of realized SAO expenditure, 93.794.000 denars or 84,4% are salaries and allowances for the employees, 13.368.000 denars or 12% are goods and services, 3.693.000 denars or 3,3% capital

expenditures and 291.000 denars for various transfers.

In 2021 structure of realized expenditure for goods and services, largest share have utilities, heating, communications and transport (3.999.000 denars); travel and per diems amount to 1.582.000 denars; office materials and small inventory 1.141.000 denars; 3.016.000 denars for repairs and ongoing maintenance; 2.418.000 denars for contract services, 1.210.000 denars for other current expenses and 291.000 denars for various transfers.

As for the capital expenditures, 3.693.000 denars were spent on procurement of office and IT equipment, office furniture and investments in non-financial assets. 2.162.000 denars account for procurement of equipment

and machines, 672.000 denars for procurement of office furniture, and 857.000 denars as investment in non-financial assets, for procurement of software, anti-virus data and system protection and backup licenses.

Upon Decision for confirmation of public interest in socio-humanitarian activity, SAO as a socially responsible institution donated 100.000 denars to the Red Cross of the Republic of North Macedonia to help and support the families of the victims in the bus accident on the highway "Struma" in Bulgaria.

► Budget account 631

In 2021, expenditure amounting to 22.000 denars was made on the core budget account 631. Revenues amount to 2.516.000 denars, and unspent funds at the end of the year

Account 637 structure of expenditure

- Salaries
- Goods and services
- Various transfers
- Capital expenditure



amounting to 2.494.000 denars were transferred as surplus revenue for the following year.

► Donor account 785

In 2021, SAO realized 701.000 denars on account 785, which were received as a foreign donation by the International Institution of Supreme Audit Institutions (INTOSAI).

In October 2020, INTOSAI had a public call for "SAI Continuity during Covid 19" grant. SAO applied and received donation of 11.428 euros or 701 thousand denars, which were used for procurement of laptops for the auditors following previously conducted public procurement procedure for IT and video equipment in 2021.

► Received donations in 2021 – activities finance by donor

During 2021, the State Audit Office received foreign donation in hardware and software equipment of 311.000 euros or 19.134.000 denars, based on a project contract through IPA/2020/421-614. Fifty laptops were obtained together with the rest of the software and hardware equipment (licenses, servers, etc.) through this project. The laptops were used to replace obsolete laptops with limited performance that were not able to provide efficient and quality support in conducting remote audits.

In support of continuous professional development and education, UNDP covered expenses for training on "Audit of accrual

financial statements" for SAO employees amounting to 2.129.000 denars.

SAO also received donation in licenses - Adobe design package, in the amount of 56.000 denars based on agreement with the Westminster Foundation for Democracy for improved visualization and promotion of audit activities.

External audit company elected by the Assembly of the Republic of North Macedonia audits SAO financial statements. The audit report on the State Audit Office operation by the independent auditor is integral part of the Annual Report on performed audits and operation of the State Audit Office.



INTERNATIONAL
COOPERATION

The State Audit Office, like other SAIs, is active in international cooperation. It facilitates increase of knowledge and skills of employees, exchange of experience and improvement of effectiveness of the audit process.

The trend of remote execution of international events through video conferences and webinars continued in 2021 due to the situation imposed by Covid 19 pandemic. Holding virtual international events enabled large participation of SAO employees. During 2021, SAO participated in 50 international events (meetings, workshops, conferences), of which over 90% were realized via video link. All participants

had the opportunity to learn about best practices and to participate in networking as an opportunity to expand their knowledge and skills in several areas:

- ▶ environmental audit;
- ▶ IT support and IT audit;
- ▶ improving SAI operation;
- ▶ public debt;
- ▶ municipality audit;
- ▶ Covid 19 pandemic as a challenge and opportunity to increase SAI impact, etc.

SAO is active participant in several international working groups, including:

EUROSAI AND INTOSAI WORKING GROUPS



SAO contribution in the implementation of EUROSAI WG activities and programs during 2021 was continuous, in accordance with the conditions imposed by Covid 19.

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

The benefits of working with other SAIs are manifold. We emphasize the opportunity for auditors' professional development in the form of peer-to-peer activities, flexible approach and use of other participants' experiences, as well as building self-confidence in SAO capacities for performance audit on one hand and promoting results achieved by SAO on the other.

EUROSAI

SAO delegation headed by Auditor General Maksim Acevski participated in the XI EUROSAI Congress held in April 2021. Due to the global Covid 19 pandemic, the Congress was held via online platform. The Congress was hosted by SAI of Czech Republic, as the current EUROSAI Chair, with participation of representatives of EUROSAI member SAIs as well as international organizations. The objectives of the XI Congress were to assess the results of EUROSAI operations in the period 2017 - 2020 and to ensure continuity in the work of EUROSAI.

The Consolidated Report on the international parallel audit "Workforce 2030" was published in December 2021. It was a project of EUROSAI SG1, and the holders of this activity were SAIs of Israel and Finland, together with seven other SAIs and the European Court of Auditors. The State Audit Office participated in this activity with performance audit on the topic " Government planning - Effectiveness of government measures for addressing labor market risks and planning funds for overcoming these risks". The purpose of this consolidated report is to be a guiding document and tool for all governments around the world on future labor market challenges.

EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDITING (WGEA)

Within EUROSAI WGEA, SAO representatives participated in the Spring Session on Waste Management, where participants shared experiences on waste management policies at central and local levels and their implementation, following hierarchy in waste management in different sectors, financing activities for environmental protection, SAIs role on environment and climate change, types of waste and possibilities for waste management. In addition, SAO representatives participated in the 19th WG Annual Meeting held in October 2021 entitled "Green Transition", where the central discussion was the European Green Deal.

EUROSAI TASK FORCE ON MUNICIPALITY AUDIT (TFMA)

SAO has demonstrated special commitment to the work of EUROSAI TFMA, in particular for the implementation of the Action Plan 2021/22.

At the fifth WG annual meeting held in November 2021 in Montenegro, representatives of 28 SAIs took active part with two presentations:

- ▶ presentation of the cooperative audit on the topic "Municipalities' Own Revenues for Providing Quality Services to the Citizens during Pandemic", performed by seven SAIs: Albania, Montenegro, Romania, Slovakia, Poland, Turkey and the State Audit Office as coordinator of this activity. Bilateral Memorandum of Cooperation was signed with all participating SAIs.

As part of this activity in June 2021, SAO successfully organized the first online working meeting on the cooperative performance audit, and September 2021 was marked as the beginning of the planning phase.

- ▶ Presentation of the analysis "Collection of data on how to monitor implementation of recommendations in audit reports for LSGUs", prepared by SAO. This is in fact analysis of the procedures of TFMA member SAIs for monitoring implementation of recommendations given in final audit reports on the municipalities for different types of audit. The analysis is based on data collected through a questionnaire that was previously prepared by SAO and submitted to all TFMA member SAIs⁵.



EUROSAI TASK FORCE ON AUDIT AND ETHICS (TFAE)

In March 2021, the last 11th meeting of EUROSAI Task Force on Audit and Ethics was held virtually. The main topic of the meeting was to summarize results of TFAE activities and to draft final report for the XI EUROSAI Congress. TFAE representatives were briefed on the

Memorandum of Understanding signed between INTOSAI and the UN, OECD Public Integrity Manual 2020 and OECD Public Integrity Maturity Models, which were prepared with direct participation of TFAE. At this meeting, it was decided to suspend TFAE activities.

⁵ <https://www.tfma.eu/page.aspx?id=110>

INTOSAI

INTOSAI WORKING GROUP ON ENVIRONMENTAL AUDITING (WGEA)

Twentieth INTOSAI WGEA Assembly was held in January 2021. SAO representatives had an opportunity to participate in interesting discussions of top experts on topics related to circular economy. The main topics of discussion were sustainable transport, climate financing, panel discussion on Sustainable Development Goals (SDGs) and their use to determine audit scope and criteria, their mutual impact, and other SDG related aspects. During the session, several SAIs including SAO, presented case studies on the topic of plastic waste management and the concept of circular economy. SAO representative gave a brief overview of plastic waste management in the country.

EUROSAI AND INTOSAI IT WORKING GROUP (ITWG)

SAO representatives in EUROSAI and INTOSAI IT Working Group took active part in all online workshops organized by this WG, which increased their skills and knowledge in conducting IT audits.

INTOSAI WORKING GROUP ON PUBLIC DEBT (WGPD)

SAO representatives participated in the virtual Annual Meeting of INTOSAI WGPD. The topic of the meeting in 2021 was public debt audit and the impact of Covid 19 crisis on public debt and its management. SAO representatives actively participated with their presentation.

Within this working group, SAO is a team leader for implementation of two activities of WGPD Strategic Plan:

- ▶ drafting a set of practical procedures for authorization, approval and legal framework in public debt management, and
- ▶ preparing a Research Paper on mapping SAIs mandates for public debt audit, institutional capacity and support and resources of the Regional organization.

INTOSAI WGPD, in cooperation with the World Bank, successfully organized series of events as part of Public Debt Management Auditors Week in June 2021, in which SAO representative was actively involved as a panel discussion participant.

INTOSAI DEVELOPMENT INITIATIVE (IDI)

In 2021, SAO representatives participated in international events organized by INTOSAI Development Initiative (IDI) for presenting experience of SAIs and international experts in relation to

- ▶ introducing innovations in the work by organizing innovation laboratory;
- ▶ processing large amounts of textual data and using machine learning;
- ▶ improving learning through the use of knowledge from advanced scientific research in neuroscience;
- ▶ training on SAI Performance Measurement Framework, in relation to the concept, assessment phases and key issues to be considered in the assessment;
- ▶ presentation of the Global SAI Stocktake Report 2020.

NETWORK OF SAIS OF EU CANDIDATE AND POTENTIAL CANDIDATE COUNTRIES AND THE EUROPEAN COURT OF AUDITORS

At the regular virtual annual meeting of SAI Liaison Officers held in September 2021, central attention was paid to the activities for realization of the Outline Work Plan for 2021 and beyond. Within the project on parallel performance audit, five virtual workshops were realized. SAI of Sweden provided professional and financial assistance for the project, in coordination with the Joint Working Group on Audit Activities (JWGAA) and with participation of ECA representatives.

Center for Excellence in Finance - CEF and SAO strengthened their partnership in capacity building of state auditors. As a result, Auditor General together with 16 SAO state auditors participated in training on International Public Sector Accounting Standards (IPSAS) in Ohrid in October 2021. During the training, state auditors had the opportunity to be acquainted with individual IPSAS, as well as the challenges and opportunities of IPSAS application by the countries from the region - Italy, Montenegro, Albania and Kosovo.

BILATERAL AND REGIONAL COOPERATION

The challenges faced by SAIs in the new circumstances due to Covid 19, were also focus of the bilateral meetings of SAO delegations headed by Auditor General, as follows:

- ▶ February 2021, bilateral meeting with SAI of Kosovo held in SAO premises;
- ▶ September 2021, bilateral meeting with SAI of Albania held in Tirana, Albania; and
- ▶ December 2021, bilateral meeting with SAI of Serbia held in Vranje, Serbia.

SAO representatives together with Auditor General participated in a study visit to SAI of Slovakia. The focus of the study visit was fiscal decentralization, which also covered issues related to control and audit of local self-government units. The visit was conducted within the project implemented by the Ministry of Finance of the Slovak Republic and the United Nations Development Program (UNDP). The event was used for bilateral meeting with representatives of SAI of Slovakia.

INTERNATIONAL BOARD OF AUDITORS FOR NATO (IBAN)

With the acquisition of the status of the Republic of North Macedonia as full member of NATO in 2020, the State Audit Office representatives were invited and participated in the meeting of the International Board of Auditors for NATO (IBAN). SAO representatives participated in the virtual meeting in 2021 for the second time. The meeting was attended by 29 out of 30 national representatives of the Competent National Audit Bodies (CNAB) to discuss the Annual Report on Activities for 2020, as well as audit issues of common interest.

Other international activities

At the invitation of the monitoring delegation of the **Congress of Local and Regional Authorities of the Council of Europe (CLRAE)**, headed by the Co-Secretary of the Monitoring Committee, SAO representatives headed by Auditor General participated in the virtual meeting held in April 2021. The subject of interest of the monitoring mission were the measures taken for implementation of recommendations of the 329th Congress in relation to local democracy in our country, as well as the measures taken for implementation of SAO audit recommendations.

At the request of the **International Monetary Fund (IMF)** in our country, online working meeting was held in May 2021 focusing on the activities implemented by SAO, as well as conducted audits on the use of public funds related to procurement of medical devices and equipment for protection of the citizens from the corona virus.

During 2021, SAO representatives held several meetings with **OECD-SIGMA** experts, regarding the annual assessment of the progress of the public administration in the Republic of North Macedonia, as well as regarding the assessment of public expenditures and financial accountability, based on PEFA methodology.

International conference on "Supporting Accounting and Auditing Developments and Synergies" was held on 29-30 June 2021 in Skopje, organized by the **Chartered Institute of Public Finance and Accountancy (CIPFA)** and the **Center of Excellence in Finance (CEF)**. The conference was supported through funding of the project Public Accountants Certification Training in North Macedonia (PACT) provided by Ministry of Foreign Affairs of Slovenia - Slovenian Aid.

The aim of the conference was to support capacity building of finance officials regionally and globally through learning. At the conference, participants had the opportunity to hear international experiences in several areas: Managing Public Sector Assets, Anti-corruption, Leadership for Reforms and Promoting Accountants' and Auditors' Learning and Knowledge. On the second day of the conference, Auditor General introduced the participants to the important role of SAO as the supreme audit institution in the country, emphasizing the increased transparency and accountability of the institution on its work and audit results to all stakeholders.



Auditor General, together with representatives of the State Audit Office, Ministry of Finance and Ministry of Labor and Social Policy participated in the UN Women organized **Regional event for mainstreaming gender in Public Finance Management and the role of Integrated Financial Management Systems** in Tirana, Albania (September 2021). The progress in the implementation of gender-responsive budgeting in North Macedonia and the ongoing processes for the advancement of the legal and institutional framework for enhancing gender equality was presented during the event. The regional event was great opportunity for exchange of experience, good practice and dialogue on challenges faced by Western Balkan countries, and also for holding a bilateral meeting with SAI of Albania.

As part of **EU Support for Rule of Law Twinning project**, component 3, which focuses on improving prevention and fight against corruption is the activity for sponsoring master studies at the renowned International Anti-Corruption Academy (IACA) in Laxenburg, Austria. The project supports 12 candidates - civil servants employed in selected institutions for five years, including two employees of the State Audit Office. The selected candidates will obtain internationally recognized master's degree in anti-corruption.

The master's program offers diverse and innovative anti-corruption curriculum. It reflects a variety of academic disciplines necessary for providing comprehensive insight into anti-corruption and compliance systems, while offering practical know-how and expertise. The goal is for graduates to join the extensive alumni network of anti-corruption professionals through networking and team building.

4.1. PROJECT ACTIVITIES

TWINNING PROJECT "IMPROVEMENT OF EXTERNAL AUDIT AND PARLIAMENTARY OVERSIGHT"

The State Audit Office of the Republic of North Macedonia in cooperation with the State Audit Office of the Republic of Croatia (SAO of Croatia) as a senior partner and the National Audit Office of the Republic of Bulgaria (BNAO), as a junior partner, on 1 February 2021 started with the implementation of the Twinning Project "Improvement of External Audit and Parliamentary Oversight". The envisaged period of implementation of this Twinning project is 21 months and it is expected to be completed by 31 October 2022.

The Twinning project value is 1.5 million euros and it is funded by EU IPA 2018 funds.

The objective of the Twinning project is to improve the efficiency and impact of external audit by further harmonization of the legal framework and development of methodology tools, as well as by strengthening SAO capacity for efficient external audit. In addition, the project aims to improve parliamentary control over public funds and to improve cooperation between the State Audit Office and the Assembly of RNM.

The activities of the Twinning project are organized and structured in four components:

Component 1: Enhanced legal framework relevant to external audit;

Component 2: Improved administrative capacity and external audit processes;

Component 3: Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports; and

Component 4: Improved external and internal communication and IT and IT audit capacities.

The activities implemented in the Twinning project for a period of 12 months were planned within four Rolling Work Plans.

The implementation of the Twinning project activities continues in 2022 in line with the Rolling Work Plans.

WESTMINSTER FOUNDATION FOR DEMOCRACY (WFD)

The State Audit Office and the Westminster Foundation for Democracy (WFD) in the country, in cooperation with RESIS Institute for Social Development Research, continued the success story and quality cooperation in 2021 within the project "Support for Implementation of SAO Communication Strategy".

In the past year, three workshops were organized and successfully implemented to strengthen knowledge and skills of SAO auditors.

The State Audit Office, UK Foreign, Commonwealth & Development Office and the Westminster Foundation for Democracy in the country signed Memorandum of Understanding formalizing the successful cooperation so far and the future activities.

At the end of the year, on 20 December 2021, SAO in cooperation with the Westminster Foundation for Democracy successfully organized event - Working meeting with stakeholders, which was excellent opportunity for strengthening communication and improving cooperation between representatives of the media, civil society organizations and the relevant institutions.

UNITED NATIONS ENTITY DEDICATED TO GENDER EQUALITY AND EMPOWERMENT OF WOMEN - UN WOMEN

In June 2021, SAO and the United Nations entity dedicated to gender equality and empowerment of women - Un Women in June 2021 signed Memorandum of Understanding and Cooperation aimed at promoting implementation of gender equality obligations in line with national laws and policies as well as international commitments, and promoting gender responsive public asset management and accountability through systematic

implementation of gender responsive budgeting as policy making tool.

To meet the objectives set, series of workshops were held and attended by 90 SAO employees, where participants were introduced to the methodology for Gender Responsive Budgeting and initiatives for improving sectoral programs in many state institutions from a gender perspective, through the process of preparing gender budget statements. SAO is an institution with high degree of gender balance, both in the management of the institution and among the certified state auditors.

UNITED NATIONS DEVELOPMENT PROGRAM (UNDP)

In 2021, the State Audit Office cooperated with the United Nations Development Program (UNDP) within the project "Support to Public Financial Reform", funded by the Ministry of Finance of the Slovak Republic. The focus of this cooperation is to strengthen SAO capacity in auditing financial statements on accrual basis, and to implement successfully the Public Finance Management Reform Program by promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public funds. To continuing the cooperation in 2022, SAO and UNDP signed Memorandum of Understanding, which defines future joint activities aimed at more efficient and more effective state audit system.

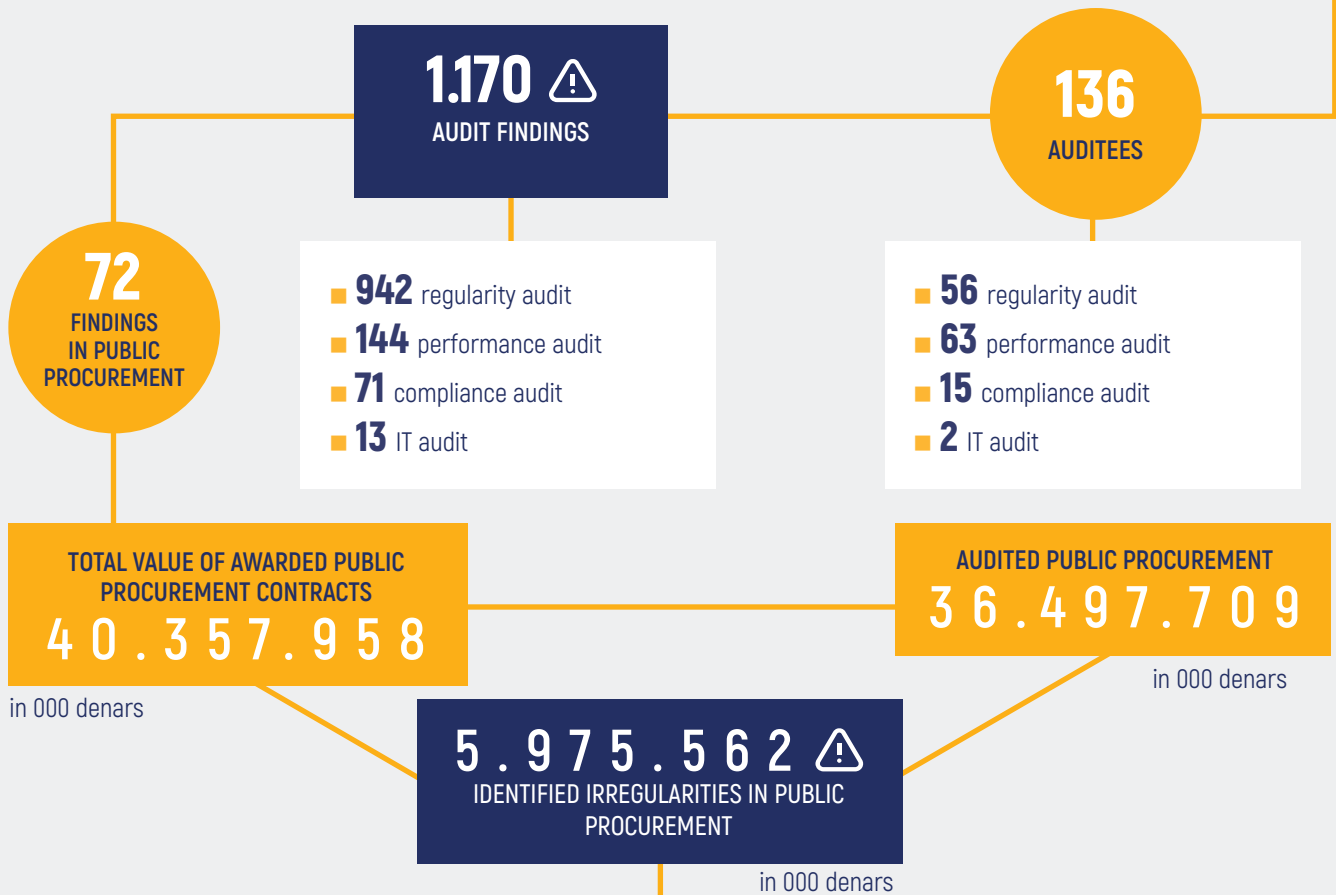
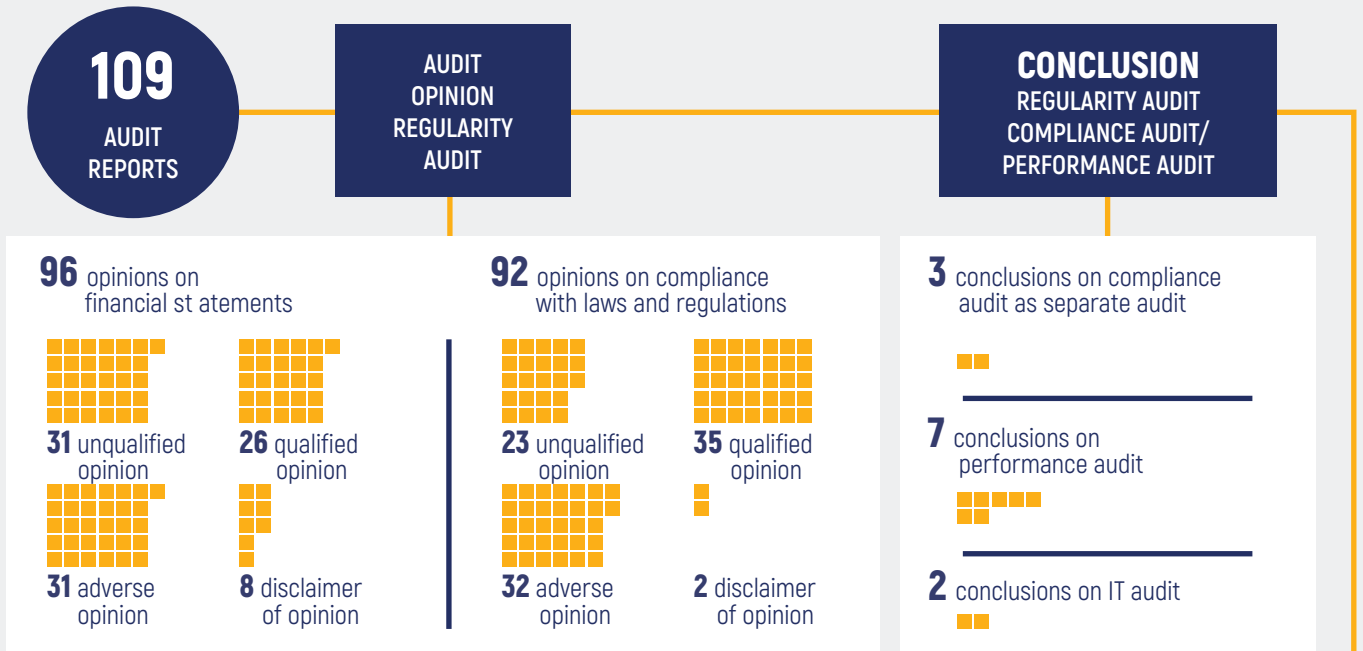
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PERFORMED
AUDITS

The results of audit activities defined within SAO Annual Work Program for 2021 are contained in the following graphic presentations

97	7	3
Regularity Audit Reports	Performance Audit Reports	Compliance Audit Reports
2	109	9
IT Audit Reports	Audit reports submitted to the Assembly of the Republic of North Macedonia	Audit reports submitted to the Public Prosecutor's Office
9	2	136
Audit reports submitted to the State Commission for Prevention of Corruption	Audit reports submitted to the Deputy Prime Minister of RNM in charge of good governance policies	Audited entities
1.170	654	511.923
Audit findings	Audit recommendations	Audited public revenues (in millions)
236.060	135.320	3.923
Audited public expenditures (in millions)	Audited assets / liabilities from the Balance Sheet (in millions)	Corrective entries in the Balance Sheets (in millions)
33	97	
Follow Up Reviews on the status of implementation of audit recommendations	Follow Up Review Reports on the status of implementation of audit recommendations	

Audit activity through figures



- weaknesses in realization of signed public procurement contracts
- weaknesses in public procurement contracts signing phase
- irregularities in preparation of tender documentation/technical specification
- tender documentation contains restrictive elements in relation to competition
- irregularities in evaluation of bids
- weaknesses in public procurement planning phase

REVENUE AND EXPENDITURE

The total audited public revenue and public expenditure covered with SAO 2021 Annual Work Program (see graph below) also includes public revenue amounting to 15.683 million denars and public expenditure amounting to 17.173 million denars, which refer to legal entities in which the state is dominant shareholder (JSC ELEM and JSC GTC), public enterprises and other institutions.

TOTAL 511.923 MILLION DENARS audited public revenue and **236.060 MILLION DENARS** audited public expenditure with 2021 SAO Annual Work Program

	Audited public revenue		Audited public expenditure	
Central Budget of R.N. Macedonia	217.686	161.101	12.693	2.535
Budgets of Funds	121.805	109.548	115.718	107.048
Budgets of local self-government units	3.393	2.048	2.829	1.651
Health Insurance Fund budget users	782	555	773	552
Political parties	397	642	294	550
Public enterprises	1.744	303	1.953	292
Other institutions/ Legal entities in which the state is dominant shareholder	13.939	1.317	15.220	1.134
Audited public revenue with performance audit	57.299	395	7.022	807
Audited public revenue with compliance audit	94.878	71.386	79.558	69.863

■ 2021 Annual Work Program ■ 2020 Annual Work Program

in 000.000 denars

With SAO Annual Work Program for 2021, the scope of audited expenditure of RNM Budget for 2020 is 80%. The structure of audited expenditure includes expenditure covered with regularity audit in the amount of 129,478 million denars, i.e. 53%, expenditure

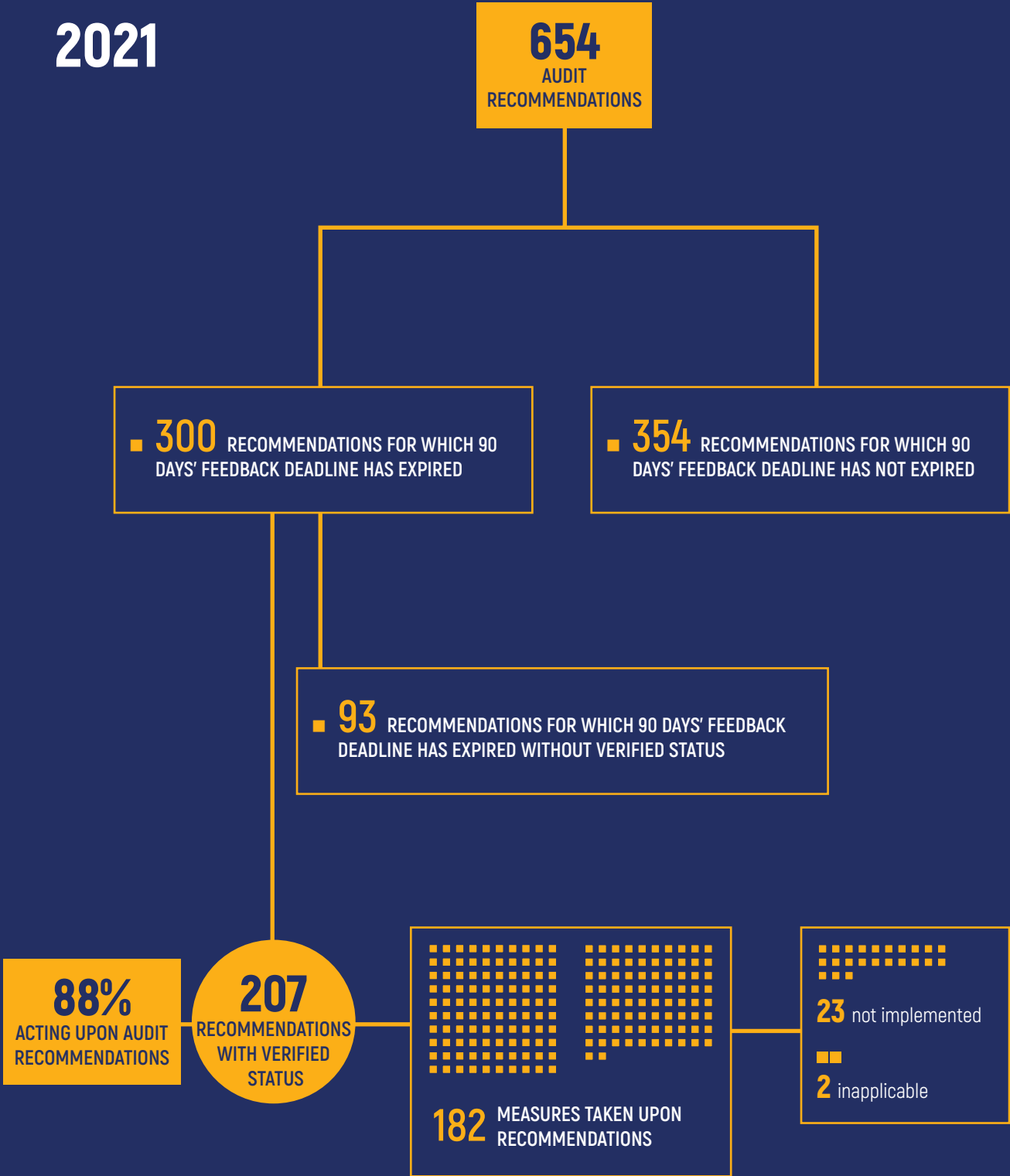
covered with performance audit in the amount of 61,844 million denars, i.e. 26%, and expenditure covered with compliance audit in the amount of 2,416 million denars, i.e. 1%.

Budget coverage through audited expenditure with SAO 2021 AWP			
Audited expenditure per budget type (in million denars)	Executed budget for 2020	Audited	Share in %
1	2	3	4
2020 RNM Budget expenditure (Final account of the Budget of RNM for 2020, Official Gazette of RNM 71/2022 from 22.03.2022)	243.241	193.738	80%
Budgets of Local Self-Government Units	33.048	2.829	9%

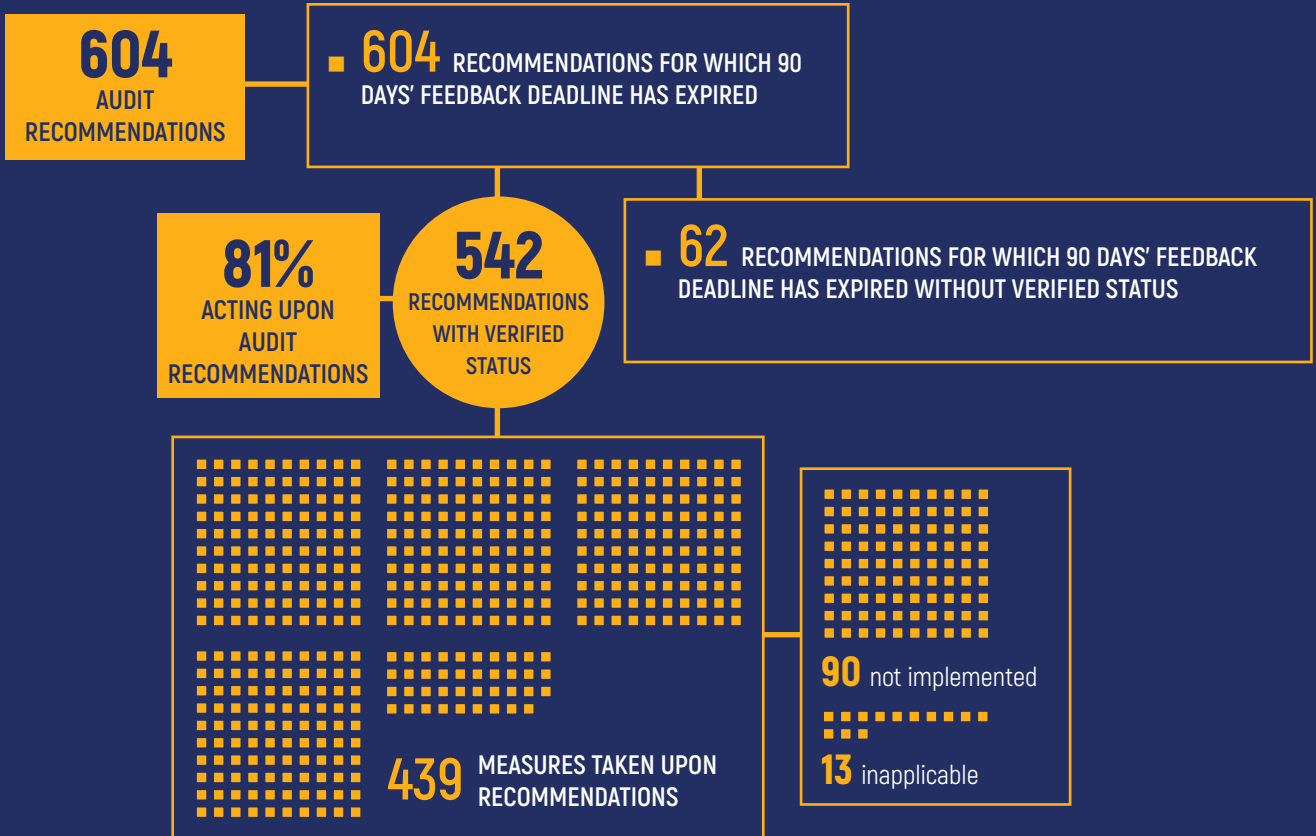
AUDIT RECOMMENDATIONS AND IMPLEMENTATION

In line with the State Audit Law, the legal representative of the auditee is obliged to inform the State Audit Office and the authority responsible for supervision and control of the auditee's operation on the measures taken upon findings and recommendations in audit reports within 90 days of the date of receipt of the final audit report. SAO follows up on the implementation of audit recommendations within regular audits, follow up reviews and follow up audits, as well as through the information provided by the auditees.

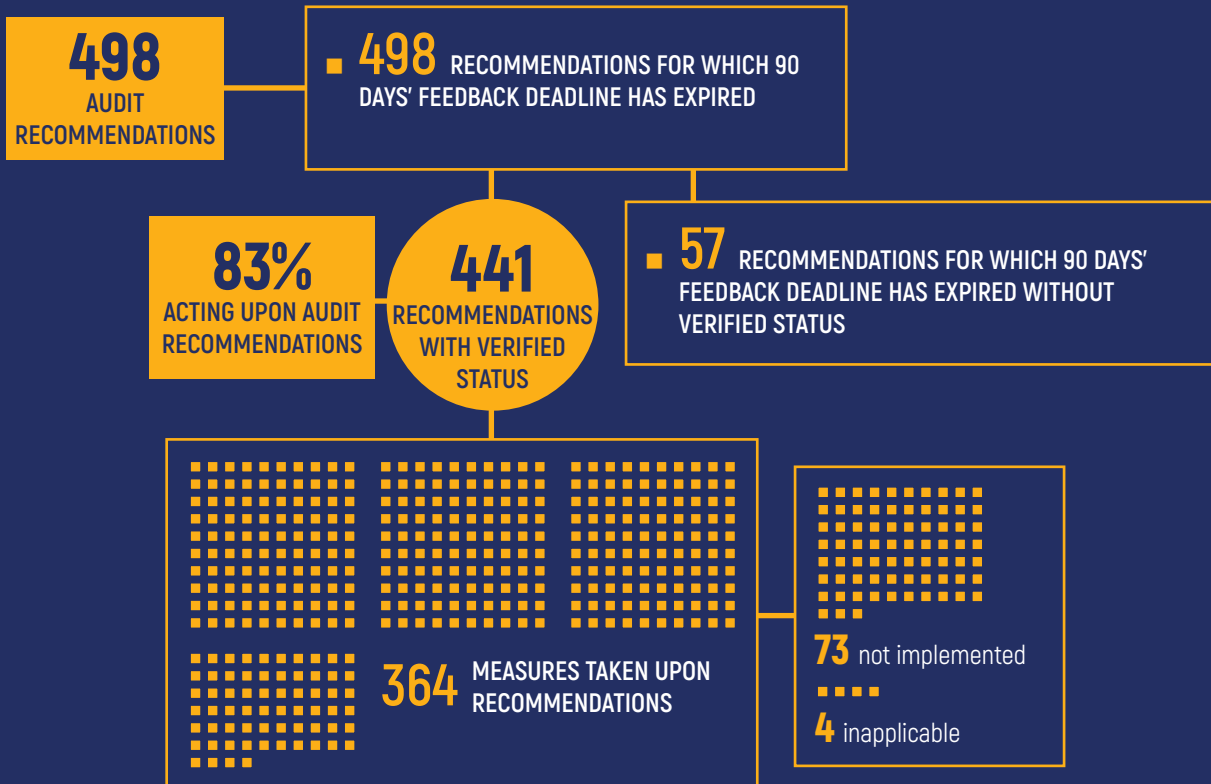
2021



2020



2019



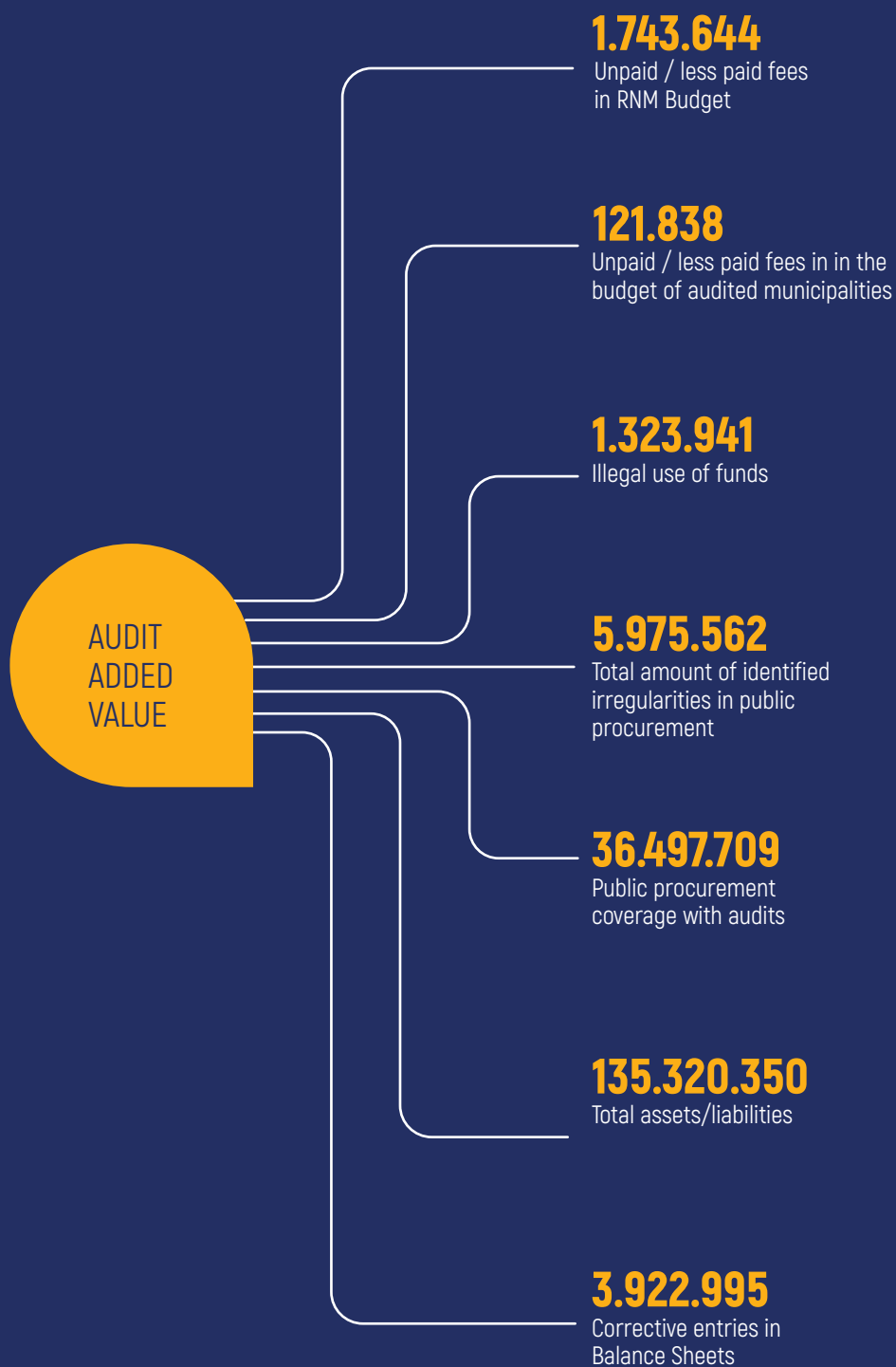
5.1. AUDIT ADDED VALUE

SAO 2021 Annual Work Program defines priority activities aimed at achieving objectives and work tasks i.e. SAO strategic objectives. The activities taken for achieving strategic objectives provide adequate coverage of audited public funds, professional development of employees, conducting performance audits on various programs and projects for achieving accountability and good governance, review of results in terms of economy, efficiency and effectiveness of public sector activities, and informing stakeholders and the wider public on identified shortcomings in final audit reports.

Key results of SAO operation in 2021 are visible through the following:

- ▶ support to the Assembly of RNM in fulfilling its competencies by identifying and presenting irregularities, cases of illegal operation and possible cases of corruption and abuse of office;
- ▶ providing clear and effective recommendations to state and other public sector institutions on improving public funds management;
- ▶ contributing to increasing transparency and accountability in the use of public funds / taxpayers' funds, and thus improving the quality of life of the citizens of the Republic of North Macedonia by delivering services in compliance with the principles of security in providing services, continuity and quality of service, transparency, availability and universal service, protection of users and citizens;
- ▶ identifying irregularities concerning tax evasion, non-payment of public duties and fees in the Budget of the Republic of North Macedonia, and thus providing return of invested funds from the Budget of RNM in SAO;
- ▶ audit on awarding public procurement contracts, with special emphasis on awarding public procurement contracts in conditions of pandemic;
- ▶ providing guidance on capital investments planning, obtaining necessary funds and monitoring implementation thereof (with particular focus on funds provided by international creditors), and verifying effects of these investments;
- ▶ following the level of borrowing and contributing to public finance management.

AUDIT ADDED VALUE



in 000 denars

5.2. 2020 BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

5.2.1. 2020 CORE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

Sound public finance management is one of the top national priorities, which enables financial stability and sustainability. The process of preparation, adoption and implementation of the Budget of the Republic of North Macedonia aims to maintain macroeconomic stability as well as stable national economic development.

The Law on Budgets regulates the manner and deadlines for the key activities of the procedure for preparation and adoption of RNM Budget. Since March 2020, the implementation of the Law on Budgets was adapted to the emerging situation caused by the global COVID 19 pandemic.

With the audit, we concluded that most of the activities for preparation of 2020 RNM Budget are implemented in line with the legislation. However, it is necessary to strengthen the activities and to complete the budget requests from budget users with strategic plans for alignment with Government strategic objectives and for improving the quality of the overall state budget planning process.

As in previous years, the funds allocated from 2020 Budget for financing the Judiciary did not reach the legally set percentage. In addition, there is no

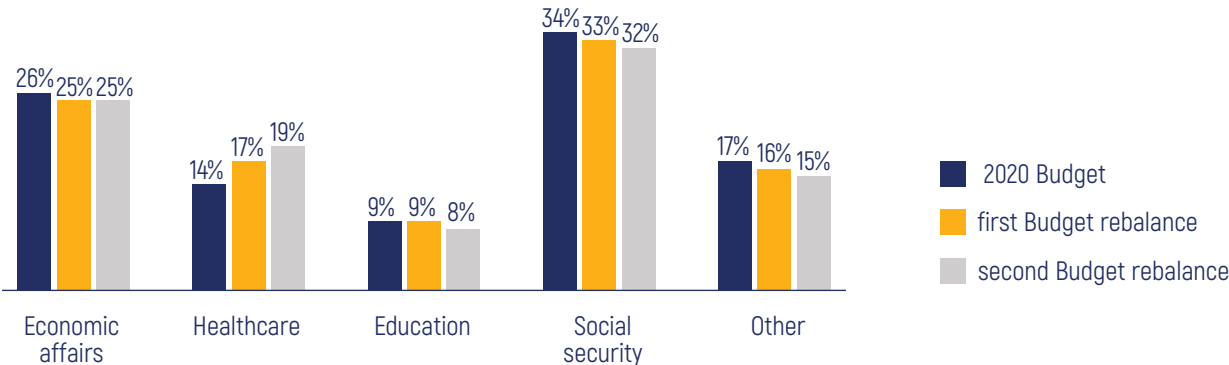
clear division, nor coordination between competent institutions to confirm the proper distribution of funds earmarked for balanced regional development, in line with the legally prescribed percentage.

2020 RNM Core Budget was adopted in the amount of 191.003.525.000 denars and compared to 2019 is higher by 23%.

The health and economic crisis had an impact on the Budget for 2020. With the amendments, the Budget increased to 204 billion denars, i.e. around 5% compared to the originally planned. The budget deficit also significantly increased to 8.11% of GDP, compared to the originally projected at 2.35% of GDP before the pandemic.

Functional classification of expenditure of RNM Core Budget (account 637) with the amendments in 2020, is shown in the following chart:

2020 CORE BUDGET (637) EXPENDITURE STRUCTURE-FUNCTIONAL CLASSIFICATION



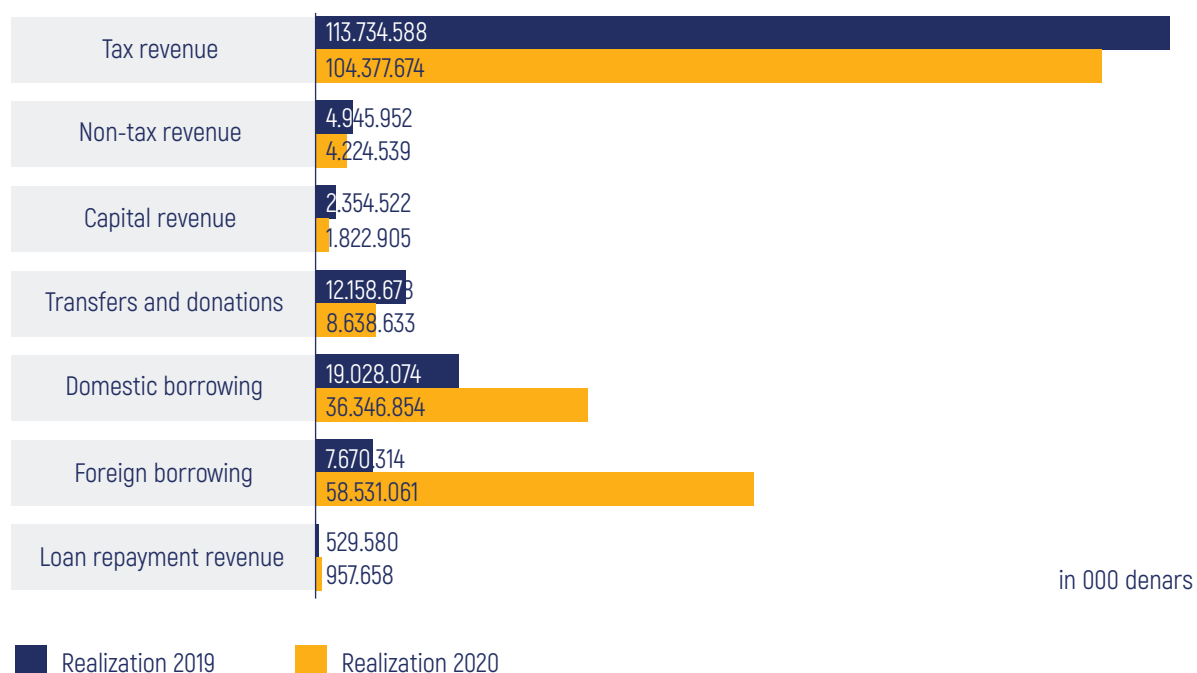
The principle of budget balance was observed in planning revenue and expenditure, which requires total revenue and inflows to cover the approved Budget funds. Borrowing inflows were used to cover the budget deficit to maintain Budget liquidity. In 2020, financing deficit and debt repayments was provided through foreign and domestic borrowing.

Total revenue and inflows in 2020 were realized in the amount of 214.889.324.000 denars, i.e. 35% more

compared to 2019. The increase is mostly due to the increase of borrowing inflows - domestic 91% and foreign (663%), and the reduced realization of revenue compared to 2019 - tax revenue 8%, non-tax revenues 15% and capital revenue 23%.

Realized revenue and inflows in 2019 and 2020 are shown in the following table:

REVENUE AND INFLOWS IN 2019 AND 2020



In 2020, tax revenues under jurisdiction of the Customs Administration and the Public Revenue Office (PRO) have the highest share of 49% in the total revenue and inflows, but significantly lower than 2019, when their share was 71%, due to increased domestic and foreign borrowing.

In 2020, tax revenues were realized in the amount of 104.377.674.000 denars. Largest share of 45% have VAT revenues. Influenced by the health and economic crisis,

in 2020 all types of tax revenues decreased compared to 2019, and part of PRO activities were aimed at implementing Government measures introduced for dealing with the crisis.

Considering PRO current and additional competencies as well as the structure of its employees, the audit continuously recommends making analysis of the need for adequate strengthening and allocation of the HR resources and improvement of the IT systems, aimed

at effective performance of primary competencies for administering and controlling tax revenues and public duties as RNM Budget revenue.

With the audit we concluded that collected gross amount of Value Added Tax - VAT has decreased by 7% compared to 2019. To determine coverage of VAT refund with PRO controls, the audit examined a sample of 122 taxpayers that received VAT refund in 2020. We found that in the period 2016-2020 no control has been performed on eight taxpayers (7%). Considering that largest part of tax revenues are based on VAT payment, as well as that irregularities were found in 40% of taxpayers who received VAT refund, we noted that increased number of controls would reduce the risk of illegal actions of taxpayers regarding completeness and accuracy of VAT calculation and payment. This would increase Budget revenues, and therefore we recommended strengthening HR resources by increasing the number of tax inspectors.

We also identified the need of further adjustment of the regulation on the manner of PRO action in the event of deprivation of municipalities' competencies due to inconsistencies in their work related to property taxes. Although this is not direct revenue to the Budget of RNM, having in mind the financial instability and continuous need for financial support to the municipalities by the central budget, it is necessary to strengthen their supervision by the PRO.

In the Core Budget, excises, whose administration is under the competence of the Customs Administration, were collected in the amount of 22.118.581.000 denars, which is 11% less compared to 2019.

One of the main competencies of the Customs Administration is implementation of customs and excise control in line with the Annual Plan for control of trade companies. The audit found that 567 companies are subject to excise control, and the Annual Plan for 2020 covered only 5% of trade companies for excise control. Insufficient HR resources significantly affect the functioning of the unit for trade company control and the number of performed controls.

The information systems of the Customs Administration contribute to efficient implementation of controls over collected and refunded custom duties, excises, fees and other duties, facilitate trade through accelerated flow of goods, and improve the security of the supply chain in line with EU standards and the World Customs Organization. However, the low percentage of filled job positions in the ICT department (37%) may affect the efficiency of implementation of competencies, taking into consideration the workload and the support of a large number of applications used by the Customs Administration.

In 2020, domestic borrowing inflows from issued government bonds and short-term borrowing from domestic banks amount to 36.346.854.000 denars, which is 91% increase from 2019. Domestic borrowing inflows cover 38% of total inflows based on government borrowing.

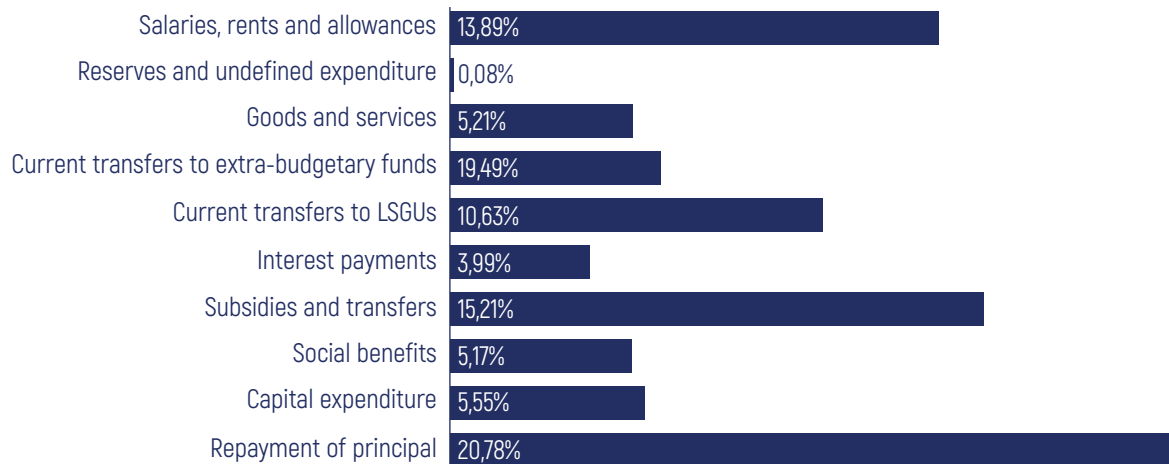
Inflows based on external borrowing in 2020 amount of 58.531.061.000 denars, which is 663% increase compared to 2019. Inflows from Eurobond issued by RNM on the international capital market represent 73%.

In the structure of expenditure and outflows of the Core Budget of RNM for 2020, the largest share of 20.78% have expenditures for repayment of principal, current transfers to extra-budgetary funds 19.49%, expenditures for subsidies and transfers 15.21%, and expenditures for salaries, rents and allowances 13.89%.

In 2020, total expenditure and outflows were realized in the amount of 201.058.216.000 denars, which is 32% higher compared to the previous year.

The share of individual types of expenditure and other outflows in relation to the total expenditure and outflows in the Core Budget of RNM for 2020 is shown in the following chart:

2020 CORE BUDGET EXPENDITURE AND OUTFLOWS STRUCTURE

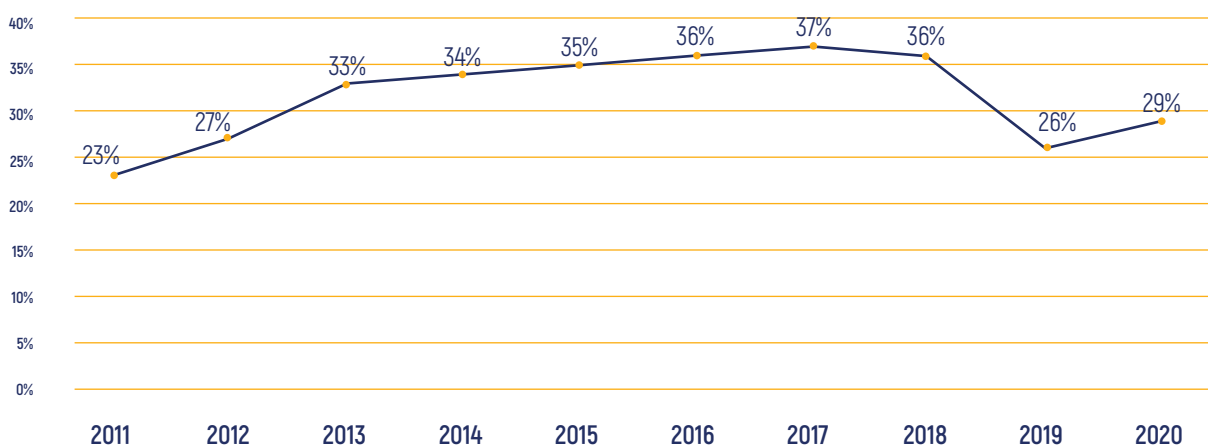


In 2020, 31.142.043.000 denars Budget funds were transferred to the Pension and Disability Insurance (PDI) Fund, i.e. 10.81% more compared to 2019.

With the audit, we found that PDI Fund deficit for payment of pensions in 2020 amounted to 17.286.020.000 denars, which is 29% of the total sources of funds for payment of pensions and it has increased by 3% compared to 2019.

The trend of budget funds share to cover PDI Fund deficit for payment of pensions for the period 2011-2020, shown in the graph below, points to the continuous need for financial support of the PDI Fund for payment of pensions with funds from the Budget of RNM.

PERCENTAGE OF TRANSFERS FROM THE CORE BUDGET TO COVER CURRENT DEFICIT OF PDI FUND 2011-2020



Subsidies amounting to 21.373.057.000 denars were realized as current transfers to LSGUs through the competent ministries, which represent 11% of the total expenditure of the Core Budget in 2020. Compared to 2019, these transfers have increased by 11%.

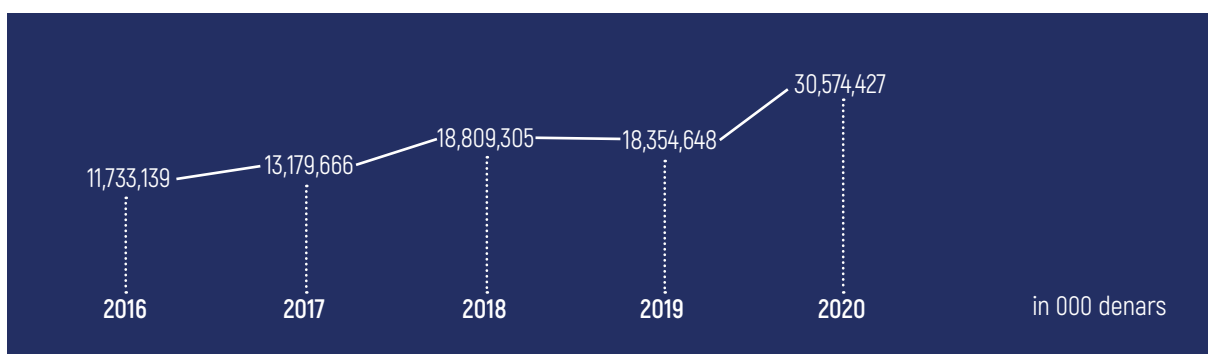
Block subsidies have the largest share in the transfers i.e. 87% of the total paid funds to LSGUs, VAT subsidies participate with 11%, and the share of earmarked subsidies is 2%.

With the audit, we found that the Inter-Ministerial Working Group responsible for analyzing the situation and redefining criteria for earmarked and block subsidies for municipalities has prepared Report with

proposals for the competent ministries. However, until the day of the audit no recommendations have been implemented.

Expenditures for subsidies and transfers participate with 15% in the total expenditure of the Core Budget for 2020 (30.574.427.000 denars), which is 32% more compared to 2019.

In the period 2016-2020, the expenditures for subsidies and transfers increased significantly and in 2020 compared to 2016 were 3 times higher.



In terms of value, the most significant are expenditures for various transfers amounting to 27.618.662.000 denars, which represent 90% of the total expenditures for subsidies and transfers. Of these, in 2020 significant 46% are expenditures for Government subprogram P1 – Measures for coping with COVID 19 crisis.

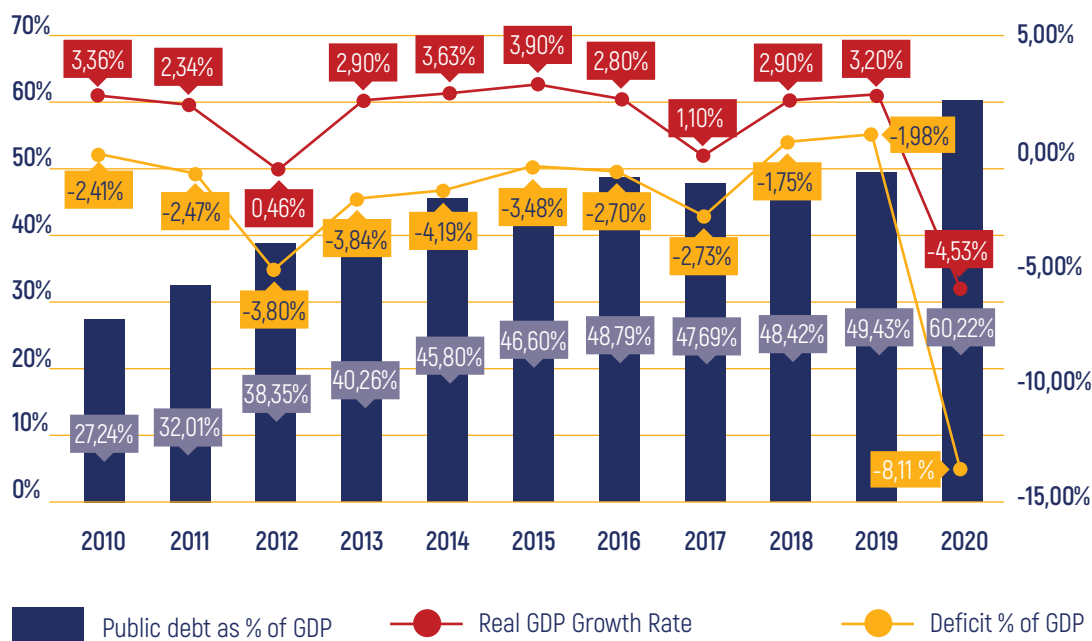
In relation to capital expenditures, 55% are expenditures for payment of guarantees, of which 78% for payment of external debt of PE for State Roads for construction of highway section Miladinovci-Stip and section Kicevo-Ohrid, 20% for Macedonian Railways Transport JSC Skopje for the Project for procurement of new towing vehicles and 2% for the Project for railway reforms.

The Law on Budgets stipulates that borrowing is a procedure for creating financial obligation by concluding

loan agreement, issuing domestic securities and obligations under activated state guarantees. The Law on Public Debt stipulates that for execution of the Budget of RNM, the Ministry of Finance on behalf of RNM may borrow up to the maximum amount required for financing the Budget deficit and for refinancing state debt liabilities for the current and the next two fiscal years, defined in the Budget of RNM and the Fiscal Strategy.

According to Ministry of Finance data, we made comparison of the Budget deficit, the level of public debt and the economic growth rate in the period 2010-2020, presented in the following graph:

PUBLIC DEBT, BUDGET DEFICIT (% OF GDP) AND ECONOMIC GROWTH



Evidently, the public debt has continuous upward trend as a percentage of GDP. The same trend is observed with the deficit, which in 2020 is the largest and amounts to 8.11% of GDP due to the functioning of the economy in pandemic conditions.

By analyzing the public debt portfolio through the objective of borrowing, we found that of the total amount of public debt of 6483 million euros, 75% or 4.842 million euros was created to finance the Budget deficit, while 25% or 1.641 million euros was borrowing to finance projects and investments.

Through the electronic system for reporting and recording liabilities, Ministry of Finance publishes on its website quarterly summary reports on reported liabilities by the entities it should supervise to confirm whether reported amount reflects entities' real obligations.

We concluded that until the day of the audit no supervision was performed by the Department for Financial Inspection, although a List of entities that have not reported on the liabilities was submitted for further processing. This creates a risk of completeness of

data on reported liabilities on 31 December 2020, which may have an impact on the preparation of strategic documents for the procedure of planning and adopting State Budget for the following period.

Regarding financial instability of municipalities, with the audit we concluded that in December 2020 out of 81 municipalities, 11 have blocked bank account. Until the day of the audit, no decision for declaring financial instability has been submitted, and thus the Ministry of Finance has not established coordination body for overcoming financial instability of municipalities.

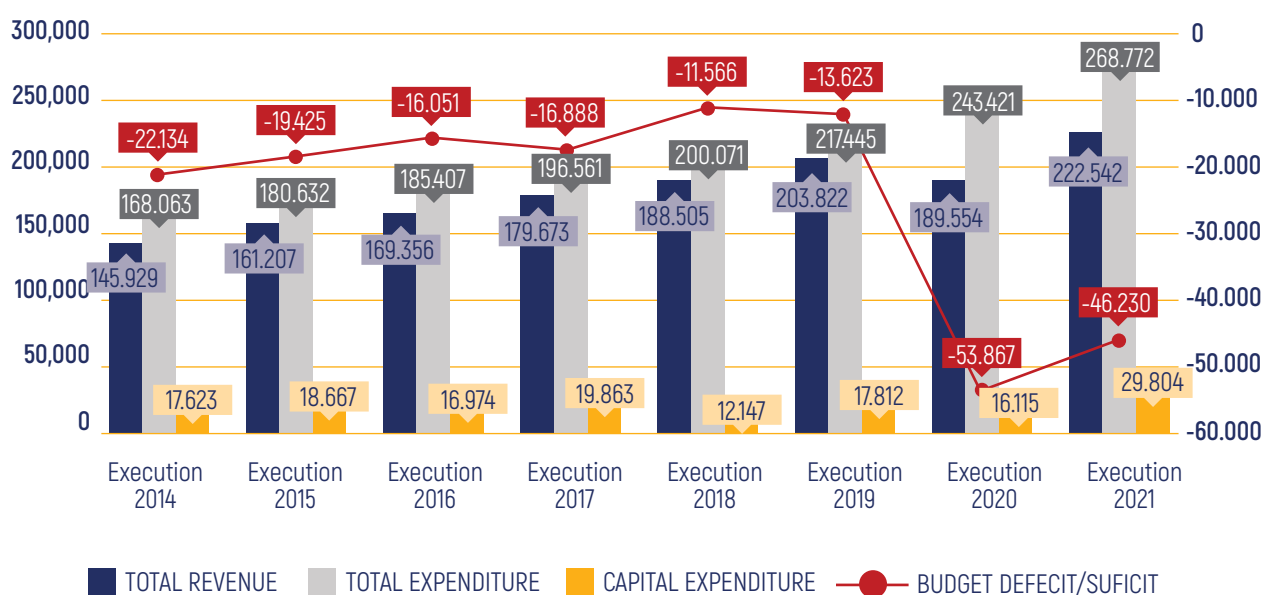
This situation enables municipalities to create new liabilities on various grounds, as well as to start new capital projects, which may deteriorate their liquidity and their overall financial standing in the future and create possibility of additional allocation of funds from the Budget of RNM as financial support, that would additionally burden the Budget of RNM.

5.2.2. PUBLIC DEBT MANAGEMENT - BORROWING OF THE REPUBLIC OF NORTH MACEDONIA

The performance audit titled "Public Debt Management - borrowing of the Republic of North Macedonia" covered the period 2015 – 2020 and subsequently until the date of reporting on the audit. The audit objective was to answer the following questions: **Is the level of public debt that exceeded 60% of GDP in 2020 and is expected to reach 65% of GDP by 2025 sustainable? And does the public debt management system enable efficient management of RNM public debt by providing funds for financing the State Budget at the lowest possible cost in the medium and long term and with sustainable risk level, as well as by issuing state guarantees with sustainable risk level and maintaining efficient and liquid government securities market?**

The entities covered by the audit are Ministry of Finance and the Public Enterprise for State Roads of the Republic of North Macedonia.

With the analysis of the fiscal policy and the debt portfolio, we found that 75% of the total public debt, i.e. 88% of the state debt is earmarked for financing the budget deficit due to projected higher expenditure than revenue. Source of financing is domestic and foreign borrowing that has major impact on public debt creation, cost, sustainability and management.

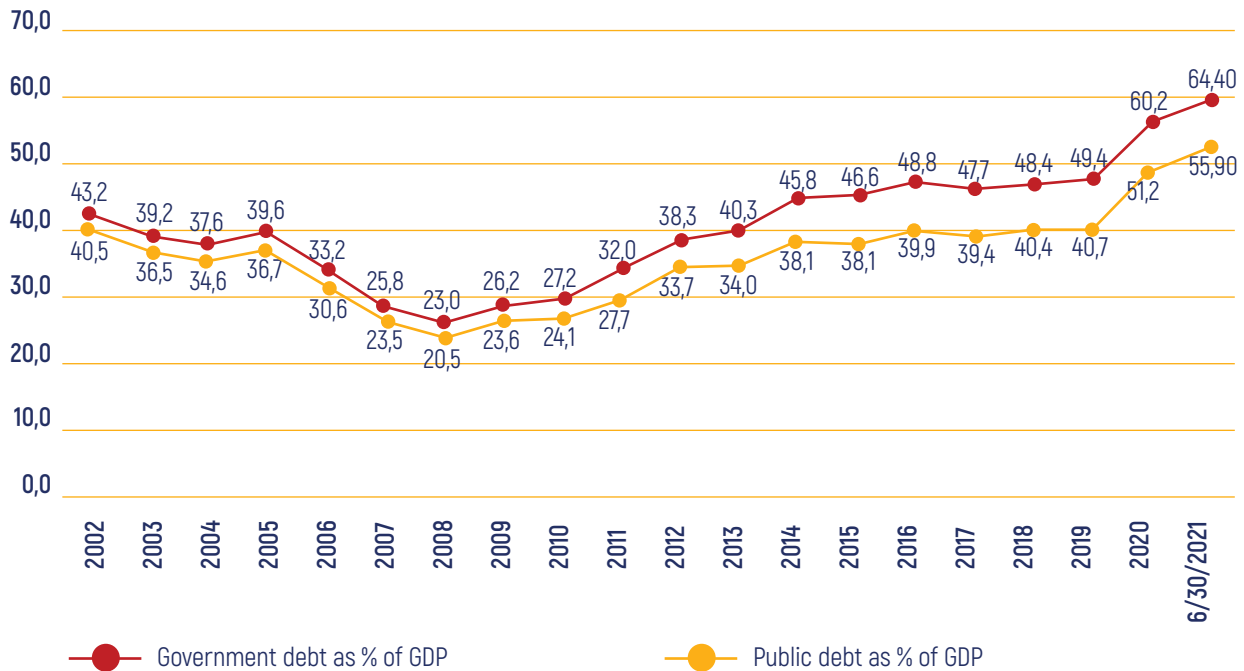


Absence of key processes in public investments management has an effect on the increase of project costs, and thus on the effective public debt management.

Due to Covid 19 crisis, public debt increased by 15 percentage points of GDP and public debt limit of 60%

of GDP was reached, which may call into question the prudent management of public debt and the sustainability of the public debt in the future. The absence of a separate law / bylaw or strategic document for public finance management in exceptional circumstances / crisis or emergency poses a risk to the public debt management.

PUBLIC AND GOVERNMENT DEBT AS % OF GDP



The public debt management system, with the exception of certain shortcomings, provides for efficient management of the public debt of the Republic of North Macedonia. The opportunity for borrowing to finance budget deficit for the current and the next two years, provides for adoption of borrowing decisions when market conditions are most favorable, but there is a risk of borrowing that is not approved by the Assembly of RNM. The process of Budget preparation does not envisage adoption of a special borrowing plan by the Assembly of RNM, while the procedures for issuing Eurobond, negotiating terms of the loan and granting on-lending loans to public debt holders are not fully regulated in the legislation, bylaws or internal procedures. Borrowing with bilateral loan for construction of highways depends on the conditions set out in the Agreement for construction, which was adopted by the Assembly of RNM as a separate law and this borrowing requires reclassification of guaranteed into government debt. Insufficient capacities of the Department for international financial relations and public debt management in the Ministry of Finance and its institutional setup have an effect on the efficiency of public debt management.

The performance audit will have effect on improvement of public finance management legal framework by adopting fiscal rules, borrowing plan and more efficient public debt management of the Public Enterprise for State Roads, as well as on improvement of the budget process in the planning procedure and mandatory analysis of debt sustainability prior to adoption or rebalance of the Budget with cautious projections of the government deficit. In the area of public investments, for taking activities to reduce the high risk in selection and implementation of projects. Regarding borrowing procedures, it is necessary to amend and harmonize the Law on Public Debt with the draft Law on Budgets, to envisage bylaws for borrowing with government securities on the international market, to regulate the procedure for on-lending borrowing, and to prepare project assessment methodology before signing loan agreement or issuing state guarantees. The audit will also have an effect on taking activities for increasing resources to implement effective public debt management and to reduce identified high organizational risk due to the status of employees in Ministry's department.

5.2.3. BORROWING OF PUBLIC SECTOR ENTITIES, CREDIT UTILIZATION RATIO, PAID AND INCURRED EXPENSES

The State Audit Office carried out performance audit on the topic *"Borrowing of public sector entities, credit utilization ratio, paid and incurred expenses"*.

The audit covered the period of signed loan agreements that are in phase of withdrawal from 2010 - 2020, although certain areas, issues and events were covered subsequently until the date of reporting on the audit.

The audit objective was to answer the question:

Are public investments financed by loans realized in efficient and economical manner?

The audit scope and evidence obtained with audit techniques and methodology provide basis to express the following conclusion:

With the conducted performance audit, we obtained reasonable assurance that financing public investments with funds from loans from official creditors creates opportunity for providing funds for large investments on favorable terms with grace period and longer period for debt service. The advantages of financing projects for public sector entities with loans from official creditors are: combined financing of projects with the possibility for investment grants through the IPA Instrument and WBIF Instrument, specifically for road and railway infrastructure, as well as tax exemptions particularly favorable for PE for state roads.

We found that the public investment management system is fragmented with individual borrowing laws and loan agreements and there is no separate legal framework for realization of public investments. Strategic public investment planning lacks national methodology and project selection criteria. The existing legal framework lacks efficient system for monitoring and supervision of projects with procedures and

competent institutions, and does not establish indicators for project monitoring. Therefore, timely corrective measures are not taken for some of the projects to reduce the risks.

We identified shortcomings in the technical solutions of project documentation that significantly affect deadlines for completion of works as well as the project value. Uncoordinated action of institutions and absence of active process management have an effect on the total value of works and the higher costs for the loan agreements. For the railway infrastructure projects, there is great uncertainty about the use of received grants due to the slow dynamics of project realization.

The identified shortcomings point to slow dynamics of realization of strategic infrastructure projects, increased project costs through increased construction cost and higher costs for loans, and thus realization of public investments financed by loans is not fully implemented in efficient and economical manner.

Due to extension of deadlines for realization of infrastructure projects, the effects of public investments' objectives are delayed for future periods.

In the graphs below, we provide basic information and ascertained shortcomings for some of the projects that were subject to audit:

PROJECT:

Construction of highway Kicevo-Ohrid

2013

SIGNED
CONSTRUCTION
CONTRACT

 **411.287.800€**

 January 2018

FINANCING WITH LOAN
505.044.967€

2018

SIGNED
ANNEX TO
CONTRACT
NO. 1

deadline
extension to
 **30.06.2021**

SIGNED
ANNEX TO
CONTRACT
NO. 2

205.928.220€
to be used for
variations

SIGNED
ANNEX TO
CONTRACT
NO. 3

186.786.870€
increase of value
for additional work

2019 NEW CONTRACT VALUE

 **598.074.670€**

ADDITIONAL LOAN FINANCING
179.694.572\$

2022 LOAN AGREEMENT COSTS

 **38.634.018\$**

Risk of deadline EXTENSION

2020 SIGNED ANNEX TO CONTRACT NO. 4

new spending schedule

SIGNED ANNEX TO CONTRACT NO. 5

deadline extension

 **31.12.2023**

PROJECT:

Construction of Regional Clinical Center – Stip



01

SIGNED CONSTRUCTION CONTRACT

February 2016

1.790.884.000 denars without VAT

29.028.403 euro without VAT

unforeseen and additional works included

📅 March 2018

02

VARIATIONS OF CONSTRUCTION CONTRACT

3 approved variations

2.221.384.000 denars without VAT

03

ANNEXES TO CONSTRUCTION CONTRACT

Annex no.1

deadline extension

📅 31.12.2020

Annex no.2

increase of construction contract value to **430.500.000 denars**

Annex no.3

deadline extension

📅 30.06.2023

04

PROJECT REALIZATION

last withdrawal of loan funds in 2017, **13.500.000 euro**

September 2021

30% of planned works completed

November 2021 **the bank cancels** project financing, non-withdrawn funds are canceled **13.437.458 euro**

05

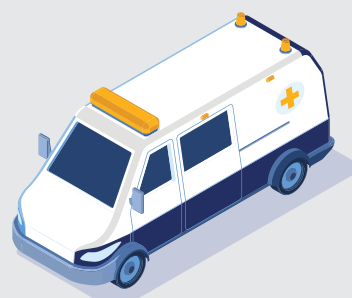
FUTURE ACTIVITIES

October 2021

Variation no.4 submitted to RNM Government

464.527.000 denars

revised project costs will **increase by 49, 97%**



The projects of PE Railways of RNM Infrastructure started in the period 2012-2014. They are stalled, not completed, and from 2018-2019 the degree of realization is only 1% on average on a monthly basis, same as in 2019

and 2020. Corridor X and Corridor VIII contracts have been terminated. During the audit period, evaluations for selection of new contractors for Corridor X and VIII were ongoing.

PROJECT:

Rehabilitation of the east part of Corridor 8 railway - **first section**

PHASE 1

Signed construction contract in **December 2013**

Completion deadline
📅 **14 September 2016**

39.753.619€

Annex no. 1

Deadline extension to
📅 **20 February 2020**
Damages claims approved

4.134.145€

Contract realization

27.730.000€

TERMINATION OF CONTRACT
JUNE 2020

New tender for contractor announced in July 2021

RISK OF DEADLINE EXTENSION

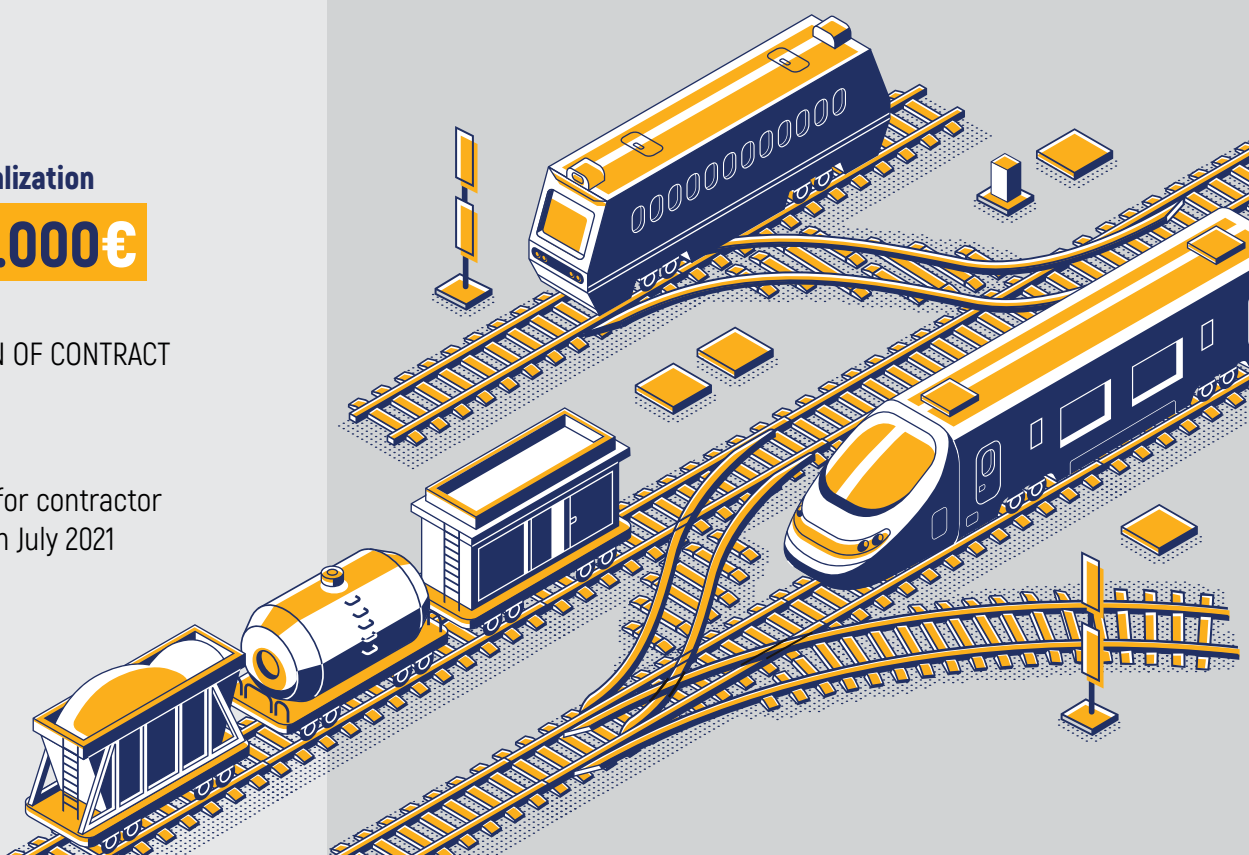
Loan value: **46.400.000€**

Withdrawn funds: **31.900.955€**

COSTS UNDER LOAN AGREEMENT

2.766.377€

one-time commission
interest on withdrawals
interest on non-withdrawals



PHASE 2

CONSTRUCTION OF **NEW AND RECONSTRUCTION** OF EXISTING SECTION **BELJAKOVCE - KRIVA PALANKA**, CORRIDOR VIII

2014

Loan agreement with EBRD

145.000.000€

COMMISSIONS PAID 6.385.202€

One-time commission 1450.000€

Commission for non-withdrawn funds 4.929.000€

Interest on withdrawals 6.202€

2016

Unsuccessful procedure for **selection of contractor**
"no objection" not received from EBRD

PROJECT EFFECTS:

- ▶ loan agreement signed, **costs per loan agreement paid**
- ▶ **contractor not yet selected**, in selection phase
- ▶ **phase 1 is at a standstill**, requirement for starting construction of phase 2
- ▶ the project should be operational by 2025
- ▶ **risk of losing grant funds**

2018

Grant awarded by WBIF Instrument

68.558.824€

2020

Annulled procedure for selection of contractor

Reason

delay in Phase 1 - termination of contract with contractor

2021

Requirements for loan effectiveness met

- ▶ signed contract with consultants for EIP support
- ▶ signed supervision agreement



For the projects covered by this audit, costs amounting to 58 million euros were created for one-time commission, interest on withdrawals and commission for non-withdrawn funds. Individual borrowing laws and guarantee laws provide for tax exemptions for some of the projects that reduce the investment cost.

11 AUDITED PROJECTS	LOAN	WITHDRAWN FUNDS	COSTS
Construction of highway section Kicevo - Ohrid	505.044.966\$	382.598.046	38.634.019\$
National Roads Program	181.000.000€	90.774.210€	7.091.325€
Kicevo Ohrid, additional financing	179.694.573\$	/	/
Construction of new and reconstruction of existing section Beljakovce - Kriva Palanka	145.000.000€	1.450.000€	6.384.940€
Upgrade and development of section Rankovce - Kriva Palanka	73.000.000€	32.347.299€	1.655.085€
Construction of express road Stip – Radovish	64.000.000€	64.000.000€	2.890.219€
Water supply and wastewater drainage in municipalities in RNM	50.000.000€	40.140.000€	3.038.865€
Rehabilitation of the railway on Corridor 8 first section Kumanovo - Beljakovce	46.400.000€	31.900.955€	2.766.377€
Construction and modernization of the Regional Clinical Center - Stip	26.937.458€	13.500.000€	320.098€
Corridor 10 overhaul project	17.600.000€	16.318.013€	1.308.761€
Financing road section Kriva Palanka - Deve Bair	10.000.000€	5.100.000€	255.129€

TOTAL COSTS: 57.998.830€

To overcome the above-mentioned shortcomings, we have given recommendations to the competent institutions based on the results of the performed audit aimed at improving and enhancing economy and efficiency of the overall public investment management process.

5.2.4. EFFECTIVENESS OF GOVERNMENT MEASURES ON GENDER EQUALITY AND APPROPRIATE GENDER BUDGET INITIATIVES



The objective of introducing the concept of gender equality of women and men in all institutions is to reduce the gap between women and men in all parts of society. The concept relies on best national and international practice, because gender equality is one of the key aspects for prosperity of the whole society as well as country obligation arising from the Agenda for Sustainable Development 2020 - 2030.

To provide necessary information and data on whether activities taken by competent institutions at central level provide conditions for promotion of gender equality, and line with SAO Annual Work Program for 2021, we conducted performance audit on the topic "Effectiveness of Government measures for gender equality and appropriate gender budget initiatives". The audit covered the period 2018-2020, although certain issues and events were covered subsequently until the date of reporting on the audit.

The performance audit was conducted to assess the state of affairs of gender equality in the country and in the institutions in RNM and to contribute to increasing the effectiveness of the process of introducing gender equality by identifying certain shortcomings / inaccuracies in the laws and bylaws, competences, financing, HR resources, communication and cooperation of institutions responsible for setting up gender equality in RNM, monitoring level of realization of objectives and measures, and activities taken by competent institutions to improve the situation in the audited area.

RNM POPULATION⁶ BY GENDER:

2021



⁶ Census of population, households and apartments in RNM in 2021 - 1.836.713 inhabitants

The performance audit covered the Government of the Republic of North Macedonia - General Secretariat; Assembly of the Republic of North Macedonia; Ministry of Labor and Social Policy; Ministry of Defense; Ministry of Finance; Ministry of Foreign Affairs; Ministry of Environment and Physical Planning; Ministry of Economy; Ministry of Education and Science; Ministry of Agriculture, Forestry and Water Economy; and Agency of Youth and Sports.

Questionnaires were submitted to six political parties on the state of affairs and measures taken for promotion of equal participation of women and men in political parties.

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

Measures and activities taken by competent institutions are not sufficient to ensure effective implementation of the concept of equal opportunities for women and men in the processes of creation and implementation of policies, monitoring achievement of gender responsive budgeting goals at all stages of policy creation cycle - problem identification and assessment, budgeting, implementation, monitoring and evaluation, and achieving UN SDGs of Agenda 2020 - 2030.

Competent institutions in RNM at national level have not fully implemented the measures and activities planned and set in the current Strategy for Gender Equality, National Action Plans and Operational Plans. In addition, due to the lack of measurable indicators, the progress achieved and fulfillment of specific goals cannot be fully monitored.

The Assembly of RNM has not adopted the National Strategy for Gender Equality 2021 - 2026.

We identified insufficient coordination and communication between the competent institutions, lack of financial resources for implementation and enforcement of the process of gender equality and gender responsive budgeting.

At institutional level, it is necessary to take on activities for raising awareness of the importance of gender equality of managers in institutions, for improving HR resources to implement the process of gender equality, as well as continuous professional development of employees on gender equality.

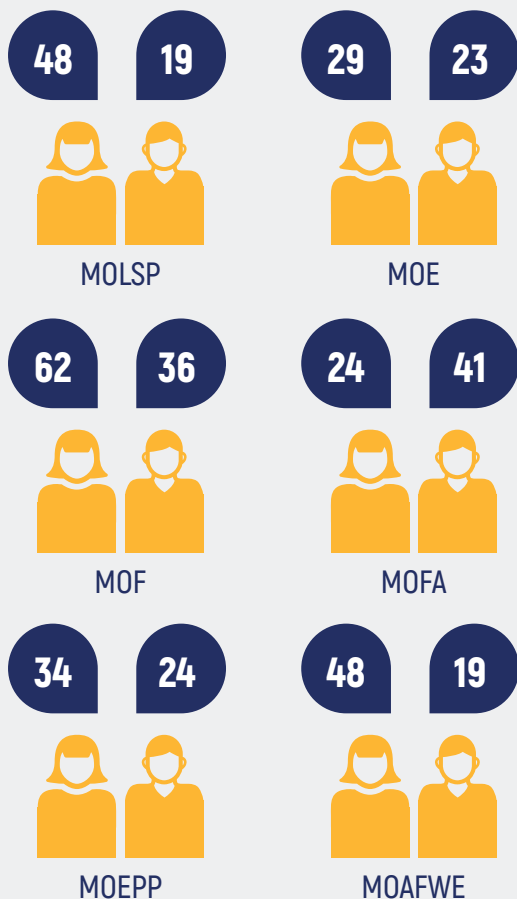
Activities and the manner of implementation thereof are not precisely defined; conditions are not completely created for implementation of the process of gender responsive budgeting in all phases, which includes problem assessment, budgeting, implementation, monitoring and evaluation by the competent institutions in the country.

The Law on Budgets does not regulate the concept of gender responsive budgeting and the other laws are not harmonized in relation to gender equality, which contributes to untimely and incomplete fulfillment of gender goals.

The programs envisaged with gender budget statements have not set appropriate measurable indicators and there is no summarizing of achieved results and progress to enable decision-making for the future course of the programs. We found absence of systematized job positions of gender equality coordinator in the ministries and larger state administration bodies, which does not ensure continuity in the implementation of the process of gender equality and gender responsive budgeting.

There is a need to strengthen the role of the Commission for Equal Opportunities for Women and Men, to assess the impact of regulation on women and men and to implement post-legislative oversight.

Gender structure of managing administrative servants per institution

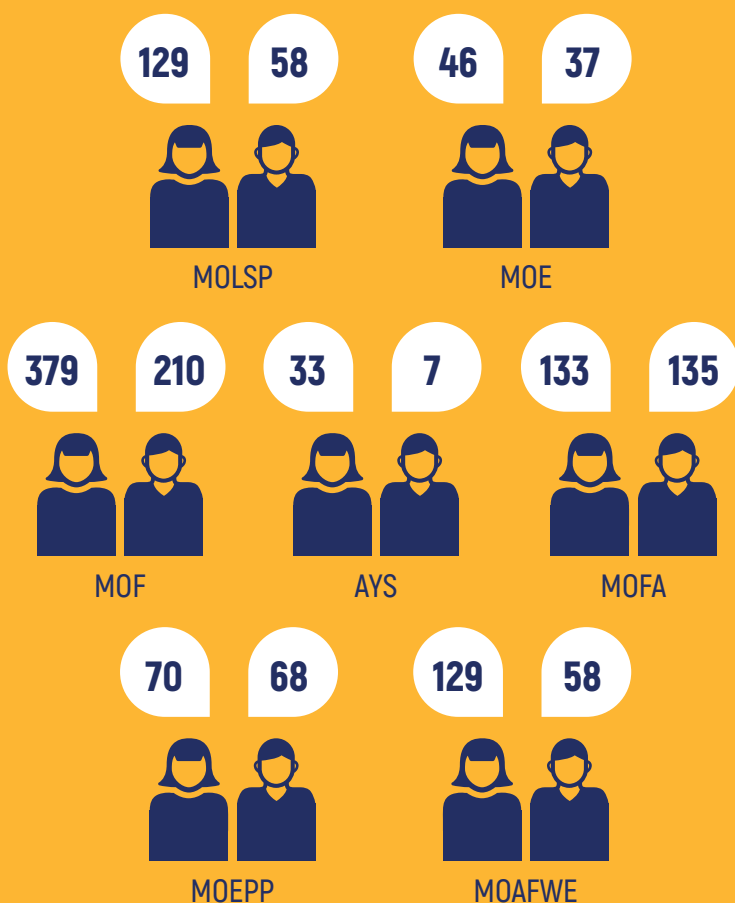


The above influences the effectiveness of implementation of gender equality process and the slow dynamics of implementation of gender responsive budgeting by state administration bodies at central level, which aims to ensure that planned and allocated funds are equally taken into account and meet the needs, interests and priorities of both women and men.

Realization of necessary activities in the area subject to audit will contribute to improvement of gender equality in RNM, and thus to the overall process of gender equality in RNM.

The performance audit activities aim to help competent institutions to focus on achieving the postulates set for improving the situation with gender equality in RNM in the future.

Gender structure of administrative servants per institution



5.3. ASSEMBLY OF THE REPUBLIC OF NORTH MACEDONIA

The Assembly of the Republic of North Macedonia is a representative body of the citizens and holder of the legislative power in the country, consisting of 120 MPs elected in general, direct and free elections by a secret ballot.

We performed audit on the financial statements of the Assembly together with compliance audit for 2020.

Pursuant to the Law on Use and Disposal of State-Owned and Municipal-Owned Items, the Government of the Republic of North Macedonia may temporarily or permanently grant use of state-owned real estate to state bodies, legal entities established by the state, municipalities, municipalities in the City of Skopje, the City of Skopje, citizens' associations and foundations, with or without compensation.

We point to the need of intensifying activities and cooperation with the Government of the Republic of North Macedonia for obtaining title deed granting ownership rights to the property where the Assembly is located and performs its functions.

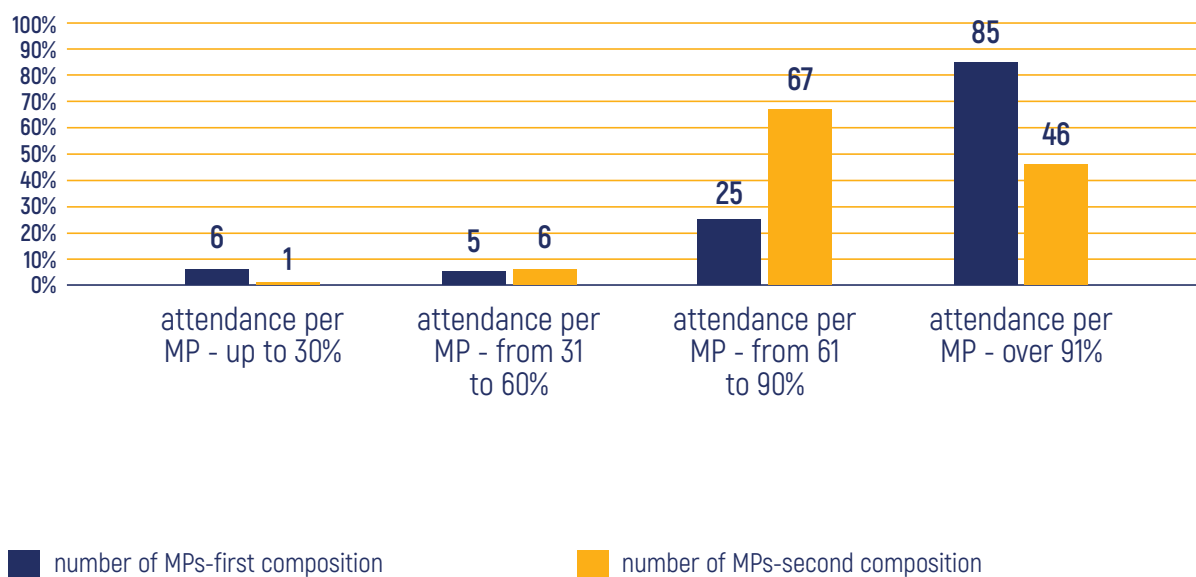
In the audit report, we point out the need for the Assembly in cooperation with local self-government units

to provide conditions for contact between the MP and citizens in his/her constituency, in accordance with the planned number of offices for contact with citizens.

The rights and competencies of MPs are defined in the Law on Members of Parliament and in the Rules of Procedure of the Assembly of the Republic of Macedonia. The MP is obliged to attend sessions of the Assembly and the working body of which he/she is a member, as well as to participate in the work and decision-making of these bodies. In case of impediment, he/she is obliged to inform timely the President of the Assembly or the president of the working body and to state the reasons for the absence. We concluded that the Rules of Procedure regulate the manner of recording presence of MPs, the manner of informing about MPs absence, as well as activities and measures in case of absence for which the President of the Assembly is not notified. However, the Rules of Procedure do not define when the absence would be considered justified or unjustified.

The presence of MPs from the first and second parliamentary composition at the sessions of the Assembly held in 2020, according to the submitted attendance records, is shown in the following chart:

Presence of MPs from first and second parliamentary composition at Assembly Sessions in 2020



5.4. PROPERTY MANAGEMENT

5.4.1. INVENTORY OF ASSETS, RECEIVABLES AND LIABILITIES OF THE OFFICE FOR GENERAL AND COMMON AFFAIRS OF THE GOVERNMENT OF RNM

We performed compliance audit on the topic "Inventory of assets, receivables and liabilities of the Office for General and Common Affairs of the Government of RNM".

With the audit, we ascertained several shortcomings, including:

- ▶ inventory of assets, receivables and liabilities of OGCA is incomplete and in certain segments is not in accordance with the legislation;
- ▶ part of the inventory lists are incompletely signed;
- ▶ due to lack of internal records of real estate and not established organizational unit in charge of registering real estate used by OGCA, the real estate cannot be entered in the accounting records;
- ▶ factual situation was not ascertained with the inventory, and data in business books / accounting records are not adjusted with the factual situation of receivables, liabilities and off-balance sheet records;
- ▶ reasons behind identified differences with the inventory were not determined, and
- ▶ the reports of inventory commissions do not realistically present the situation of assets and liabilities of OGCA, although the inventory report was approved by the responsible person.

5.4.2. CITY TRADE CENTER (GTC) JSC SKOPJE

The building of the City Shopping Center Skopje is located in the most attractive central city area and is an important commercial and administrative complex, with particularly favorable location conditions. It started working in the 70s of the last century, as a result of the new urban layout of the city of Skopje after the earthquake and an attempt to integrate economic and social values with architectural values and aesthetics.

City Shopping Center AD - Skopje (GTC AD Skopje), was transformed into a joint stock company in 1996, established by the Public Enterprise for Management of Housing and Business Premises of the Republic of Macedonia.

The condition and movement of share capital in 2019 and 2020 is presented in the following table:

Shareholder capital movement 2019/2020 in GTC JSC Skopje

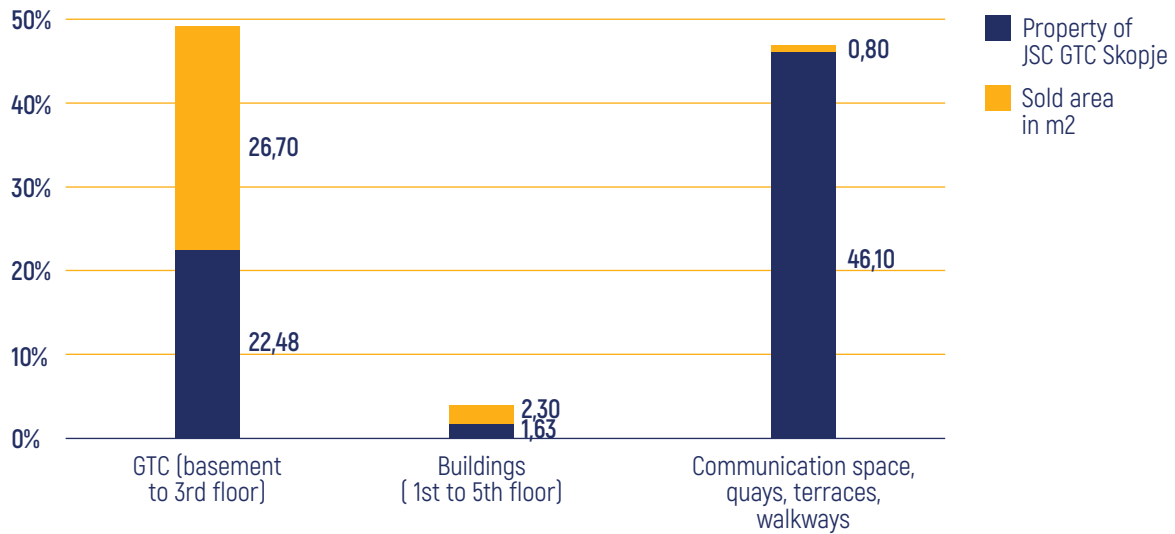
Shareholders	Number of shares		Number of shareholders	Sold	Bought	share in %
	2020	2019				
JSC for managing business premises in state ownership	1.801.589	1.801.589	1			97,58
GTC JSC Skopje	19.470	19.470	1			1,05
Employees of GTC JSC Skopje	10.558	10.764	79	206		0,57
Physical persons	9.086	8.880	51		206	0,49
Legal entities	5.544	5.544	43			0,3
GTC JSC Skopje - unidentified shareholder	78	78	1			0
Total	1.846.325	1.846.325	176	0	206	100

As of 31.12.2020, the building of GTC covers an area of 119.553,78 m², and it has mixed ownership. GTC JSC Skopje owns 70.20% of the total area and 29.80% are sold business premises.

The complex has 588 business units, with a total usable area of 46.418,95 m² of which:

- ▶ 59 business units on 5.402,38 m² have been leased,
- ▶ 56 business units on 5.394,04 m² are free business space, and
- ▶ 473 business units on 35.622,53 m² are sold.

Complex JSC GTC area in m2 as of 31.12.2020



Most of the remaining area owned by GTC JSC Skopje of 55.110 m2 or 66% is communication space (quay, terraces and catwalks), for which there are costs for current and investment maintenance and hygiene. 26.877 m2 or 32 % is business space from basement to the 3rd floor and 1.944 m2 or 2% is business space in residential buildings from 1st to 5th floor. Most of the attractive business space that can be rented for generating income has been sold.

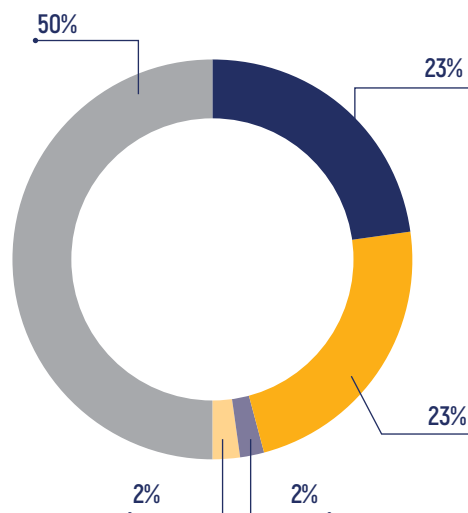
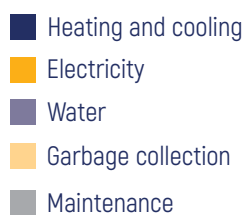
In 2020 started project activities for the following capital projects: "Adaptation of lanterns on the roof of fifth facade", "Rehabilitation of the roof covering on the fifth facade", and in cooperation with JSC ESM "Construction

of photovoltaics on the roof of the City Trade Center".

GTC JSC Skopje invoices owners and tenants of business premises on a monthly basis for utility costs (electricity, heat and cooling, consumed water and garbage), and invoices only the owners of business premises for current and investment maintenance of common areas of the City Trade Center.

In 2020, these revenues amounted to 151.032.000 denars, with most or 50% referring to revenues generated from invoicing costs for current and investment maintenance.

Revenue from re-invoicing of utilities for 2020



With the performed audit, we ascertained the following shortcomings:

- ▶ lack of documents for long-term strategic planning with long-term strategic development goals;
- ▶ lack of control mechanism for issuance of invoices, which affects completeness and accuracy thereof;
- ▶ not established internal audit that should contribute to improving operation and increasing effectiveness of the internal control system of GTC JSC Skopje;
- ▶ the manner of preparation of invoices for current and investment maintenance is not in full compliance with the adopted Decision on the manner of invoicing, which affects the accuracy and transparency of realization of revenues on that basis;
- ▶ invoicing expenditures for: current maintenance, electricity and heating is not completely in accordance with the Decision and methodology, and it has not been changed for a long time, although the legislation in this area has changed;
- ▶ inconsistencies in the manner of conducting inventory of assets and sources of funds;
- ▶ unrealistically presented supplies of goods and materials due to their technological obsolescence;
- ▶ the right of ownership of the land and part of the business space of GTC building has not been registered, which may affect the legal safety of the property;
- ▶ the value of the business structure is not realistically and objectively presented in the financial statements, for the part that belongs to GTC;
- ▶ with the establishment of GTC, activities for its privatization were taken and significant part of the attractive business premises were sold, either through sale of shares or by auction, until February 2007, when the Board of Directors at that time adopted Decision on stopping sales of business space. The sale of business premises, especially with shares, caused imbalance between the number of shares in the Central Securities Depository and the ownership of the business premises, bearing in mind that 29.80% of business premises of GTC were sold;
- ▶ discrepancy between the value of share capital recorded in the business books and the registered founding investment in the Central Register of RNM and the Statute of GTC and
- ▶ inconsistencies in the implementation of public procurements.

5.5. EFFECTS OF COVID-19 PANDEMIC

To mitigate consequences of the socio-economic crisis caused by Covid-19, in 2020 and 2021 the Government of RNM adopted six packages of economic measures. The measures covered and supported business entities from the private and public sector and citizens, protection of the liquidity of the economy, protection of jobs, and taking care of vulnerable categories of the population, so to ensure sustainability of national economy and to create conditions for easier overcoming of economic consequences of Covid -19 pandemic.

SAO Annual Program for 2021 included three performance audits for assessing effectiveness of economic measures adopted by the Government of RNM for coping with the crisis caused by Covid-19. SAO identified shortcomings and problems faced by the institutions involved and made recommendations for creating efficient system for planning, implementation, reporting and monitoring in state of emergency or crisis, for unimpeded dealing with consequences on the economy at national level.

SAO covered planned funds for assistance for dealing with pandemic consequences for 2020 and 2021, which caused expenditure, i.e. have **direct fiscal implications on the Budget of RNM**, in the amount of 35.409.940.000 denars or about **576 million euros**. We also covered measures for financial support for subsidizing contributions and payment of salaries (988.307.000 denars), which were returned to the Budget of RHM in a smaller amount and 448.698.000 denars as one-

time financial support to individuals and legal entities from certain activities without data on returned funds. This has caused reduced budget revenue amounting to 1437.005.000 denars or about **23 million euros**. In addition, we covered economic measures that have economic impact and do not have fiscal implications, which as of 30.10.2021 were planned in the amount of 3.473.250.000 denars, i.e. **56.5 million euros**.

5.5.1. GOVERNMENT ECONOMIC MEASURES FOR COPING WITH THE CRISIS CAUSED BY COVID-19 PANDEMIC

SAO carried out performance audit on the topic "Government economic measures for coping with the crisis caused by Covid-19 pandemic" to answer the question whether there is an efficient system of planning, implementation, monitoring and reporting on national economic measures for coping with Covid -19 consequences.

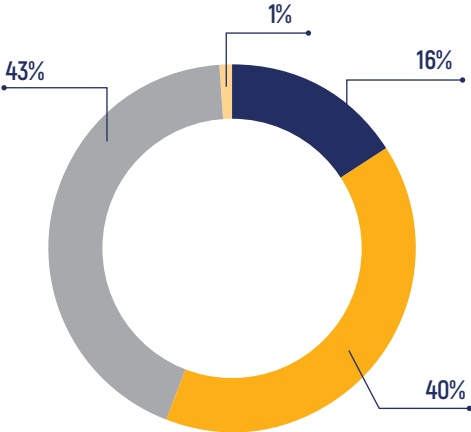
The performance audit covered the period from 18 March 2020 to October 2021, and certain issues and events were covered subsequently until the date of reporting on the audit.

Respecting the activities taken by the Government of RNM for quick response and amortization of consequences of the health and economic crisis caused by COVID-19 virus, in terms of providing normative conditions for dealing with consequences of the pandemic, it was concluded that:

- ▶ The Assembly of RNM has not confirmed the five Decisions of the President of RNM to determine the existence of a state of emergency throughout the country for protection and dealing with the consequences of the spread of COVID-19 virus, while the Constitutional Court of RNM has issued Decisions for non-initiation i.e. rejection of initiatives for starting procedure for assessing constitutionality of part of the Decisions, and
- ▶ by declaring state of emergency and until its completion, the Government of RNM has adopted 250 Decrees with the force of law, of which 43% are for amending existing Decrees due to the uncertain dynamics in the development of the pandemic; however, it is also an indicator that adoption of Decrees was done without comprehensive planning, analysis and evaluation.

Types of Decrees with the force of Law

- Original Decrees
- Decrees with the force of law for application of specific law
- Decrees for amending existing decrees with the force of law
- Decrees with the force of law for termination of previously adopted decrees with the force of law



When **planning economic measures for coping with the crisis and the consequences of Covid 19**, we point to the need for policy making and implementation of government measures to be executed with medium and long-term strategic planning at national level, by defining strategic priorities and priority objectives, activities for their realization and expected results, to ensure monitoring of results and successful implementation of economic measures and effects on the national economy:

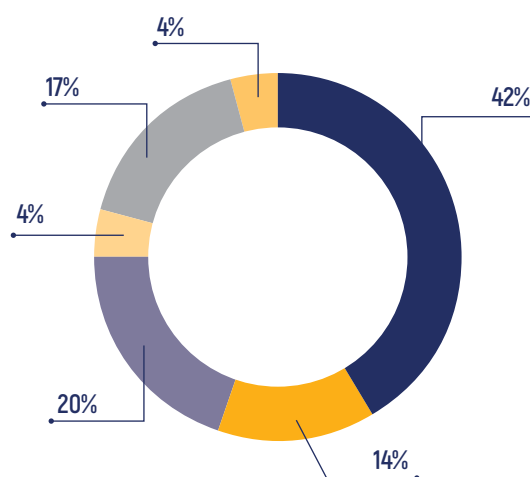
- ▶ during planning and designing the six packages of economic measures, no assessments and analyses were made on the potential impact and the impact of measures on the economy as a whole;
- ▶ planning economic measures that have direct fiscal implications on RNM Budget is not reflected in the amendments to the medium and long-term planning at national level;

- ▶ long-term strategic document for dealing with health and economic crisis caused by the pandemic has not been adopted, with set goals, policies, activities and measures to ensure better preparedness and ability to respond more effectively to crisis in the future; and
- ▶ there is lack of goals, activities and indicators for measuring effects of measures taken to create a “path to economic consolidation” of the Covid-19 crisis, which makes it difficult to monitor the success of implementation and lacks future directions.

The largest part of realized funds is for financial support for payment of salaries, followed by allocated funds for support of development and consolidation of the national economy, funds for healthcare and social sector, as presented in the chart below:

Categorized Government economic measures for 2020 and 2021

- Financial support for payment of salaries
- Financial support for different categories of citizens and professions
- Direct support for national economy
- Financial support for agriculture
- Support to healthcare and social sector
- Financial support for PEs, JSCs in state ownership and LSGUs



Regarding **implementation, monitoring and evaluation of effectiveness of economic measures for dealing with the pandemic**, we found shortcomings that have caused reduced transparency and accountability and have made it difficult to assess the efficiency of **implementation** of financial resources and the impact of measures on the economy. We also detected shortcomings referring to incomplete system of **reporting on and monitoring** realization of allocated funds, i.e. shortcomings that make it difficult to monitor effects of economic measures and their contribution to stabilization and efficient recovery of the national economy, as follows:

- ▶ absence of integrated system for recording economic measures with data on planned and earmarked assets, number of business entities or citizens covered with the measure, source of funds, number of submitted and approved requests, availability of the measure, degree of utilization, and non-used funds and the reasons for non-realization;
- ▶ volume of planned funds for interest-free credit lines, selection of activities affected by the pandemic, and unequal criteria for approval of all credit lines created by the competent state authorities, do not create equal opportunities for "recovery" from Covid-19 consequences on business entities in the country;
- ▶ funds amounting to 918.328.000 denars or 15 million euros were paid for financial support to public sector entities without established criteria for selection of institutions and municipalities that were granted financial support; the approved funds were not earmarked and no controls were performed;
- ▶ for the economic measure new markets, competitiveness and liquidity, we found that as of 31.10.2021, 69% of the business entities that were granted financial support have not submitted report on the project implementation (investment plan), and the Ministry of Economy and the General Secretariat have not conducted controls; and

- ▶ despite ongoing activities for introducing gender perspective, implementation of equal opportunities for women and men barely contributes to reducing gender inequalities in the economic sphere in Covid-19 crisis period.

Based on the audit results, we gave recommendations to the competent institutions aimed at improving realization of competencies of the institutions in the country, and providing added value, strengthening and creating efficient system of planning, implementation, reporting and monitoring in state of emergency or crisis for unimpeded dealing with the consequences on the economy at national level.

Ministry of Economy and the Government of RNM conducted controls upon audit recommendations of the Draft Report of the Certified State Auditor. Some business entities that have not fulfilled contractual obligations returned the financial support funds in the Budget of RNM in the amount of 24.825.000 denars or 400 thousand euros. For the other business entities, activities were initiated for activation of bills of exchange and bill of exchange statements in the form of a notary deed with executive clause, which will **return funds in the Budget of RNM in the amount of 238.684.000 denars or about 3.8 million euros.**

5.5.2. MEASURES AND POLICIES TAKEN TO SUPPORT EMPLOYMENT AND PROFESSIONS AFFECTED BY HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19

We carried out performance audit on the topic "Measures and policies taken to support employment and professions affected by the health and economic crisis caused by COVID-19" to answer the question **"Are measures for financial support of employment and professions affected by the health and economic crisis caused by COVID-19 are effectively created, implemented, controlled and monitored, and is there adequate reporting on effects of measures taken?"** aimed at increasing effectiveness of measures and policies for successful management of COVID-19 pandemic and support for jobs.

The pandemic caused by COVID-19 virus that emerged in December 2019, caused health, economic and social crisis worldwide and created significant challenges with considerable health, socio-economic consequences, affecting the labor market and rising unemployment.

To deal with the consequences of Covid-19 crisis, RNM Government, from 19.03.2020 to 20.04.2021 adopted six packages of economic measures. The audit covered planning and implementation of the six packages of economic measures in 2020 and 2021 concerning measures for financial support for subsidizing

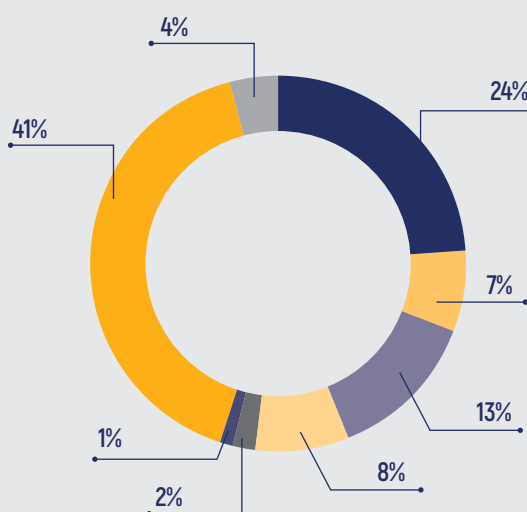
compulsory social insurance contributions, financial support to employers for payment of salaries, financial support for self-employed individuals, cash benefit for all unemployed persons from 11 March to 30 April 2020, as well as measures for support of professions affected by the health and economic crisis - support for athletes, independent artists and cultural workers.

This performance audit covered 36% of the total planned funds for 2020 and 2021 through the Government program P - Measures for dealing with COVID-19 crisis, i.e. 12.637.534.000 denars (205 million euros), of which 11.512.447.000 denars were realized.

The crisis caused by the spread of COVID-19 caused job losses in the country and large losses of workers' incomes, which caused decrease of consumption of goods and services. According to data provided by the Employment Agency of RNM, from the beginning of the pandemic until 31.12.2020, 17.022 workers lost their jobs⁷. The basis for termination of employment is presented in the graph below.

BASIS FOR TERMINATION OF EMPLOYMENT

- Agreed termination of employment
- Dismissal from employer
- Worker resignation
- Economic and structural reasons
- Bankruptcy or liquidation
- Termination of activity
- Expiration of a fixed-term employment contract
- Other



⁷ Source: Employment Agency of RNM

Emphasizing the importance of adopted economic measures for support of employers, self-employed individuals and professions, as well as their impact on mitigating effects of the pandemic, we identified certain shortcomings in the audited areas as follows.

In the area of legal framework and creation of measures and policies for support of employment and professions affected by the health and economic crisis:

- ▶ absence of legal regulation of the term pandemic and its connection declaring state of emergency and strategic planning with clearly defined goals and performance indicators;
- ▶ absence of written analyses and assessments in creating measures to support employment in the decision-making process; and
- ▶ weaknesses and ambiguities in the regulations with the force of law and adopted laws for defining conditions for granting support without providing evidence, monitoring the return of financial resources and unequal approach for violations committed at different times.

In the area of procedures for awarding and implementing measures for financial support of employment and professions affected by the health and economic crisis:

- ▶ with the audit on the procedures for granting support for the measures⁸, we found that the decrease of revenue of over 30% for the months for which the applicant applies as a requirement for the support, is not checked by the PRO, because systemic check is impossible. It creates a risk of providing financial support to beneficiaries that have not met the required condition;
- ▶ we covered 422.851.000 denars paid funds to public and private sector entities in addition to the fourth package of economic measures for payment of salaries and one-time assistance to employees, based on RNM Government Decisions for 2020. The funds are allocated without criteria for selection of beneficiaries, requirements for support, amount of approved funds and refund obligation, which results in insufficient transparency and subjectivism and unequal treatment of beneficiaries;

- ▶ in the Decisions for approval of funds from RNM Budget for 2021 as one-time financial support, based on public calls in the amount of 448.698.000 denars, there is no prescribed manner of reporting by legal entities to confirm the number of employees, as well as for the manner of control after the use of allocated funds, which creates a risk of not returning funds to RNM Budget for legal entities that have not fulfilled the conditions;
- ▶ lack of comprehensive, harmonized and integrated record keeping of RNM Government for the approved and realized financial support by measures, as well as inconsistent approach for informing on the implementation of measures by the competent institutions. This results in reduced transparency and accountability in the spending of funds and does not provide conditions for measuring effects.

In the field of control mechanisms, monitoring and evaluation of achieved results:

- ▶ following the implementation of measures for financial support of employers for payment of salaries, PRO has determined that some employers - beneficiaries have not paid salaries to the employees. The number of employers who did not pay salaries until January 2022 is 135 for 435 employees for the used support amounting to 6.317.000 denars, which results in non-earmarked spending of granted financial support;
- ▶ out of 36.837 employers - beneficiaries of support for the period April-June and October-December 2020, PRO and / or State Labor Inspectorate carried out external controls of 103 beneficiaries with 1404 employees, most of which are joint coordinated controls. The share of controls in relation to the total amount of financial support for the above period is 0.53%. The beneficiaries of support for the period February-March 2021 for which 1.665.917.000 denars were paid have not been covered by external control;
- ▶ the total calculated obligation for return of funds by the beneficiaries of measures for 2020 is 1.356.062.000 denars, as presented in the table below.

⁸ Subsidizing contributions, financial support to employers for payment of salaries, including support to self-employed individuals.

in 000 denars

Return obligation	Legal entities		Natural person who employs workers		Natural person performing independent activity		Total calculated refund amount
	Number	Calculated refund amount	Number	Calculated refund amount	Number	Calculated refund amount	
Measure for subsidizing contributions	688	32.647	137	2.779			35.426
Financial support for payment of salaries April, May and June 2020	6.154	877.276					
			760	55.207	1.480	41.267	1.236.002
Financial support for payment of salaries October, November and December 2020	3.274	262.252					
Rejected grant applications and financial support refund obligation	428	84.634					84.634
Total for all measures	10.544	1.256.809	897	57.986	1.480	41.267	1.356.062

Institutions in RNM do not have records for returned financial support per beneficiary and do not have complete data on the number of employers that have (not) fulfilled the obligation to return financial support within the set deadlines and amount. This results in reduced revenue in RNM Budget.

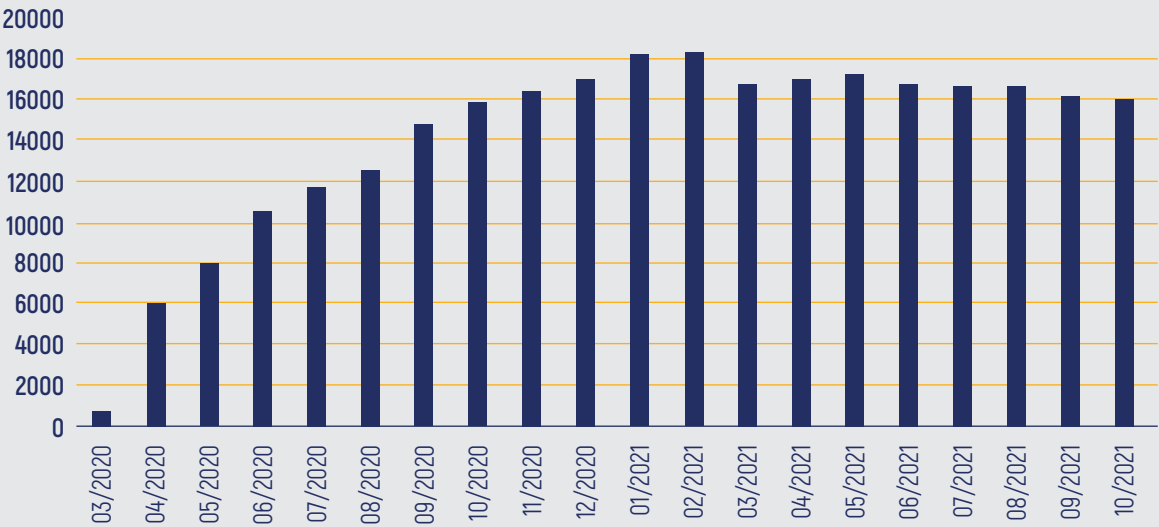
- ▶ according to MoF data, we determined that for the period April-June and October-December 2020, legal entities beneficiaries of financial support for payment of salaries and subsidies of contributions have returned funds in RNM Budget in the amount of 367.755.000 denars. This is 29% of the calculated return obligation (amounting to 1.256.809.000 denars). For natural persons, return decisions (amounting to 99.253.000 denars) were issued in December 2021, and beneficiary data were not presented to the audit;
- ▶ when converting the financial support as non-refundable grant, procurements for usual business activities of the beneficiary were recognized, which

are not a condition for non-refundable support because the decree on financial support for payment of salaries does not specify which procurements to be recognized;

- ▶ lack of comprehensive analysis for measuring effects of measures for maintenance of supported jobs creates a risk of decreased accountability in the performance assessment of measures for financial support for payment of salaries and subsidizing contributions, as well as for taking additional measures for creating new measures to support employment.

We found that regardless of the large number of supported employers for payment of salaries to employees, according to data from the Employment Agency, the number of unemployed persons from 11.03.2020 until 12.2020 is constantly increasing, and until October 2021, it is presented in the following graph:

Number of unemployed



The identified shortcomings of the measures for financial support of employment and professions affected by the health and economic crisis from Covid-19 point to the need of improving efficiency of competent institutions in planning and implementing future measures for preserving jobs and reducing the economic consequences of the pandemic.

The funds that are not fully returned to the Budget of RNM for the measures for financial support for subsidizing contributions and payment of salaries, as well as the one-time financial support to individuals and legal entities from certain activities without data on return result in reduced Budget revenue for 1437.005.000 denars or about 23 million euros.

We found that employers and natural persons - beneficiaries of measures for subsidizing contributions and payment of salaries, who did not fulfill the obligation to return the financial support within the set deadlines in RNM Budget, have caused lower Budget revenue for 988.307.000 denars. The unforeseen manner for confirming utilization of allocated funds from the sixth package of measures for 2021, as one-time financial support to individuals and legal entities from certain activities, has caused reduced Budget revenue amounting to 448.698.000 denars.

5.5.3. EFFICIENCY OF MEASURES TAKEN AND POLICIES FOR REDUCING EFFECTS OF THE PANDEMIC IN THE TOURISM SECTOR

We carried out performance audit on the topic "Effectiveness of measures taken and policies for reducing effects of the pandemic in the tourism sector" to answer the question **"Are measures and policies taken by RNM Government and competent institutions intended for developing tourism and reducing effects of the pandemic crisis in the tourism sector?"**

Holders of policies and activities for tourism development and mitigation of effects of the pandemic crisis in the tourism sector are:

- ▶ RNM Government – defines national economic and development policy and creates economic measures designed for dealing with Covid 19 crisis;
- ▶ MoE Department for Tourism and Hospitality - takes on measures for implementing laws in the field of tourism, prepares and implements work programs and strategic documents, proposes systemic measures and creation of tourism policy and

- ▶ Agency for Promotion and Support of Tourism, whose primary function is promotion of Macedonian tourist centers and facilities abroad.

Regarding the legal framework of tourism sector, we identified the need for amendments due to difficulties in the implementation of the legal solutions. This leads to difficult implementation of tourism development programs.

With the analysis of the National Strategy for Tourism Development 2016-2021 and the Action Plan 2019-2021, we found that the implementation of planned activities is not monitored and there is insufficient level of implementation of Action Plan activities, which affects planning, creation, adoption and implementation of policies and measures in the field of tourism.

Concerning realization of program activities of competent institutions in the field of tourism, we identified continuous reduction of funds for this purpose in the period 2018-2021, with the exception of 2020.

This refers to the Annual Programs of the Ministry of Economy, where auditors determined reduction of their financial resources every year. In 2020, due to the Government Measures, there is no reduction of the financial resources for the program activities.

The audit identified the need of improving institutional capacity, cooperation and coordination of activities at central and local level and setting up Tourism Committee as a body of highest rank responsible for tourism in the country. With the termination of the Coordination Body for Tourism, there is no full coordination between institutions and holders in the tourism sector, and individual action has reduced the influence of the sector in creating intervention policies for dealing with COVID-19 crisis, type of measures, their timely adoption and fast realization.

Regarding economic measures for dealing with the pandemic, we identified absence of documentation for prior analysis and assessment, which serve as basis for planning scope and necessary funds for each economic measure, and conditions and criteria for allocation. The absence of analysis of the impact of measures and defining objectives to be achieved in the short, medium and long term makes it difficult to monitor the success of their implementation and lack of future guidance for action.

RNM Government has not set up a system for monitoring each measure separately. Central database has not been developed and published with information on the level of realization of each individual measure with data on planned funds, number of business entities and citizens for which the measure is intended, sources of funds, degree of utilization and unused funds, reasons for non-realization of the measure.

We identified low degree of implementation of measures in the tourism sector presented in detail in the following table:

in 000 denars

Measures that cause direct Budget expenditures, i.e. have direct fiscal implications						
Package	Measure	Plan of funds for the measure	Used funds	Unused funds	Users	Implementation %
I	Domestic tourism voucher	704.106	386.172	317.934	64.788	55%
II	Grant for tour guides	9.800	5.070	4.730	78	52%
III	Grant for travel agencies	116.850	79.820	37.030	276	68%
IV	Refund of tourist tax for 2019	120.000	57.824	62.176	214	48%
V	Financial support for hotels operating outside tourist centers that did not use vouchers	64.600	/	/	/	/
VI	Financial support for travel agencies	86.100	52.300	33.800	258	61%
VI	Financial support for tour guides	aggregate data	2429	/	79	/
VI	Free 50,000 PCR tests	no data	/	/	/	/

Regarding control over fulfillment of conditions for granted financial support to travel agencies from the sixth package of measures, it was concluded that the manner of control has not been defined, no competent institution has been selected to perform the control, and no measures have been defined in case of non-compliance with criteria and not refunding of the financial support.

5.6. HEALTHCARE

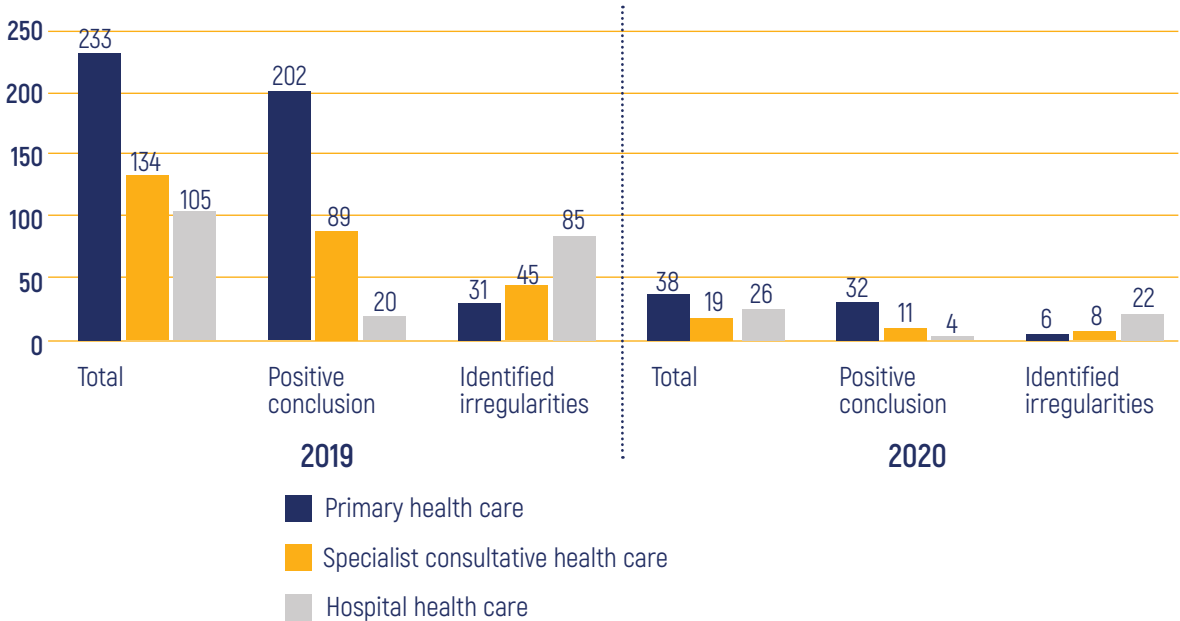
5.6.1. HEALTH INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

We audited the financial statements of the Health Insurance Fund of the Republic of North Macedonia (HIF) together with compliance audit for 2020 and we ascertained the following:

- ▶ weaknesses in internal and field controls for confirming objectivity of invoiced medical interventions realized by PHIs. Due to the health crisis in 2020, the number of field controls at

healthcare institutions has decreased by 74%, which increased the risk of recognition and payment of healthcare services in form and scope different from the factual one. According to information presented to auditors, 83 controls were performed at healthcare institutions in 2020, compared to 472 in 2019.

Controls performed and irregularities identified 2019 - 2020



- ▶ the lowest number of controls was performed at healthcare institutions for hospital health care, whose contractual fees are the highest, and irregularities were found in 85% of cases;
- ▶ weaknesses in the functioning of HIF IT system, primarily in continuous lack of IT staff, lack of IT strategies and outdated IT policies and procedures for IT security, outdated server structure and incomplete functionality of the application modules;
- ▶ irregularities and non-compliance with deadlines for performing controls and asserting contractual penalties, which resulted in not sanctioning healthcare institutions that did not act in accordance with concluded agreements with HIF;
- ▶ lack of controls for the payment of maternity leave benefits, due to which benefits were paid when insured persons were paid salary for effective working hours;
- ▶ weaknesses in the procedure for referral for treatment abroad of insured persons, i.e. adequate legal protection is not provided and there is no control, i.e. system for monitoring and analysis of the success of the treatment. HIF has recorded advance payments for treatment abroad to foreign healthcare institutions amounting to 209.772.000 denars, for which there is no accurate information on the status of treatment due to unsecured medical and financial documentation;
- ▶ irregularities in the implementation and realization of public procurement contracts, as well as weaknesses in outsourcing, etc.

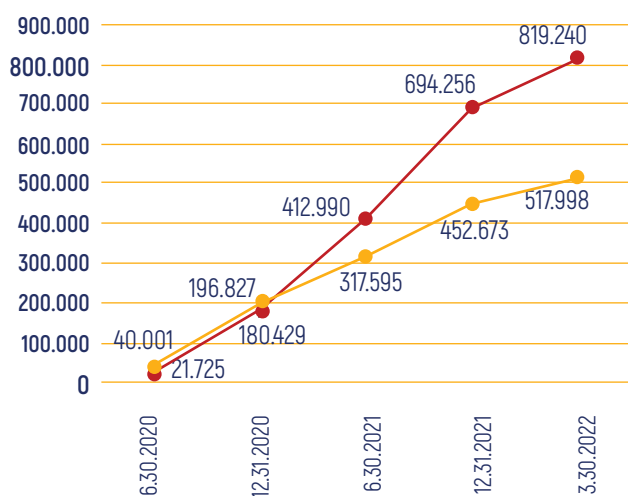
In the paragraph Emphasis of Matter, we point to:

- ▶ the manner of payment for performed services to healthcare institutions, indicating that actual purchase of services provided by the Law on Health Insurance has not been provided. At the same time, attention should be paid to the shortcomings that occurred in PHIs due to the health crisis caused by COVID-19 in 2020. Namely, in 2021, 106 out of 116 PHIs have become unsustainable due to significantly lower volume of services realized in relation to the agreed fee;
- ▶ absence of complete information on receivables based on unpaid contribution for health insurance and extremely uncertain collection of receivables that occurred until 31 December 2008.

In the paragraph Other Matter, we inform on the following:

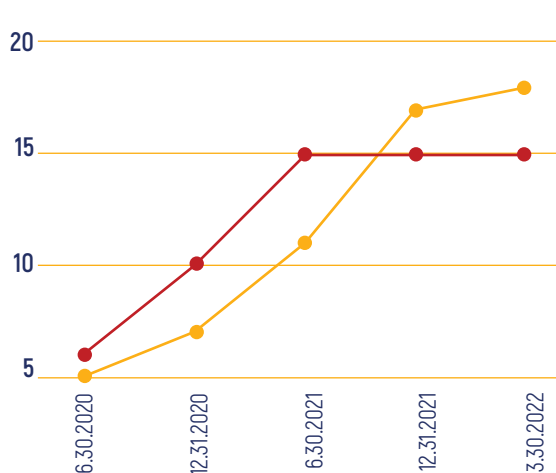
- ▶ in conditions of pandemic, due to non-provision of appointments in PHI and not signed agreements with PHI for Covid 19 diagnosis, insufficient healthcare services were provided for insured persons at the expense of the Fund. According to data published by the Institute of Public Health, since the beginning of the pandemic on national level, 1.962.489 tests have been done in 33 private and public laboratories, of which 1.337.238 PCR tests, and the rest are rapid antigen tests. The structure and trend of PCR tests performed and the number of laboratories public and private healthcare institutions from the beginning of the pandemic in March 2020 until March 2022 are shown in the graphs below.

Number of PCR tests



● Public healthcare ● Private healthcare

Number of laboratories



● Public laboratories ● Private laboratories

The number of tests and the price of these services in private laboratories in different periods point to outflow of funds of the citizens in the private health care. Calculated by the lowest price of 1400 denars according to publicly available information and 819.240 tests⁹ made in PHI in two years, it is an amount of around 18.6 million euros, not taking into account the rapid antigen tests and higher prices of up to 5.500 denars per test;

- ▶ there is unequal ratio in performance of cardiovascular-surgical healthcare services in 2019 and 2020 between private and public healthcare institutions. Namely, HIF has concluded agreements with three public and two private healthcare institutions amounting to 1.254.330.000 denars, of which 95% of services are performed in private healthcare institutions, and the rest in public healthcare institutions. Most PHI services were performed by PHI University Clinic for state cardiac surgery, which, even though it has qualified staff, it does not have necessary facilities, and thus it adversely affects the scope of health care.

Therefore, it is necessary for the Ministry of Health to undertake activities to provide necessary conditions in PHIs, to achieve greater competitiveness of public healthcare in performing cardiovascular-surgical healthcare services. The volume of healthcare services will not cause additional outflow of significant funds to PHI, and will have an impact on reducing outflow of funds to public healthcare institutions;

- ▶ the reference prices of healthcare services and the List of medicines borne by HIF are not updated;
- ▶ The National E-Health Strategy has not been adopted and the Electronic Health Card is non-functional.

5.6.2. AGENCY FOR MEDICINES AND MEDICAL DEVICES OF THE REPUBLIC OF NORTH MACEDONIA

We audited the financial statements of the Agency for Medicines and Medical Devices of the Republic of North Macedonia (MALMED) together with compliance audit for 2020, and we ascertained the following:

- ▶ not all legally prescribed registers have been established, which affects the transparency of procedures conducted by MALMED, as well as the information for the professional and the wider public;
- ▶ the inventory of assets and liabilities is not fully implemented;
- ▶ persons are hired with employment contract without clear and precise definition of professional qualifications, job tasks and responsibilities, and payments are made without submitting proof / report of the work performed, nor proof of attendance at the job;
- ▶ 13 temporary commissions and working groups were formed whose activities are not of temporary character, in which MALMED employees are also members. The commissions and working groups were continuously engaged during 2020 in relation to activities that are part of the regular work tasks of employees;
- ▶ the manner of recording, calculating and collecting revenue is not regulated, there is no analytical record of revenues, and thus there is no data on the amount of collected revenues for each type of certificate or approval issued;
- ▶ in the procedure for placing a medicine on the market, there are no control mechanisms that will ensure promptness in the actions of assessors for making expert assessment, and thus large number of requests have not been resolved;
- ▶ in the procedure for registration of medical devices, there is lack of control mechanisms for ensuring uniform and accurate treatment of paid fees, resulting in collection of less revenue amounting

to 12.861.000 denars. This affects the completeness of the revenue and puts the applicants at a disadvantage;

- ▶ the procedure for classification or registration of medicines that are issued without prescription lacks uniform practice of treatment, i.e. there are products with the same generic name and strength from one manufacturer registered as a medicine, and from another manufacturer registered as border product;
- ▶ in some public procurement procedures we found inappropriate application of provisions of the Law on Public Procurement, etc.

In the paragraph Emphasis of Matter, we disclose the following:

- ▶ insufficiently regulated manner of use and realization of surplus income of MALMED;
- ▶ it is impossible to monitor the level of utilization of issued approvals for import in the EXIM system, which state the allowed quantities, nor there is access to aggregate data, which limits the performance of analysis for summarizing the work results and for taking action for improving the process of issuing approvals for import of medicines and medical devices;
- ▶ uncontrolled performance of clinical examinations, inappropriate treatment, neglect of the public interest and subjective determination of the fee for PHI where it is performed;
- ▶ during 2021, Amendment to the Law on Medicines and Medical Devices was adopted, which enabled requests for placing vaccines on the market to be submitted by legal entities that do not have registered office in RNM. This enabled procurement and import of vaccines for treatment of COVID - 19, but this solution does not overcome the problem if a need arises for placement of medicines on the market for treatment of another infection that could cause epidemic or pandemic.

5.6.3. PUBLIC HEALTHCARE INSTITUTIONS

SAO Annual Work Program for 2021 covered five public healthcare institutions in primary and tertiary health care as follows: Health Center Bitola, Center for Public Health Bitola, Dental Clinical Center, and University Clinic for State Cardiac Surgery and University Institute for positron emission tomography.

The performed audits on the financial statements and the compliance audits have identified shortcomings that for the most part are continuously repeated and have been reported on in previous annual reports for other PHIs. These shortcomings refer to:

- ▶ weaknesses in internal controls for written work procedures, control activities during signing and realization of public procurement contracts and confirmation of reliability and objectivity of financial documentation, defined competencies and responsibilities of the persons involved in the work processes;
- ▶ irregularities in the conducted inventory of assets and liabilities;
- ▶ non-transferred right to permanent use of buildings and land;
- ▶ inconsistencies in the manner of recording tangible assets and maintenance of equipment;
- ▶ irregularities in recording and monitoring use of medicines and other medical supplies;
- ▶ untimely recording and payment of liabilities;
- ▶ unresolved activities for timely collection of receivables for performed healthcare services and unsecured completeness of revenues for performed healthcare services;
- ▶ inconsistencies in outsourcing;
- ▶ unsecured consistent observance of the provisions of the Law on Public Procurement in the procedures for awarding public procurement contracts and monitoring implementation of signed contracts, etc.

In the paragraph **Emphasis of Matter**, we report on the following:

- ▶ unpaid receivables of PHI from the Ministry of Health for performed healthcare services under Health Care Programs from previous years, for which 2020 programs do not provide funds. Thus, collection of these receivables by the competent ministry in the following period is uncertain;
- ▶ implementation of the Program for Prevention of Cardiovascular Diseases is inappropriate and it is necessary MoH to reconsider the need for further continuation of the Program in the coming years in the same scope and manner as before;
- ▶ the facility of the Clinic for State Cardiac Surgery is insufficient and with unresolved property status. It is necessary MoH to take on activities for overcoming these shortcomings.

In the paragraph **Other Matter**, we point to the following:

- ▶ despite the legal obligation of MoH to set up National system for financial and accounting operations and Central system for registration of working hours for the needs of PHI, these systems do not function. It is necessary to undertake activities for reviewing these legal solutions and the possibilities for their implementation and functionality;
- ▶ MoH need to take on activities for implementation of legally envisaged regulation of the functioning of laboratories and the laboratory activity to ensure safety and comparability of results from conducted laboratory examinations in the laboratories in the country.

5.7. ENERGY

5.7.1. EXPLOITATION OF WATER RESOURCES FOR ELECTRICITY PRODUCTION 2012 - 2021

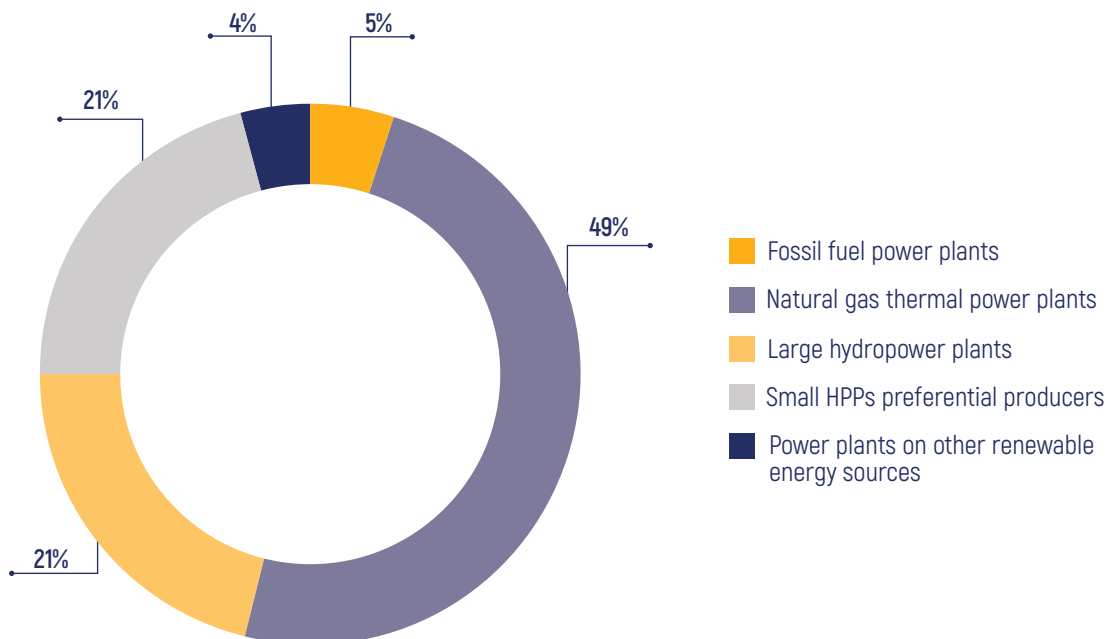
We performed compliance audit to answer the question whether competent institutions ensure legality in the process of planning and granting concessions, issuing water rights permits, their monitoring, mutual communication and exchange of information, as well as full and accurate collection of concession fees and water use fees.

With the performed audit, we ascertained several shortcomings.

It was determined that the strategic documents were adopted without strategic environmental impact assessment and did not meet the set objectives for construction of large hydropower plants (HPPs), and thus did not achieve the set mandatory objectives for participation of renewable energy sources in the total final energy consumption.

Although the strategies envisage construction of 7 large HPPs for greater utilization of the technical hydro potential, which would achieve additional participation of over 26% in the total electricity needs, the activities so far have been mainly focused on construction of SHPP, and with their complete construction a marginal share in the total needs would be achieved.

Public calls for 61% of granted concessions for SHPP were announced before the adoption of the strategic documents. They are guaranteed purchase of the entire electricity production according to legally provided preferential tariffs, and participate with 4% in the total domestic electricity production in 2020.



The procedures for granting concessions for use of water for electricity production were conducted without environmental impact assessment, and partly without concession project study, based on outdated hydrological data. Thereby, no concession agreements were signed for 62% or 70% of locations announced by MoE and MoEPP due to weaknesses in the planning and selection of locations.

Weaknesses in issuance of permits and inefficient control by competent institutions enabled use of water without secured water law permit. Due to absence of a water book, MoEPP did not have complete data on received applications and issued water law permits, and the same is not available for inspection services.

The approval of reports for environmental protection is done without adequate review of possible impact on the environment, which creates a risk of certain negative impact of SHPP construction on river ecosystems and natural biodiversity.

Inadequate planning, complex procedure in several institutions and non-compliance with deadlines for acting upon caused delay of necessary documentation for some SHPP and prolonged start of work or termination of contracts, and thus part of the concessionaires were placed in unequal position.

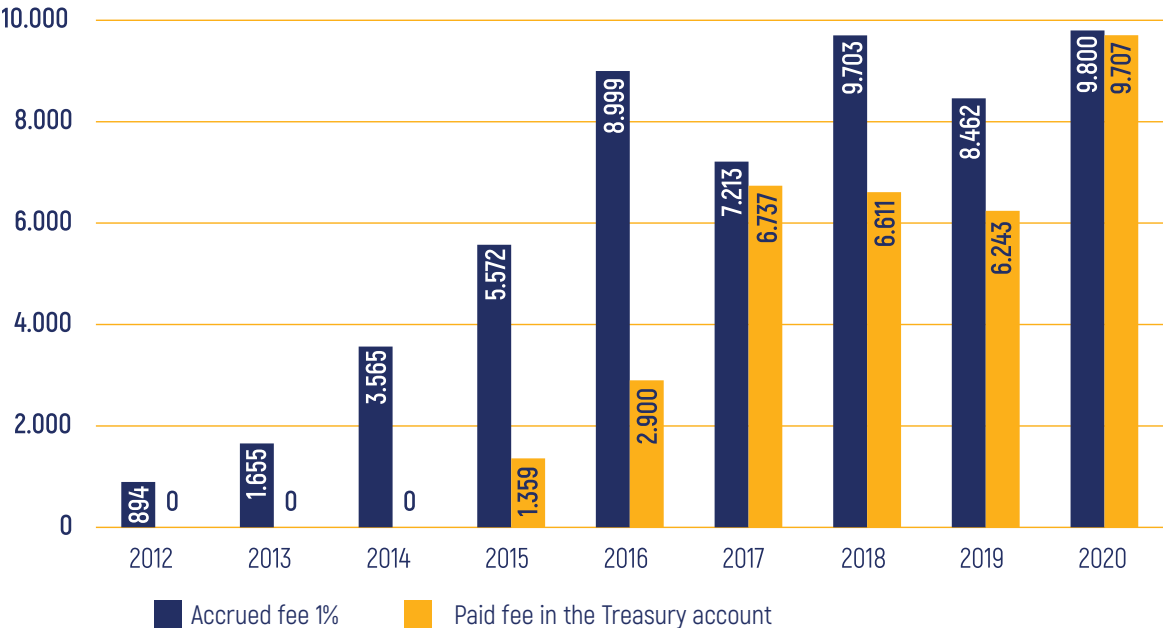
MoE and MoEPP do not have sufficient capacities and mutual coordination for monitoring the concession activity, in conditions when the register of concessions for water use is not regulated, and the register of awarded PPP contracts in MoE is incomplete.

The State Environmental Inspectorate does not have enough water management inspectors, does not conduct efficient planning and coordination in performing inspections of hydropower plants and has not provided protection of documentation and transparency of its work.

The existing legal provision for calculating without defining the fee as a percentage of the production price of electricity has resulted in fee payers to apply production prices calculated in their own way or to apply sales prices.

The established method of calculation and monthly payment of fee for water right and its recording only in the trade books of electricity producers does not provide continuous monitoring and control, nor the possibility to ensure full and regular collection of the fee.

Consequently, it was concluded that SHPPs as preferential producers did not pay 22.841.000 denars in the Budget of RNM, which is 41% of the total calculated fee.



The audit points out that for some assigned locations there is a delay in the procedure, which cannot be attributed as a fault of the concessionaire, while some are located in the National Park protection zone and thus it is certain that contracts will be terminated with possible fiscal implications for RNM.

5.7.2. JSC POWER PLANTS OF NORTH MACEDONIA IN STATE OWNERSHIP (JSC ESM SKOPJE)

We audited the financial statements of JSC Power Plants of North Macedonia in State Ownership Skopje (JSC ESM SKOPJE) together with compliance audit for 2020.

With the performed audit, we ascertained the following shortcomings:

- ▶ In the period 2011 - 2020, significant amount of funds was invested in projects that have not been completed and equipment that has not been put into use. For realization of the projects and procurements, contracts were signed in the amount of 1.328.104.000 denars or approximately 21.5 million euros. These projects and procurements refer to implementation of integrated computerized business information system - BIS, procurement of equipment for improving telecommunications and networking, procurement of goods from the "system for monitoring movement and measuring quantities of coal and measuring activities of accompanying mechanization for PE Rudnici in REK Bitola", Hydro Power plant Boskov Most - construction of dam and accumulation, Lukovo Pole - drafting project proposal for renewable energy, construction of new administrative building - Office building of JSC ESM Skopje, reconstruction and extension of the facade for the administrative building of JSC EVN Macedonia and JSC ESM Skopje, and other expenditures related to consulting services, opinions on feasibility studies and other examinations, which were not used for realization of specific projects.
- ▶ The project for modernization of Block 1 in REK Bitola was not realized. In the period from 2011 until the day of issuing of the audit report, the project has caused unproductive expenses amounting to 1.296.211.000 denars (about 21 million euros). The largest portion of the expenses i.e. 55% are legal fees for representation in arbitration proceedings and costs arising from the lost procedure. Additionally, 39% of the expenses are based on paid advance and withdrawn credit funds for loan insurance and 6% for commitment fee for not withdrawn approved funds from the credit line for financing this project.
- ▶ The performed inventory of assets and liabilities at the end of the year was not complete and not in line with the Rulebook on performing inventory. For a long period, there is a quantitative discrepancy of 2.505.956 kg between the fuel oil recorded in the accounting books and the fuel oil shown in the inventory lists and the value of the difference is 62.650.000 denars (calculated at the average prices on 31 December 2020).
- ▶ Even though JSC ESM Skopje has title deeds, due to lack of detailed and accurate data in the business books, the auditors were not able to confirm the area and ownership. For the land granted for permanent use with a decision of the Government of RNM, where new administrative building is being built - Business building of JSC ESM Skopje, no procedure has been initiated for securing the title deed.
- ▶ Weaknesses were identified in the application of the Public Procurement Law, inter alia, in determining estimated value of procurements, proving required ability within the procedure and in the contents of the technical specification. Since JSC ESM Skopje is not obliged to apply the provisions of the Law when the subject of procurement is energy or fuel for energy production, it announces public call for transparent implementation of these procurements. The certified state auditor points to the need of adopting procedure for planning and conducting public calls for procurement of fuel for electricity generation.

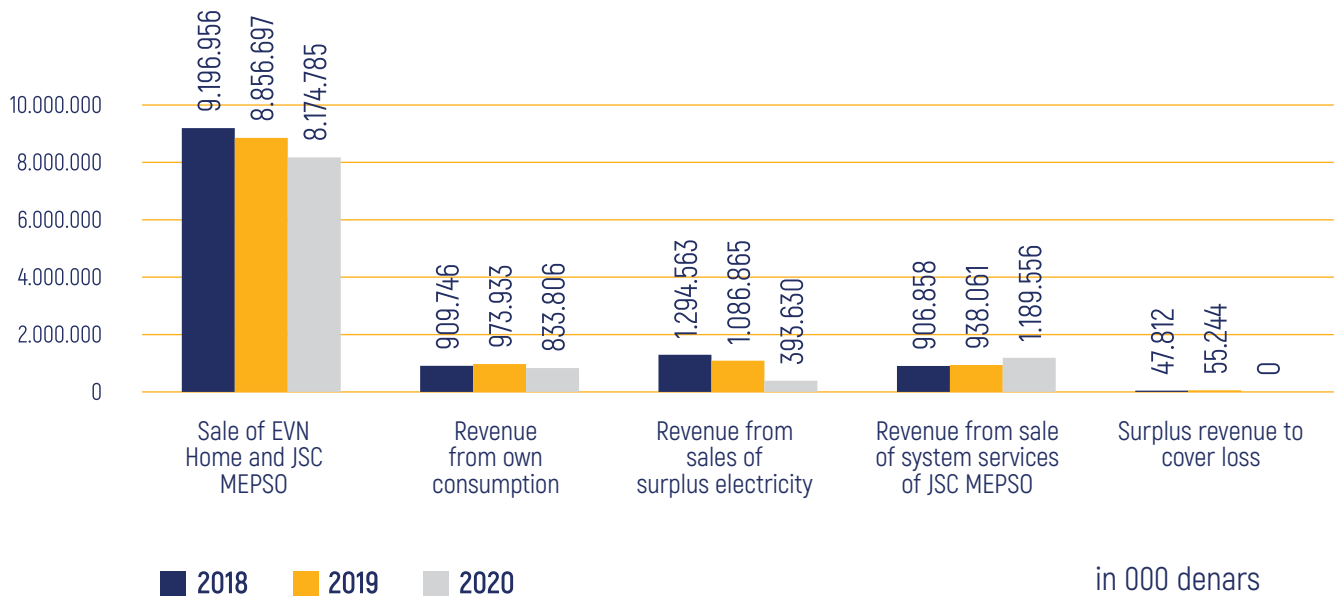
- ▶ Inadequate records of provisions for reclamation of degraded land and their annulment affect the double presentation of expenditures in the previous period, as well as incorrect presentation of income from provisions in 2020.
- ▶ Weaknesses were identified in established internal controls in the process of management and operation of the IT system. Internal controls are not in line with international standards on IT security and best practice and pose a risk to the system operation.
- ▶ Disclosure of possible plans for "Popova Shapka - Tetovo", which is a subsidiary within ELEM TOURS DOOEL Skopje, for its concession, public-private partnership or sale. The purpose of these plans is to improve the conditions in the ski center, accommodation facilities and tourism development, as well as the financial standing of ELEM TOURS DOOEL Skopje. The audit pointed out when making decisions to take into account the loans granted so far to ELEM TOURS DOOEL Skopje, as well as the significant investments in the period 2012-2020.

The Emphasis of Matter paragraph points to the following issues:

- ▶ Need for providing permit for compliance with the operational plan of the thermal power plant REK Bitola, as a requirement for its operation and control of sulfur dioxide and dust emissions arising from its activity. In the period 2019 - August 2021, measured emissions of sulfur dioxide and dust were continuously above the allowed limit values, which affects the quality of the environment and the health of citizens.
- ▶ Need for procurement of building and land in the central area of Skopje for a total value of 123.787.000 denars (excluding VAT), taking into consideration that in 2013 activities were commenced for construction of new administrative building for JSC ESM headquarters, and the renovation of the facade of the existing administrative building has been canceled.
- ▶ Review of decisions made for financing activities that are not within the main activity of the company, such as giving loans to entities in the amount of 134.7 million denars, due to their impact on the operation of the company, its liquidity and profitability.
- ▶ Separate overview in the audit report describes the situation in RNM regarding possible sources of electricity generation, the role of JSC ESM Skopje in the energy system in the country, the revenue it generates from the sale of electricity, the problems it faces in terms of coal reserves and the price offered for electricity by the universal supplier.

The total installed capacity for electricity generation in RNM is 2.06 GW and mostly comes from the operation of thermal power plants and hydropower plants. The largest producer of electricity in RNM is JSC ESM Skopje with around 70% of the total installed capacity. RNM has relatively high dependence on electricity imports, with an average share of imports of about 30%. Due to the depleted and limited quantities of coal, other sources of supply are considered, such as transition to other energy sources¹⁰.

Realized revenue of JSC ESM from sale of electricity 2018-2020



The graph shows a decreasing trend of revenue from sale of electricity to the universal supplier (which is used for the economy and the households), as well as decrease in revenue based on sale of surplus electricity, i.e. sale on the free market. In 2020, given the small amount of surplus electricity and power produced,

only two sales auctions were conducted. With the liberalization and the increased competition on the European energy market, JSC ESM Skopje could face the risk of reduced revenue from sale of electricity, and thus reduced profitability.

5.8. INFORMATION SOCIETY

5.8.1. INTEROPERABILITY BETWEEN PUBLIC SECTOR INSTITUTIONS

We carried out IT audit as performance audit on the topic "Functionality of the platform for interoperability between public sector institutions".

The audit objective was to answer the question: Is the interoperability platform functional?

The audit concluded that the platform is operational, but there are certain shortcomings that have significant impact on its functioning and utilization, as follows:

- ▶ state administration bodies, RNM Government, ministries, LSGUs and other institutions, are behind with the legal obligations for digitalization of

procedures, and at the same time there is little interest in joining the interoperability platform for providing digital services to citizens and institutions;

- ▶ from 01.01.2019 to 31.12.2021, 338 days or 31% of the total number of days in that period the interoperability platform lacks maintenance contract;
- ▶ there is constant shortage of IT staff in MISA and the institutions that are connected to the interoperability platform;
- ▶ there is absence of a government body for coordination and monitoring of development and upgrades of the systems used by several institutions in accordance with adopted development documents, strategies, action plans;
- ▶ there are no certified systems and security check thereof;

- ▶ only 2.93% of the institutions are connected to the platform, which are legally obliged to use the platform for data exchange in electronic form and provision of electronic services to citizens;
- ▶ despite the connection of new institutions, the total traffic on the platform by years is slightly decreasing. The average value of processor load on the central point of the platform is 6%;
- ▶ instead of decreasing, the unit cost for transmission of one message has increased over the years.

To overcome identified shortcomings, we gave recommendations for improving state of affairs in management and development of the interoperability platform, defining strategic framework for managing the platform through precise action plans and clearly defined IT risks and ways to manage these risk.

5.8.2. INFORMATION SYSTEM FOR REGISTRATION, EXAMINATION AND EMPLOYMENT IN THE AGENCY FOR ADMINISTRATION

We carried out IT audit as compliance audit on the information system for registration, examination and employment in the Agency for Administration for realization of competencies for employment in public administration, as well for examining compliance of the information system processes with laws, policies and standards applied by the Agency.

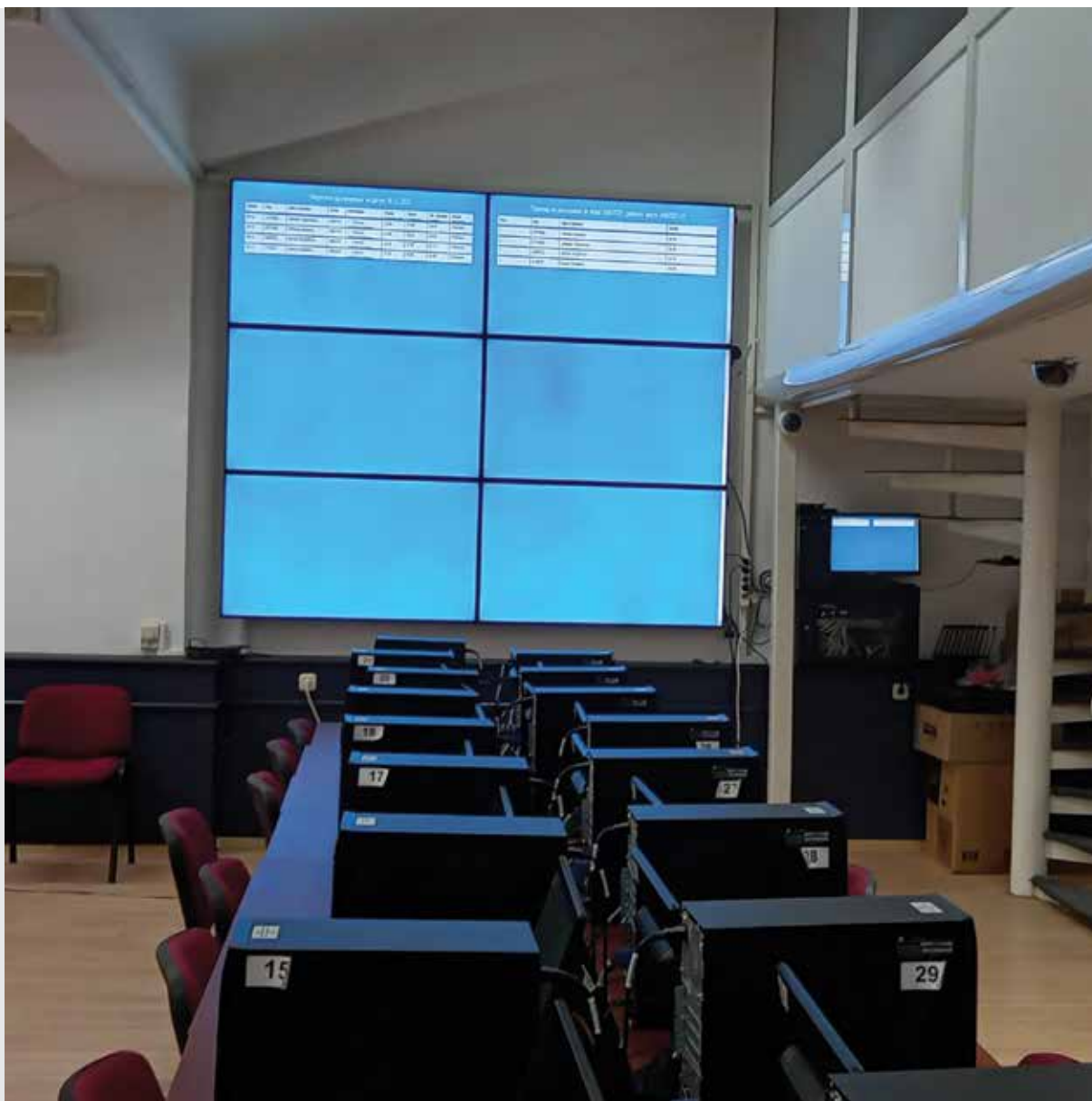
Based on the conducted audit, we identified the following shortcomings:

- ▶ the system provides confidentiality and integrity of data, as well as availability of the system for registration and administration of candidates for employment in public administration, with the exception of updating databases for conducting exams for administrative officer and administrative management;
- ▶ the information system, including: hardware, communication networks, software applications and data are available to users at any time for performing work activities, as well as to candidates in the process of creating account and taking exams, with the exception of restricting network access to the computers for taking the exam;
- ▶ security principles for the use of resources are not followed, i.e. there is absence of access control policies;
- ▶ the existing legislation is complete and provides adequate and sufficient legal framework for implementation of procedures for employment of administrative staff, but the Agency has not complied with the provisions regarding restriction of network access to computers for taking exams and updating exam database of questions;

- ▶ the Agency has not prepared strategic and planning documents concerning continuity of activities, IT policies and procedures for IT security;
- ▶ human resources in the IT and support department and the Department for selection of candidates for employment have not been adequately filled, and sensitive job positions have not been identified.

Recommendations were given for overcoming ascertained shortcomings in relation to strengthen capacities in the IT and support unit, identifying

sensitive job positions so to define procedures for increased supervision and control, drafting continuity plan, preparing plan for replacement of employees, setting up an emergency team, developing IT policies and procedures, conducting and documenting periodic inspections of the exam implementation system, procuring sophisticated network devices to conduct appropriate segmentation of Agency's network, preparing procedure for changes in the list of questions and "four eyes" control.



5.9. JUSTICE AND SECURITY

5.9.1. MINISTRY OF INTERNAL AFFAIRS

We audited the financial statements of the Ministry of Interior (Mol) for 2020 together with compliance audit.

The audit identified several shortcomings as follows.

In conditions of complex and dispersed organizational setup of the Ministry of Interior, it is necessary to intensify activities for determining value of buildings and land used by the Ministry of Interior to have complete records of the real estate available to the Ministry.

Ministry of Interior has several warehouses for storing supply of materials, spare parts and small inventory, gas stations for purchased fuel for the needs of official vehicles, as well as canteens for Mol employees. Due to the volume and the heterogeneous character of transactions, and the specific functioning, it is necessary to regulate the manner of valuation of inventories during their issuance, for unimpeded monitoring of their status.

Having in mind the size and complexity of activities performed by Mol as a large public sector entity in terms of financial resources, number of employees and distribution throughout the country, it was determined that filled out job positions in the internal audit department and the number of audits performed during the year affect the volume of information received by the manager about Mol work and recommendations for improvement.

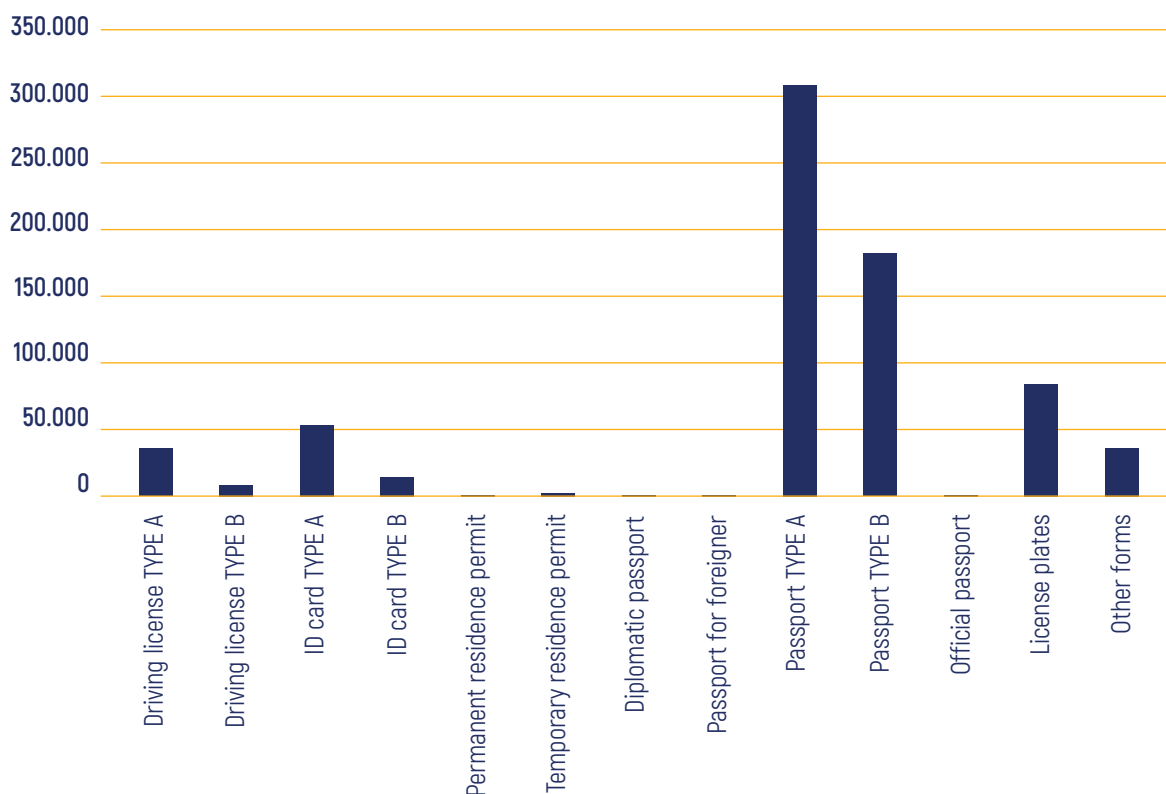
Regarding implementation of Mol competencies related to annual inventory of assets and liabilities, it was concluded that it is not complete and has not been fully implemented in accordance with the laws, bylaws and internally adopted acts that regulate its implementation.

With the performed inspection on the implementation of public procurement procedures and full compliance with the provisions of the Law on Public Procurement, increased transparency and competition in the implementation of procurements and realization of public procurement contracts, we made recommendations for the realization of some of framework agreements, in order to prepare individual public procurement contracts and a written request for abiding by agreement deadlines to the holder of procurement.

Ministry of Interior, in addition to the funds from the Budget of RNM, generates revenue based on fees for services provided for issued passports, ID cards, driver licenses, traffic licenses, license plates and for providing assistance to other legal entities.

In 2020, 79% of the total revenue are revenues from services for issued forms and license plates, as presented in the graph below:

Revenue from issued forms through regular and urgent procedure



With the performed analysis of the supply of payable forms (certificate of citizenship, traffic license, driver's license, certificate of probation, weapon license), biometric forms (passports, ID cards and driver's licenses) and license plates, it was concluded that the software of the Sector for Internal Affairs – Skopje is not functional and there is no possibility for be serviced.

Ministry of Interior is currently entering data in the integrated software system for material-financial operations on the level of each Sector for Internal Affairs, and its full implementation is expected to establish complete and timely records of all changes in the supply of payment forms for each Sector individually and at the level of the entire ministry.

In the paragraph Emphasis of Matter, we disclose that in line with the Law on the National Security Agency (NSA), NSA should start its operation on 1 September 2019, as an independent body of the state administration with capacity of a legal entity. For unimpeded operation of NSA, all real estate and movable property, equipment, accounting records, documentation, archives and means of work used by the Security and Counterintelligence Directorate are assigned to the NSA. During 2020, based on eight decisions of RNM Government, the fixed assets and small inventory are handed over in possession of NSA. However, the handover of real estate, information and telecommunication equipment has not been done yet.

5.9.2. MINISTRY OF JUSTICE

We audited the financial statements of the Ministry of Justice for 2020 together with compliance audit.

With the performed audit, we ascertained several shortcomings.

There is no functional internal audit unit to minimize weaknesses and improve processes of risk management, control and management, incomplete inventory of office furniture procured for the needs of the Basic Criminal Court, payment of funds have not been fully processed by agreement and no activities have been taken to provide documentation on the right of use of real estate for some regional departments of the ministry.

We pointed out that for realistic presentation of the status of land in the business books of the ministry, it is necessary to initiate procedure to RNM Government for adopting Decision for transferring the right of use of the land where the courts are located.

Ministry of Justice needs to continue activities aimed at full handover of procured office furniture, which by Decision of RNM Government has been assigned for permanent use to the Basic Criminal Court, and is recorded in the accounting records of the Ministry.

Based on a signed contract, the Ministry has paid funds for leasing premises of the Administrative Court, and by Decision of RNM Government in 2018, the Court has received for permanent use, cost-free real estate - building, which until 2021 has not been used.

In addition, the Ministry has made payment based on court decisions for monetary compensation to persons unjustifiably deprived of liberty, which cannot be foreseen and planned, and may result in spending budget funds from other items and disrupting the normal execution of Ministry's activities.

5.9.3. MINISTRY OF JUSTICE - DIRECTORATE FOR EXECUTION OF SANCTIONS

SAO audited financial statements of the Ministry of Justice - Directorate for Execution of Sanctions for 2020, together with compliance audit.

With the performed audit, we ascertained several shortcomings as follows.

Need of regular calculation and payment, in coordination with competent authorities, of compulsory health insurance contributions and contributions based on disability and bodily injury caused by work injury or occupational disease for persons serving prison sentences and serving educational measure in a correctional facility, as well as filling out job positions and proper functioning of the internal audit.

We also pointed out systemic weaknesses related to electronic bracelets and the system for monitoring

and implementation of detention measure in RNM, i.e. it is not yet active. The competent institutions in cooperation with the Directorate need to take measures and activities to enable operability and uninterrupted functioning of the electronic surveillance equipment, in order to perform the probation works and to provide efficient system of electronic surveillance during execution of the measure of house arrest on the entire territory of RNM.

We also pointed to the activities of the Directorate for implementation of the Project "Reconstruction of penitentiary institutions in the Republic of Macedonia", based on framework loan agreement with the Development Bank of the Council of Europe, which provides for reconstruction and construction of

Idrizovo Penitentiary, Skopje Prison and construction of Kumanovo Prison and Tetovo VPD. The investments for the facilities in KPD Kumanovo in the amount of 3.967.000 denars and KPD VPD Tetovo in the amount of 250.159.000 denars have been completed and the procedures for

handing over the ownership right to the institutions are underway, i.e. issuing use permits and title deeds from the competent institutions in RNM.

5.9.4. PENITENTIARY AND EDUCATIONAL-CORRECTIONAL FACILITY SKOPJE PRISON

With the performed audit on the financial statements of the Penitentiary Institution Skopje Prison for 2020 together with compliance audit, we ascertained the need for additional staffing of the department for resocialization of convicts, in particular the department for treatment with educators and instructors for work training so to not call into question the process of resocialization of convicts.

It is also necessary to set up internal audit, adopt accounting policies for preparation, presentation and disclosure of financial statements and explanations to the financial statements, to set up accounting records

for material assets at disposal of the Penitentiary Institution Prison Skopje, accounting records for receipt and issue of supplies, to carry out inventory of assets, receivables and liabilities in the manner provided by the legislation, and to define the age structure of liabilities towards the Ministry of Interior, which cover 99% of total outstanding liabilities and refer to performed services - assistance in escorting detainees and convicts.

We also concluded that some public procurement procedures do not provide full transparency and competition between economic operators.

5.9.5. COURT OF APPEALS SKOPJE

We audited the financial statements of the Court of Appeals Skopje for 2020 together with compliance audit, and ascertained the need of full functioning of the system of internal controls, inventory of obligations to suppliers by determining the legal basis, origin, age structure and reasons for the occurrence, as well as the need for accurate and timely accounting records of uncollected receivables based on court lump sums and their presentation in financial statements.

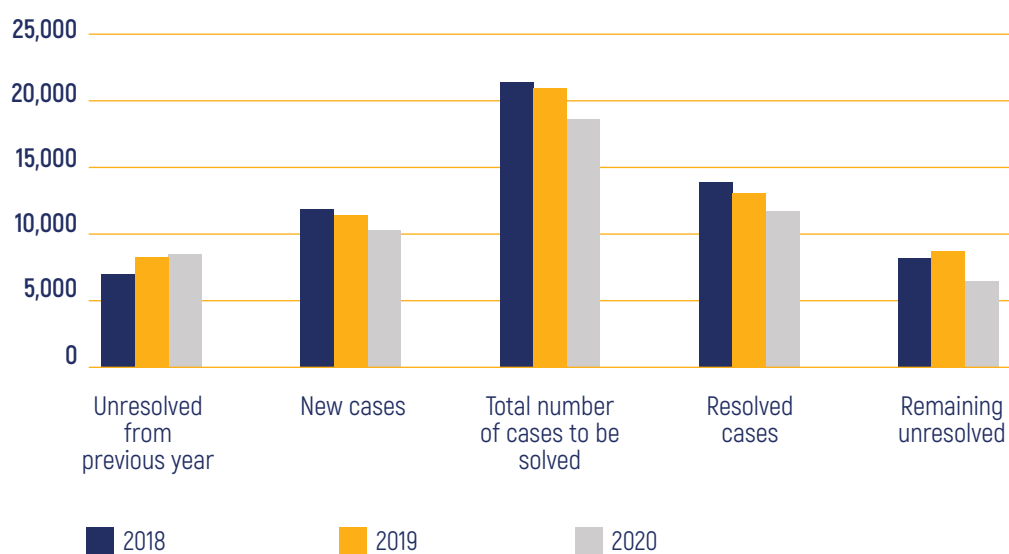
We pointed to systemic weaknesses with regard to the need for adoption of an act by the Supreme Court of RNM, which should determine the amount and manner of determining lump sums as costs in proceedings. There is a need to regulate the manner of calculation of

work experience supplement when calculating salaries of judges and court clerks.

We made an analysis of the number of unresolved cases¹¹ from previous years, newly received cases, resolved and other unresolved court cases for the period 2018-2020, presented in the graph below.

¹¹ Annual reports on the operation of the Court of Appeals Skopje for the period 2018-2020

Status of court cases in the Court of Appeals Skopje 2018 - 2020



In 2020, the number of received cases has decreased by 26% compared to the previous year. However, the number of unresolved cases remain significant 35% per year.

5.9.6. BASIC COURT TETOVO

With the audit on the financial statements of the Basic Court Tetovo for 2020 together with compliance audit, we identified the need of establishing material records of fixed assets, conducting inventory as prescribed by law and signing contract for reimbursement of costs for utilities with the users of the premises.

Regarding collection of the court lump sum, we ascertained the need for keeping records for collected court lump sum in the court accounting and setting up accounting records of unpaid receivables based on court lump sum.

It is also necessary to have full insight into the status and movement of deposit funds in individual cases, to supervise material-financial operations with the funds of deposits and seized items, and to make an inventory of received funds based on court deposits.

The Basic Court in Tetovo keeps cases that have been confiscated by a final decision in misdemeanor and criminal proceedings, which have not been taken over by the Agency for Management of Confiscated Property.

Based on the Law on managing movement of cases in courts¹², the President of the Court has established working body for managing movement of cases in the Basic Court in Tetovo.

Analysis of the number of unresolved cases¹³ was made and it was determined that the Basic Court in Tetovo failed to surpass the influx of newly received cases with the increased number of unresolved cases, despite the fact that the number of resolved cases in relation to the total number of cases is increasing from 85% in 2018 to 93% in 2019 and 2020.

¹² Official Gazette of RNM no. 42/2012

¹³ Annual reports on the operation of the Basic Court Tetovo for the period 2018-2020

5.10. TRAFFIC, TRANSPORT AND COMMUNICATIONS

5.10.1 RAILWAYS OF THE REPUBLIC OF NORTH MACEDONIA – JSC TRANSPORT

SAO audited the financial statements of Railways of the Republic of North Macedonia – JSC Transport Skopje for 2020, together with the compliance audit.

We identified the need to set up complete system of internal controls and operating procedures that will ensure functioning, monitoring and development of stable financial management and control in all organizational units.

The company uses outdated IT system for which it is necessary to take measures to identify IT risks, as well as to overcome shortcomings in the IT system so to prevent possible accidents and non-functionality.

The calculation of salary for the employees is not in line with the legal provisions and the collective agreements - the coefficients for each job position that are determined in the Rulebook on internal organization and systematization are not harmonized with the concept of gross salaries.

In addition, the estimated value of assets based on the recorded goodwill initially recognized in 2007 is unrealistic, when the capital, assets, rights, liabilities and employees of PE Macedonian Railways were

divided into two legal entities, PE Macedonian Railways Infrastructure and JSC Macedonian Railways. The manner of conducting inventory with separate act has not been determined, the annual inventory as of 31.12.2020 has not been fully implemented and depreciation has been calculated without assessing the useful life of assets and their factual / real condition. Short-term receivables from buyers and short-term liabilities toward suppliers are not objectively presented and they originate from 1991.

Inconsistencies have been identified in the procedures for awarding public procurement contracts and non-compliance with their provisions, which does not ensure full transparency and competition among economic operators.

In the paragraph Emphasis of Matter, we point to continuous annual loss of the company, insufficient funds per year for subsidizing costs of passenger traffic from the Budget of RNM as a service of public interest.

5.10.2. PUBLIC BROADCASTING ENTERPRISE MACEDONIAN RADIO TELEVISION SKOPJE - MRT

SAO audited financial statements of the Public Broadcasting Company Macedonian Radio Television Skopje (MRT), established by the Assembly of RNM, and identified the following significant shortcomings:

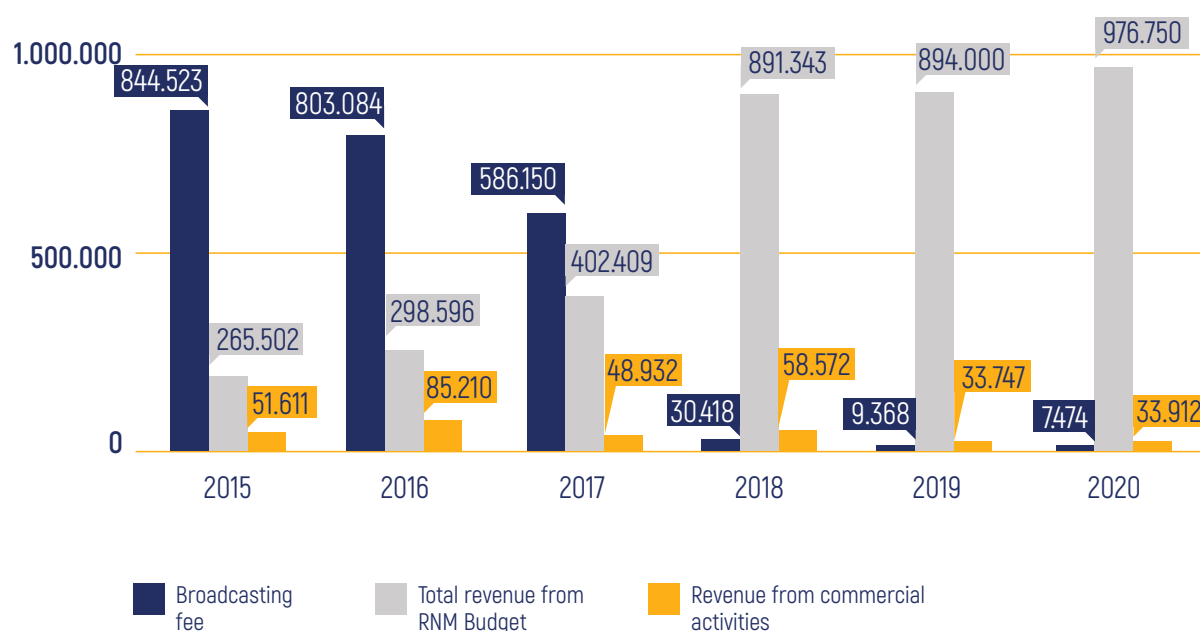
- ▶ weaknesses in the established internal controls in MRT operation that pose a risk for the successful risk management, key economic operations, segregation of duties and the established supervision over activities;
- ▶ not adopted strategic, planning, program acts and bylaws that may affect planning, operation and development of MRT;
- ▶ the content of the act for organization and systematization of some job positions does not state requirements for specific type of professional background and description of job tasks. In addition, there are incomplete files of employees and incomplete evaluation of some employees, which may contribute to filling out vacancies with personnel that does not possess required qualifications and knowledge for the job position;
- ▶ internal acts and manner of salary calculation are not fully harmonized with the applicable legal regulations;

- ▶ no internal audit unit has been established to contribute to better risk management, control and governance;
- ▶ registration of the share capital of the company has not been performed in the trade register and the register of other legal entities in the Central Register of RNM;
- ▶ inventory of assets and liabilities at the end of the year is not carried out in full and in accordance with the Rulebook for conducting inventory;
- ▶ irregularities in the manner of recording inventories, which resulted in not recorded expenditures for part of the consumed supplies;
- ▶ data on measures taken for collection of receivables older than five years are missing, as well as the possibility for their collection;
- ▶ irregularities in the manner of planning, awarding public procurement contracts and their implementation.

The following shortcomings were disclosed in the paragraph Emphasis of Matter:

- ▶ expired mandate of the Program Council and its impact on the election of the Supervisory Board, director and deputy director of MRT;
- ▶ involvement of managers in the provisions of the Collective Agreement;
- ▶ the analysis of MRT liabilities indicates that in 2020 there is a significant reduction of liabilities to suppliers. However, liabilities for short-term and long-term loans in the country and abroad are still large and they may have negative impact on the liquidity of the entity in the future;
- ▶ the impact of budget funds on the development and operation of the PE when realized revenues from commercial activities represent insignificant amount and have constant downward trend. We pointed to the need for setting long-term goals for growth and development of MRT and defining annual plans for realization thereof to increase its attractiveness to the public and to realize larger income from commercial operations.

Structure of revenue 2015-2020



5.10.3. AGENCY FOR AUDIO AND AUDIOVISUAL MEDIA SERVICES

We audited the financial statements of the Agency for Audio and Audiovisual Media Services (AAVMS), of the regular operation account for 2020 together with compliance audit.

The performed audit ascertained certain conditions that refer to

- ▶ inadequate application of legal provisions pertaining to the right to salary, as follows:
- ▶ payment of degree of quality of work performance as part of the basic salary and salary supplement to the work performance, which results in payment of funds non consistent with the legal acts;
- ▶ different number of points are established for the same job position with the same degree of complexity (defined as a variable component (from-to) when determining the basic salary. We identified difference in the amount of the basic salary for the same jobs which ranges from 5 to 10 thousand denars; and

- ▶ when conducting inventory of assets, receivables and liabilities, the procedures provided in the laws and bylaws have not been fully performed.

In the paragraph Emphasis of Matter, we disclose the following shortcomings:

- ▶ financial assistance - donation in the amount of 105.000.000 denars to MRT, commercial and non-profit broadcasters that perform television and radio broadcasting on the territory of RNM, MoH and Mol for dealing with consequences of COVID - 19;
- ▶ Decisions for writing off uncollected receivables based on annual fee for issuing licenses for performing broadcasting activity in AAVMS accounting records amounting to 20.736.000 denars; and
- ▶ review of the status of AAVMS, as a VAT taxpayer.

5.11. ENVIRONMENT

5.11.1. MEASURES AND POLICIES of RNM / COMPETENT AUTHORITIES FOR MITIGATING CLIMATE CHANGE

According to data presented in scientific studies, today's climate change is caused by global warming, i.e. the increase in the average temperature of the planet Earth. This results in changes in the amount of rainfall, water levels of seas, lakes, rivers and groundwater, habitats of flora and fauna, which also affect human life. Climate change is in fact a natural process that has been going on since the formation of our planet, but these changes have intensified in the last 100 years as a result of

increased human activity¹⁴. It is generally accepted that climate change, i.e. global warming at or above 2° C will have serious consequences for the Planet Earth.

Global warming is caused by the greenhouse effect, i.e. the glass walls of the garden emit light rays, but when they are converted into heat, then the walls do not allow for the heat to come out, which makes the greenhouse warmer. The walls of the planet's greenhouse represent the atmosphere that surrounds the planet. There

¹⁴ Human activities that contribute to climate change are use of fossil fuels, transport, industrial processes, heating and cooling of buildings, unplanned logging, use of firewood for heating, increased methane emissions in agriculture, urbanization, extensive energy consumption and other similar activities

are different gases in the atmosphere, and some of them, such as carbon dioxide (CO₂), have the same properties as the greenhouse glass walls and retain the planet's heat. In addition to carbon dioxide (CO₂), other greenhouse gases produced by human activity

include methane (CH₄), nitric oxide (NO₂), fluorocarbon hydrocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

The impact of climate change on certain sectors in everyday life is shown in the following graph:

HYDROLOGY AND WATER RESOURCES

droughts, floods, extinction of the aquatic world, reduction of the possibility of using hydro potentials for electricity production, etc.

AGRICULTURE

negative effects on soil productivity, its degradation and erosion.

FORESTRY

increasing the amount of dry material, flammable, and thus increasing number of fires.

EFFECTS ON HEALTH

can be direct or indirect. Due to rising temperatures, a greater number of deaths from heat. People with neurological disorders, dementia and stroke are especially at risk. People can also suffer from infectious diseases such as through reproduction of mosquitoes that spread infections

ECONOMIC IMPACT

The economic damage from climate change is about 25% of the global GDP. IMF estimates that natural disasters related to climate change reduce growth by 0.4 percentage points on average, and in less developed economies even by 0.7 percentage points.

With the performance audit on the topic “Measures and policies taken by RNM / competent authorities for mitigating climate change” aimed to answer the question whether there are legal and institutional conditions in RNM for implementation of adopted measures and policies related to climate change mitigation, SAO joined the institutions advocating for reducing impact of climate change.

The audit covered institutions that directly or indirectly participate in the creation of measures and policies for climate change mitigation, such as MoEPP, MoE, Ministry of Transport and Communications, MAFWE, Energy Agency, LSGUs, Association of Local Self-Government Units of RNM, Macedonian Academy of Sciences and Arts, the Hydro-meteorological Administration and one non-governmental organization.

We concluded that the legal and institutional framework in RNM does not provide all necessary conditions for efficient and effective implementation and monitoring of adopted measures and policies for climate change mitigation. With the engagement and efforts of state institutions, international obligations to reduce the impact of climate change have been accepted, and a number of strategic, planning and program documents have been prepared and adopted at national and local level. Defined activities for climate change mitigation in the mentioned documents are not fully implemented and their implementation is not monitored.

International activities

1992

United Nations Framework Convention on Climate Change (UNFCCC) has been adopted with the sole objective of stabilizing greenhouse gas concentrations.

1997

The Kyoto Protocol has been adopted as a mechanism for strengthening goals of UN Framework Convention. It sets binding targets and precise boundaries for each developed country for reducing greenhouse gas emissions. In 2012, the Doha Amendment to the Protocol was adopted.

2015

The Paris Agreement, the first legally binding global climate agreement, was signed by 197 countries. The purpose of the agreement is to limit the increase in global average temperature to “far below” 2° C and to promote efforts to keep the global average temperature rise to no more than 1.5° C compared to pre-industrial levels. The Paris Agreement does not introduce binding targets for reducing greenhouse gas emissions.

RNM National Committee for Climate Change, which should provide guidance on overall climate action, as well as contribute to the integration of activities in sectoral policies, plans and measures, was established in 2003, but it does not function in practice, i.e. its existence is formal.

No system for inventory of greenhouse gas emissions has been established, while National Inventory of greenhouse gas emissions has been established by several institutions. Therefore, there is no single database for greenhouse gas emissions, which makes it difficult to use these data in the preparation of national strategic, planning and programming documents for climate action.

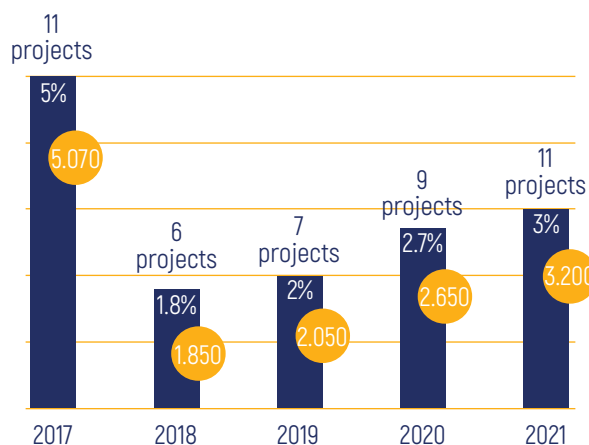
There is a lack of functional connection and coordination between institutions at national and local level in the implementation of measures and activities for planning policies to mitigate climate change, as well as lack of monitoring thereof. Lack of financial, human and technical resources, as an important precondition for integration of climate policies in all sectors further contribute to not achieving desired effects on climate change mitigation. The legal provisions lack clear definition of climate finance and there is no climate labeling of the budget, i.e. there is no system for monitoring and confirming effects of public expenditures on climate change mitigation.

Financing activities of some institutions for reducing impact of climate change

In the period 2017 - 2021, 5% to 1.8% of the funds of MoEPP Environmental Investment Program are used for goals that are accurately recognized as climate change projects, for development of a plan, strategy and educational activities.

Realization of funds from the Environmental Investment Program

for the period 2017-2021
in 000 denars



According to the Law on Environment, there is a fee for production of energy from fossil fuels and the taxpayers are obliged to pay the fee to an appropriate payment account within the treasury account. The funds raised from this fee should be used for financing environmental management programs and activities in relation to the impact of the energy sector. For the period 2018 - 2019, RNM Government has adopted two individual decisions for distribution of funds realized from this fee as earmarked grants to the municipalities. We found that the degree of realization of these decisions is 15% in 2019 and 36% in 2021.

In the period 2017-2020, RNM Government, at the proposal of the Ministry of Agriculture, adopted annual program for promotion of renewable energy sources and encouraging energy efficiency in households. 242.700.000 denars were provided and 193.414.000 denars were realized. The Government also adopted a Program for financial support of electricity production from preferential producers that use a premium for 2019 and provided 20.000.000 denars. As of 2021, 3 public announcements have been published for awarding contracts for the right to use the premium, 38 contracts have been signed and 6 photovoltaic power plants have been put into operation.

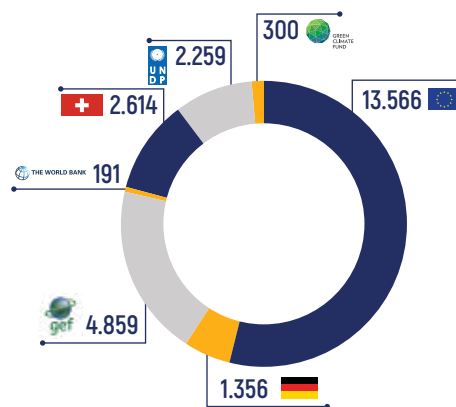
Planned and realized funds in the municipalities for mitigation of climate change refer to granted

subsidies to citizens as an incentive for using renewable energy sources, improvement of the public lighting in municipalities by replacing existing ones with ice lamps and other activities.

In the period 2014-2017, for direct impact on climate change mitigation, RNM has received international assistance amounting to 114 million USD from various sources, and in the period 2018-2019, 25.1 million USD.

Received financial assistance

2018-2019
in 000 USD



5.12. WATER SUPPLY AND UTILITY SERVICES

5.12.1. PUBLIC ENTERPRISES AT LOCAL LEVEL

We audited the financial statements for 2020 of PE "Vodovod", PE "Cistota i zelenilo", PE "Kumanovo Plan", PE "Kumanovo Gas", PE "Pazarishta" and PE "Kumanovo Parking" Kumanovo, founded by the Municipality of Kumanovo and public utility company "Nikola Karev" Probistip, founded by the Municipality of Probistip, together with compliance audit.

With the performed audit we ascertained certain shortcomings and we point to the most important ones.

The legal obligation to sign contracts with the users of drinking water services and the service provider for delivered water is not fully complied with by PE "Vodovod" Kumanovo. PUC "Nikola Karev" Probistip has not concluded agreements with the producers of commercial waste, legal entities for its collection and transportation, while at PE "Cleanliness and Greenery" Kumanovo has 8% concluded agreements.

In the audited PEs, the internal acts and the manner of calculation of salary are not harmonized with the valid

legal regulations, and temporarily engaged persons perform regular work tasks for a period longer than two years.

There is water loss in the water supply system of 55% at PE "Vodovod" Kumanovo, and 65% at PUC "Nikola Karev" Probistip, due to old and dilapidated water supply network, tank permeability, illegal connections and consumption, inaccuracy of water meters, non-invoiced consumption, watering of public green areas without installed meters, etc.

Due to untimely settlement of obligations for compensation for water use and water discharge by PE "Vodovod" Kumanovo (28.713.000 denars) and PUC "Nikola Karev" Probistip (3.540.000 denars), less revenues were realized in RNM Budget amounting to 32.253.000 denars.

Less revenues were also generated in the Budget of the Municipality of Kumanovo, as a result of untimely settlement of liabilities by PE "Cistota i zelenilo" Kumanovo, for compensation for maintaining public

cleanliness in the amount of 121.838.000 denars. PUC "Nikola Karev" Probistip without legal grounds collects compensation for funeral services and compensation for investment in garbage. It does not have a license for maintaining public cleanliness nor license for storage and treatment of waste, which calls into question the ability and responsibility of PUC as a service provider in performing its activity.

In PE "Pazarishta" Kumanovo, we found weaknesses in the manner of renting business premises - shops and stalls (non-transparency, non-compliance with the conditions for renting and absence of precise criteria) which indicates inappropriate selection of tenant, inadequate use of space and less revenue for the company from its core business.

The basic capital of PE "Vodovod", PE "Cistota I zelenilo", PE "Pazarishta" and PE "Kumanovo Parking" Kumanovo has not been registered in the single trade register and the register of other legal entities at the Central Register of RNM.

The audited PEs do not take timely measures for collection of receivables and the level of collectability is not assessed for proper assessment in the balance sheet items in line with international accounting standards.

There are problems in the inventory of assets and liabilities, a recurring shortcoming for years that prevents adjustment of the accounting records and the actual situation (not performing inventory of land, tangible assets under preparation, not performed verification of the presented amounts of receivables and liabilities based on external and internal documentation).

Weaknesses were also identified in the public procurement procedures in relation to the technical specification, required quantities for procurement, procurement of assets without

performing analysis of real needs, implementation of contracts, legally prescribed deadlines and unimplemented public procurement procedures.

In the paragraph Emphasis of Matter we pointed out shortcomings that refer to unestablished system for selection of generated waste at municipal level as one of the preconditions for reducing the amount of waste for protection of the environment.

The PEs are managed by acting directors for a long period. They are appointed by Mayor's Decision for six consecutive months.

The PEs operation is accompanied by reduced liquidity and solvency, which have an impact on the overall processes, presenting obligations toward suppliers and inability to settle these obligations in a timely manner.

The manner of work and handling of existing locations for waste disposal is determined by Government Decision as well as the temporary locations for waste disposal during the construction period of the regional landfill for the East and Northeast region.

It is necessary to intensify activities related to setting up an integrated waste management system in the East and Northeast region, which includes construction of central and local waste management facilities, as well as a regional landfill, in order to improve the environmental situation and to have organized waste management in line with national and EU standards.



5.12.2. PE STREZEVO BITOLA

We audited the financial statements for 2020 of PE "Strezevo", Bitola established by RNM Government and we ascertained the following significant shortcoming:

- ▶ weaknesses in the control mechanisms over the monitoring of reported agricultural plots for irrigation, and thus in the completeness of the realized income from collection of the irrigation fee. The limited possibility for control over the irrigation of areas by PE "Strezevo" Bitola is due to the complex infrastructure of the irrigation system - network. This network has length of 534 km with about 4.000 water hydrants, which are not controlled automatically but manually by the owners of agricultural land. The number of employees in charge of control of the irrigation system is insufficient. Weaknesses were also identified in the control mechanisms for monitoring the amount of water delivered for industrial needs.
- ▶ for some of the facilities that are integral part of the irrigation system - network, the ownership is not regulated, and in relation to the performed inventory of facilities and assets, it was concluded that the inventory is not complete;
- ▶ from 2001 to 2020, PE "Strezevo" Bitola continuously presents loss from regular operations, which is covered by capital (share capital). At the end of 2020 it was reduced by 79% since its establishment. From the received documentation it was concluded that there is a discrepancy between data on the founding investment presented in the accounting records of the PE with data from the Central Register of RNM.
- ▶ there is no act for calculation of employees' salaries and there is inadequate application of legal regulations on the manner of calculation and payment of salary and salary compensations, which

has an impact on the accuracy of the calculation and the amount of salaries paid to employees;

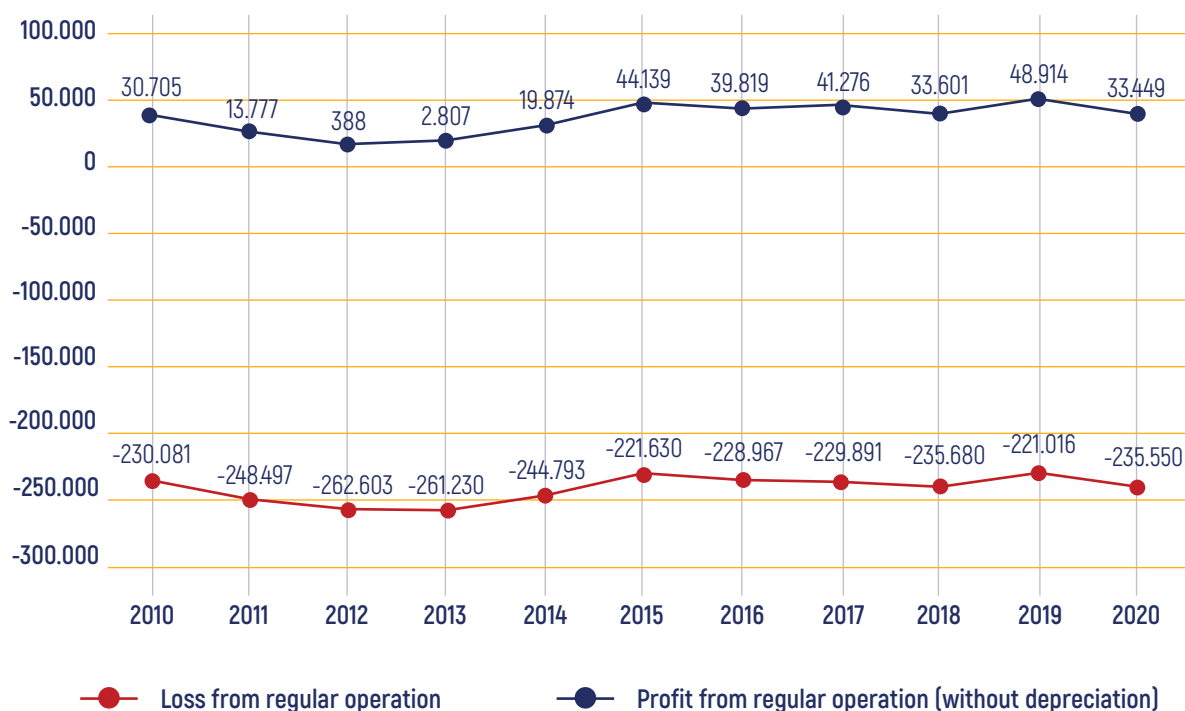
- ▶ concerning supporting documentation it was found out that there is lack of data on measures taken for collection of disputed and suspicious claims as well as concluded agreements for received donations in supplies and equipment;
- ▶ in the material records of inventories, we found incorrect application of the accounting policy for valuation of supplies at average prices during their issuance;

- ▶ the project documentation for remediation of erosive land changes around the main supply canal, procured in 2014 and 2015 has not been used.

We also identified certain systemic weaknesses.

In the paragraph Emphasis of Matter, we present an overview of achieved results of financial operations of PE "Strezevo" Bitola in the last 10 years, which continuously present loss.

Business result from regular operation with depreciation and without depreciation in 000 denars



The graphic presents the impact of the amount of calculated depreciation on the financial result of the operation. If the total expenses do not take into account the cost based on calculated depreciation, the PE presents positive financial result - profit. The situation regarding the presented operating result will remain

unchanged, although the company is liquid and regularly settles its liabilities.

In order for changes to occur that would affect the reduction of loss, it is necessary in the legislation, when determining the basis for the irrigation fee, to include depreciation costs.

5.13. LABOR AND SOCIAL POLICY

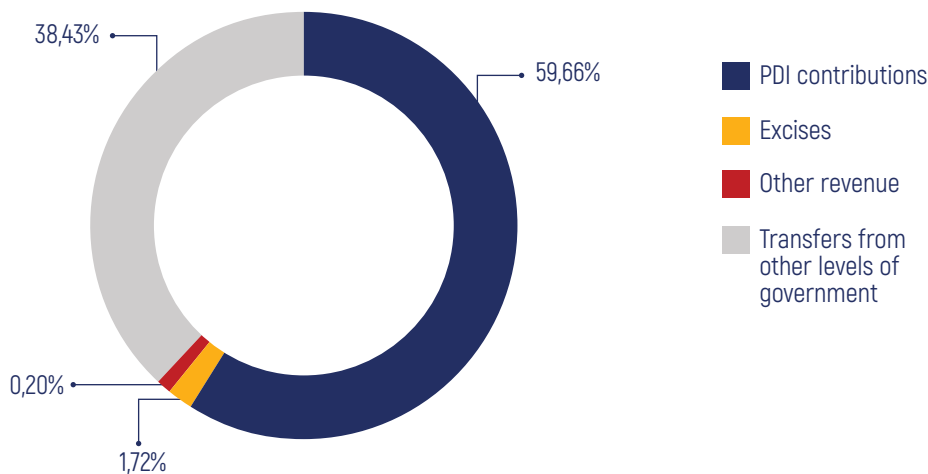
5.13.1. PENSION AND DISABILITY INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

We audited the financial statements of the Pension and Disability Insurance Fund of the Republic of North Macedonia (PDI) for 2020, together with compliance audit and ascertained the following shortcomings:

- ▶ absence of full segregation of duties in the payment process, procedures that have not yet been adapted to the amendments to the Law on Pension and Disability Insurance, and established internal controls do not always ensure confirmation of data entered and accuracy and timeliness in the procedure;
- ▶ PDI Fund lacks necessary HR capacity of professional and trained staff for actuarial and thus there is a lack of activities for preparation of actuarial analysis of the situation in the pension system, permanent outflow of employees from the IT Department, and internal audit works without the established legal minimum for required staff;
- ▶ weaknesses in storing and archiving data in the registry records prevent verification of the reliability and completeness of registered data, which are necessary for the realization of the rights from the Pension and Disability Insurance Fund;
- ▶ due to lack of appropriate data on employment and registration of taxpayers, as well as errors in the entry by other institutions, on the payment account for collected contribution for pension and disability insurance there are unallocated funds that PDI Fund cannot use, and the insured cannot exercise PDI Fund rights;
- ▶ insufficient mechanisms for forced collection of determined damages due to unfounded payment of pensions based on claims from citizens and low percentage of return of overpaid funds;
- ▶ the buildings and land have been registered in PDI Fund business books, even though there is no credible document and the ownership right has not been determined in the Real Estate Cadaster.

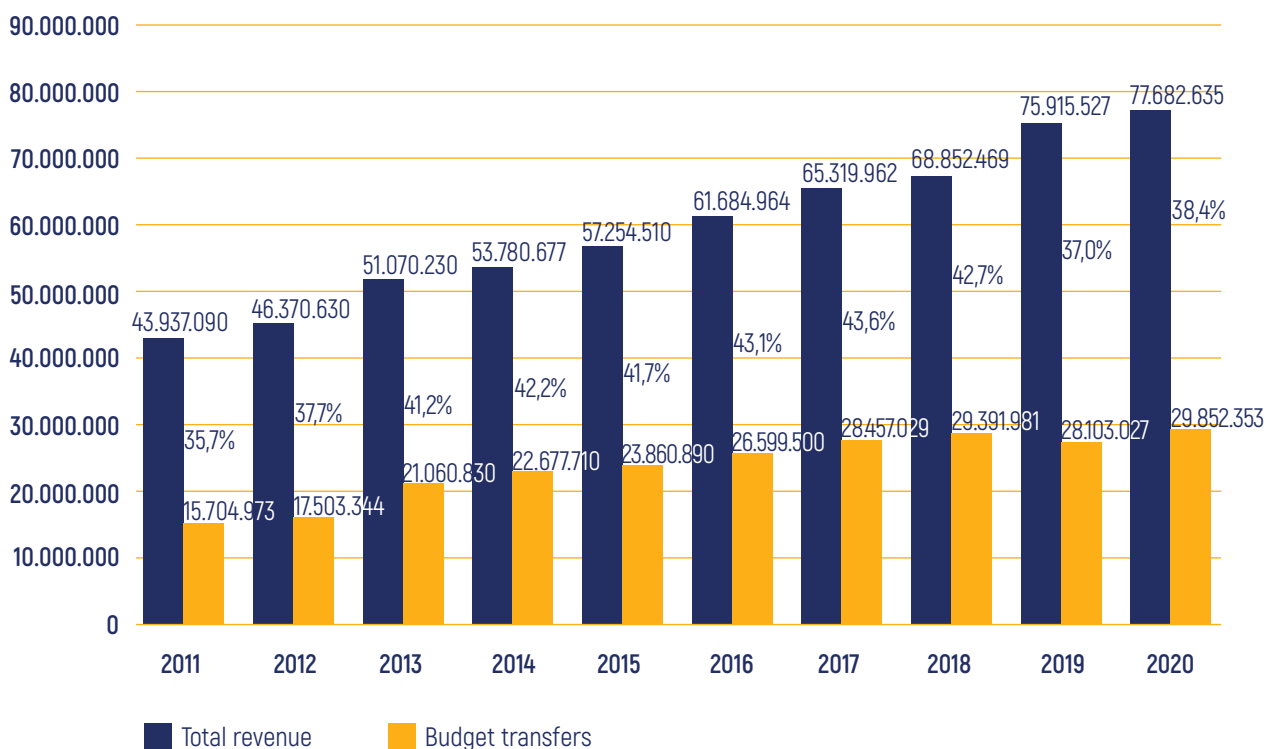
In the paragraph Emphasis of Matter, we disclose the following:

- ▶ the structure and level of realized revenue in the reporting period, i.e. the increase of revenues from collected contribution for pension and disability insurance in 2020 by 10.5% compared to 2019 is not sufficient to cover expenditures for social benefits (payment of pension together with contribution for health insurance of pensioners, transfers to the second pension pillar and disability), which also increases every year. In 2020 it amounts to 76.795.935.000 denars, for 326.295 beneficiaries of pension income, and December payments are 5.6% higher compared to 2019.



► Despite the increase of revenue based on PDI contributions, PDI Fund has a deficit of funds for payment of expenditure for social benefits. Therefore, in 2020, 29.852.353.000 denars were transferred from the Budget of RNM to PDI Fund. There is an increase trend of the deficit in payment

of pension, except for the last two years when the share of these funds in the total revenue is 37% in 2019, and in 2020 it has increased to 38.4%, of which 28.7% are for covering the deficit for payment of pensions.



- ▶ existing legal solutions do not provide for active participation of PDI Fund in the policy making on the pension system, and the Fund cannot significantly affect the increase of source revenue; there are also uncertainties related to inflationary movements and unfavorable demographic movements that affect the operation of PDI Fund;
- ▶ the established system for determining, controlling and collecting contribution is not based on full up-to-date and accurate integration and timely exchange of data from institutions, which affects the completeness of the revenue, as well as the liquidity of PDI Fund and the sustainability of the pension system;
- ▶ unduly withdrawn funds from PDI Fund account by enforcement agents based on enforcement orders where pension beneficiaries are debtors, as well as continuous activities by PDI Fund related to implementation of enforcement orders.

5.13.2. EMPLOYMENT AGENCY OF THE REPUBLIC OF NORTH MACEDONIA



Training for reputable employer



Employment and growth of legal entities

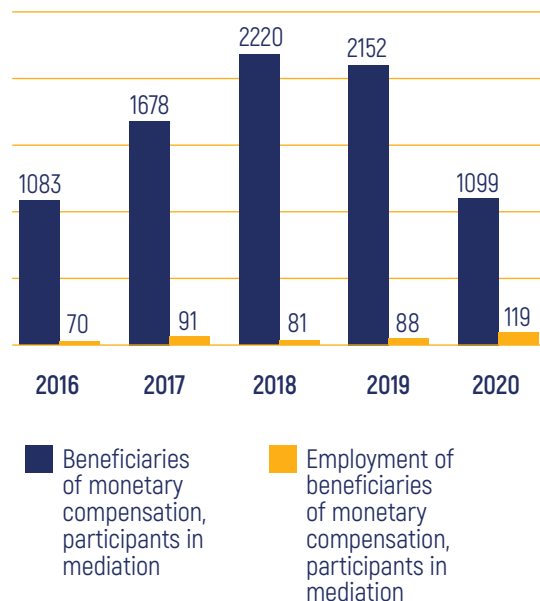
We audited the financial statements of the Employment Agency of RNM (EA) for 2020 together with compliance audit, and found the following:

- ▶ discrepancies in data from the modules for material records of fixed assets, supplies, as well as data for payments based on monetary compensation, active measures in relation to those presented in the accounting records and the need to establish an integrated system between the electronic system for active programs and measures in the Employment Centers and EA financial operations module;
- ▶ not acting in accordance with the Operational Guidelines for implementation of the Operational Plan for 2020 for performing controls and ensuring completeness of documentation during implementation of active employment programs and measures as well as monitoring thereof, which impacts the effectiveness of measures and earmarked use of funds when including the unemployed in the programs or employment measures. The identified shortcomings result from lack of human resources and vehicles for performing EA activities;
- ▶ undertaken obligations without conducting public procurement for amounts above the allowed threshold with the Public Procurement Law, as well as weaknesses in the execution of the inventory and in the manner of acting and recording and distributing supplies and small inventory;

- ▶ the Collective Agreement is not harmonized with the current regulations and proposal has not been submitted to RNM Government for determining the value of the point for calculating salaries of public service providers and technical assistants; not signed management agreements between EA Director / Deputy Director and RNM Government in accordance with the amendments to the Law on Employment and Insurance in Case of Unemployment;
- ▶ insufficient HR resources of the Department for Internal Audit and incomplete realization of planned audits in the annual work plan of the internal audit;
- ▶ at the end of 2020, EA did not adjust the realized revenue from employment contribution, which is 74% of total EA revenue in 2020, with data from PRO records, and there is no possibility to confirm the completeness and accuracy of realized revenue.

We have disclosed certain shortcomings that affect the continuity of the Agency and refer to the number of unemployed persons - beneficiaries of monetary compensation and the effect of EA mediation on these beneficiaries. The number of employed persons that are beneficiaries of monetary compensation is small, despite EA commitments and its participation in the mediation.

Effects of mediation on employment of beneficiaries of monetary compensation



- ▶ The provision of the Law on Employment of Disabled Persons is not followed, for payment of funds from RNM Budget to the account of the Special Fund, based on paid VAT and customs duties from the protection companies; thus EA does not fully obtain funds that are legally due for improvement of employment and working conditions of disabled persons;
- ▶ the number of cases and the amount of the main debt in proceedings before competent courts where EA appears as plaintiff or defendant will have an impact on the financial statements and the operation of EA in the future.

5.13.3. STATE LABOR INSPECTORATE

We audited the financial statements of the core budget accounts for 2020 of the State Labor Inspectorate (SLI) together with compliance audit, and ascertained the following:

- ▶ absence of written procedures for the system of internal controls in the procurement and payment process;
- ▶ financial documents are checked by a person hired under temporary contract and at the same time the person is assigned competencies for conducting public procurement procedures;
- ▶ signed work contracts that do not comply with legal provisions;
- ▶ insufficient HR resources in the Internal Audit Department and not realized contract for audit by the Ministry of Justice;
- ▶ accounting recording of the newly acquired or otherwise obtained material assets is not timely and chronological;
- ▶ weaknesses in performing inventory of assets and liabilities, i.e. it is not fully performed in accordance with the legislation; and
- ▶ lack of accounting records for procured and issued supplies, etc.

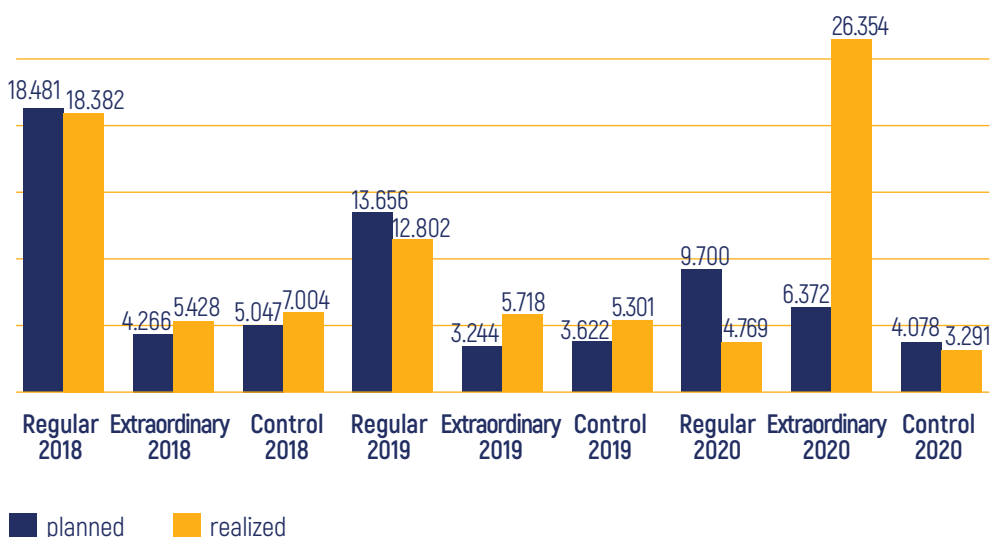
Concerning public procurement procedures, it was concluded that

- ▶ for some procurements, there were no public procurement procedures and the provisions of PPL were incompletely applied, whereby obligations have been undertaken that exceed the legally established value threshold; and
- ▶ there are weaknesses in the preparation of tender documentation and realization of public procurement contracts, which do not provide data on the actually performed services and influence the manner of using the funds.

The annual work plan of the State Labor Inspectorate for 2020 has been prepared without previously adopted Methodology for risk assessment. Part of the extraordinary inspections are not performed within the legally prescribed deadline and the documentation on performed inspection is incomplete.

Analysis was made on the type of inspections performed in the period 2018-2020 and it was concluded that the extraordinary inspections show increasing trend due to the increased number of requests during COVID-19 pandemic, while the number of regular inspections was reduced.

Number of inspection supervision



In the paragraph Emphasis of Matter, inter alia, we point to the project for modernization of inspection services implemented by MISA for the developed electronic software "E - inspector" for performing inspections and controls, and engagement of SLI employees for performing "call center" tasks, which was previously performed by a company based on public procurement contract.

5.14. EDUCATION

5.14.1. HIGHER EDUCATION

We audited the financial statements of three higher education institutions (faculties) at "Ss. Cyril and Methodius University together with compliance audit – the Faculty of Dramatic Arts - Skopje, Faculty of Design

and Technologies of Furniture and Interior - Skopje and Faculty of Veterinary Medicine - Skopje, as well as the University "St. Kliment Ohridski" Bitola.



With the performed audits on the faculties of the University "Ss. Cyril and Methodius", we identified shortcomings in the system of internal controls in the payment process lacking written procedures for verifying truthfulness and objectivity of financial documentation and undefined competencies and responsibilities of the persons involved in the process.

Defining and collecting revenue on different bases within the higher education activity is performed without adopted procedure. This shortcoming was identified in of the Faculty of Dramatic Arts and the Faculty of Design and Technologies of Furniture and Interior.

Irregularities in the payment of fees for performing additional activities that are not part of regular work obligations have also been identified. The inventory of part of the assets, receivables and liabilities is not complete and correctly performed and weaknesses in the application of PPL were identified in some of the conducted public procurement procedures.

At the Faculty of Dramatic Arts, we identified shortcomings regarding non-compliance of internal acts for calculation and payment of salaries and data in the accounting records of the financial statements for 2020. The right to permanent use of buildings and land has not

been determined and timely and chronological recording of received invoices has not been provided.

Analytical records for calculation and collection of revenue on various grounds within the higher education activity are not introduced.

We also identified shortcomings related to unresolved property and legal relations of the Faculty of Design and Technologies of Furniture and Interior with the Faculty of Forestry, lack of confirmation of ownership of buildings where the faculty performs its activity and incomplete records of buildings, equipment and books in the library.

Analytical records have not been established for calculation and collection of revenue from students in the first, second or third cycle of studies, and there

is incomplete use of i-know electronic system for collection of revenue from the second and third cycle and collection on different bases within the higher education activity.

At the Faculty of Veterinary Medicine, we have identified shortcomings that refer to weaknesses in the internal controls for receipt and confirmation of financial documentation, as well as in preparation of invoices for the services performed by the faculty, and non-compliance of acts for payment of salaries of faculty employees.

Within the audit reports, we also disclose certain shortcomings that could have an impact on the continuity of the faculties.

5.15. CULTURE

5.15.1. NATIONAL INSTITUTIONS IN THE FIELD OF CULTURE

We performed audit on the financial statements together with compliance audit of two national institutions (NI) in the field of culture, the National Opera and Ballet and the Philharmonic of RNM.



The main activity of these NIs is performing arts to achieve the national interest in the field of culture.

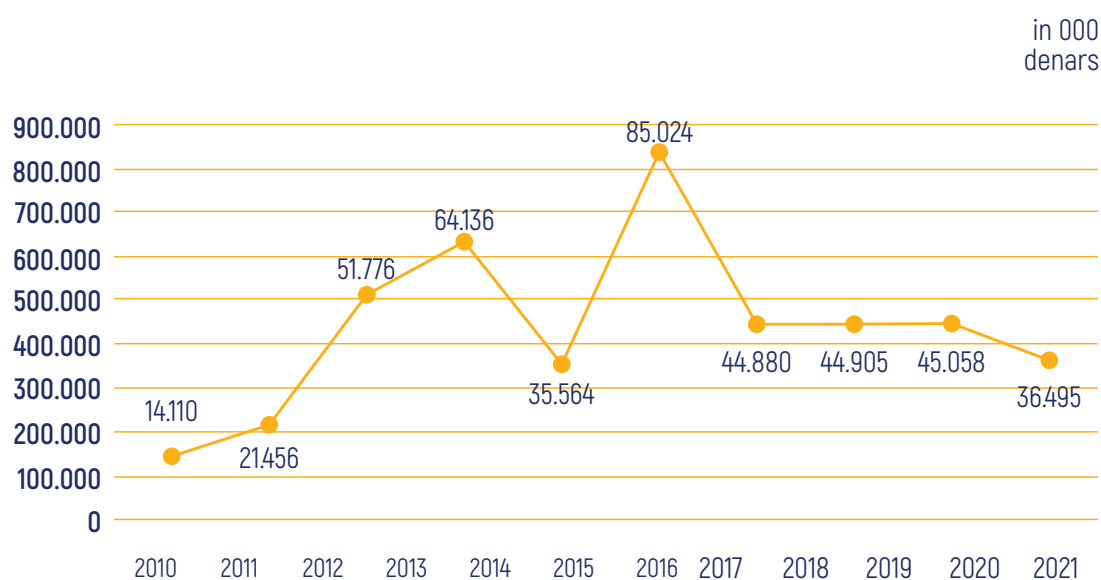
With the audit we have ascertained certain shortcomings that are common to both NIs, as follows:

- ▶ absence of internal acts and procedures for documentation flow, as well as for significant processes and activities for non-cash and cash payment, calculation and payment of salaries and realization and recording of revenue with defined competencies and responsibilities of the persons in the processes;
- ▶ deficiencies in the supporting documentation in recognizing part of recorded expenditure and payment of allowances for the use of employees' instruments to employees without adequate legal basis;
- ▶ weaknesses in the implementation of the inventory of assets, receivables and liabilities;

- ▶ identified weaknesses in some of the conducted public procurement procedures and in the realization of public procurement contracts;
- ▶ Weaknesses in the manner of awarding free tickets for performances from the program activities of the institutions, which is a significant percentage of the total number of tickets sold, and no internal act has been prepared for determining criteria for awarding free tickets.

In the paragraph Emphasis of Matter for the NI National Opera and Ballet, we point to untimely payment of liabilities to suppliers, which significantly increased in 2013, 2014 and 2016, as well as initiation of court proceedings by suppliers, forced collection and blocking of NI accounts. In such conditions, the payment of NI current liabilities and the earmarked use of funds approved by the Annual Work Program of the institution are put into question.

Outstanding liabilities (2011-2020)



The outstanding liabilities in 2016 are significantly higher compared to other years due to commitments taken for renovation of the salon of the National Opera and Ballet. Financing agreement was signed with the Ministry of Culture, which does not contain clear and precise provisions regarding the amount and dynamics of the transfer of funding.

In the paragraph Other Matter, we point out certain shortcomings due to the importance and impact of the same on the operation of the NI as well as on the realization of strategic priorities in culture.

5.16. LOCAL SELF-GOVERNMENT

5.16.1. LOCAL SELF-GOVERNMENT UNITS



We audited the financial statements for 2020 of LSGUs Kumanovo, Studenicani, Aerodrom and Probitip, together with compliance audit and we ascertained the following shortcomings.

In the audited municipalities, there is inadequate organizational set-up of the internal audit and it is non-functional, and in the municipality of Studenicani there is no system of regular internal financial control.

In the municipalities of Studenicani, Aerodrom and Probitip, we identified weaknesses in the budgeting process, and there is significant deviation between planned and realized revenue and expenditure, despite the adopted budget rebalance.

In the Municipality of Aerodrom, there is a significant deviation of planned expenditure of 47.26%, and the Municipality of Probitip has realized about half of the planned budget.

With the budget rebalance, the Municipality of Studenicani instead of harmonizing planned projections, i.e. their reduction, according to the dynamics of realization, the budget has been increased by 20.86%. At the end of 2020, the municipality has high indebtedness, with liabilities that are 9% higher than realized revenues in the budget in 2020.

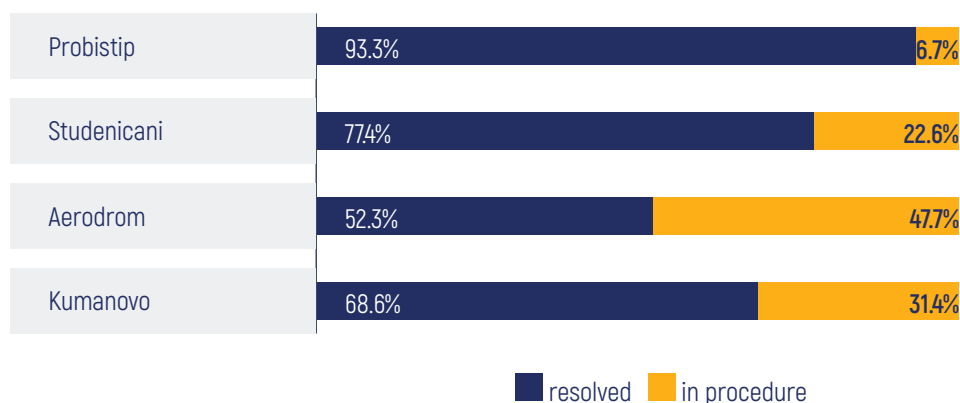
PEs irregularly pay or do not pay the fees to the account of the municipal budget. In the budget of the Municipality of Kumanovo, less fees were paid for public cleanliness amounting to 14.490.000 denars, and Municipality of Studenicani does not generate revenue on this basis. On the other hand, Municipality of Aerodrom does not realize communal tax revenue for parking lots for motor vehicles on the municipality territory because the PE of the City of Skopje manages these parking lots.

Audited municipalities do not respect the legally prescribed deadlines in conducting procedures for determining the legal status of illegally constructed buildings, which leads to untimely informing of applicants to complete the documentation, prolongation of procedures and inability of the owners to timely

register the property in the Agency for Real Estate Cadaster.

With the performed analysis on the requests for determining the legal status of illegally constructed buildings in the audited municipalities, it was concluded that 67% are resolved, while 33% are still in procedure.

Requests for determining legal status of illegally constructed buildings



Municipalities do not submit annual reports to the Ministry of Transport and Communications for the use of funds realized from compensation on this basis, which should be earmarked for adopting urban planning documentation that incorporates the illegal buildings as well as for infrastructural arrangement of their premises.

Irregularities have been ascertained in the manner of recording receivables, determining their age structure. For the tax receivables that have not been collected within the prescribed deadline, interest is not calculated and collected and no measures are taken for collection. Also, in the municipalities of Studenicani and Probitip, no records are kept of receivables based on the fee for legalization of illegally constructed buildings.

In the Municipality of Aerodrom, cases of non-transparency and legal non-compliance were identified in the implementation of procedures for granting use of business premises, urban equipment and sports facilities, as follows: procedures without public

bidding, fixed-term contracts and contracts without compensation, which affects the realized revenues of the municipality on this basis.

In the municipalities of Kumanovo, Aerodrom and Studenicani, cases of non-compliance with the provisions of the Law on Citizens' Associations and Foundations and the Law on Sports have been ascertained. The selection of projects and the amount of funds allocated to companies, associations and sports clubs is done without criteria.

The Municipality of Kumanovo has not supervised the work of the private partner in order to assess the degree of realization of the goals set by the PPP, in terms of optimization of the public lighting system, improving the efficiency in providing services to citizens and reducing costs.

In the Municipality of Studenicani, irregularities were found in the calculation and payment of monthly fees to the members of the Council for attending sessions.

When performing the activities for construction / reconstruction of streets and roads, water supply and sewerage network, the provisions of the Law on Construction are not followed regarding obtained approval for construction / reconstruction prior to the start of the works (municipalities of Studenicani and Probistip), there is lack of technical inspection from supervising engineer and approval for use of the constructed buildings in the Municipality of Studenicani, and the technical specification / bill of quantities for the construction activities performed by the Municipality of Probistip are made by the employees in the municipal administration who do not meet the legal requirements for designing.

In the audited municipalities there are problems concerning the inventory of property and liabilities, a recurrent shortcoming for years, which does not allow adjustment of the balance of assets and liabilities of the accounting records with the actual situation determined with the inventory. The property owned by the municipalities is not fully recorded in the business books.

Weaknesses in the public procurement procedures have been identified in the Municipality of Kumanovo, Studenicani and Aerodrom regarding estimated value of procurement, conditions for qualitative selection of economic operators and elements of the contract (Municipality of Kumanovo), non-compliance with legally established deadlines and not conducted public procurement procedures (Municipality of Aerodrom), and the Municipality of Studenicani has concluded framework agreement, despite the adopted Decision for annulment of the public procurement procedure by the State Commission for Public Procurement Appeals.

In the paragraph Emphasis of Matter, we point to shortcomings in the Municipality of Kumanovo, which has claims of 170.786.000 denars from PE "Vodovod" Kumanovo based on repaid reprogrammed debt, from the loan of the European Bank for Reconstruction and Development to finance MEAP project, for procurement of equipment and execution of works for modernization of the water supply and wastewater system.

Municipality of Probistip has a debt of 2.686.000 denars, as a result of untimely payment of overdue annuities after receiving a loan from the Budget of RNM.

To solve the long-standing problem with the lack of its own premises, the Municipality of Aerodrom has taken activities within the Plan of development programs of the Municipality of Aerodrom for the period 2021-2023, which provides 165.000.000 denars for construction of administrative building. If not realized with the determined dynamics, it would affect the future expenditures of the municipality on this basis.

Pursuant to the Law on Amendments to the Law on financing LSGUs, with Decisions of the Council of the Municipality of Kumanovo, the surplus funds in the amount of 43.000.000 denars were transferred from the account of budget revenues from subsidies (930) to the core budget account (630). The funds are earmarked for construction and reconstruction of small children and school playgrounds and rehabilitation and reconstruction of toilets and roof structures and procurement of digital equipment and auxiliary technical aids for classroom teaching.

The other municipalities, although they have unused funds on the account of budget revenues from subsidies (930) as of 31.12.2020, these funds were not transferred to the core budget account, due to outstanding liabilities at the end of the year of the users of block subsidies.

5.17. POLITICAL PARTIES AND ELECTION CAMPAIGNS

5.17.1. POLITICAL PARTIES - REGULAR OPERATION

SAO is the competent body for monitoring regular financing of political parties (PP) through the financial reporting system, in accordance with the state audit methodology prescribed by the State Audit Law. Financing the work of PPs is a prerequisite for the democratic political system in the country.

Within SAO Annual Work Program for 2021 were planned and performed audits on the financial statements together with compliance audit of eight PPs: VMRO-DPMNE, SDSM, DUI, BESA, DPA, GROM, DNET and the Alliance of Albanians, which covers 79% of the total public sources of funding of PPs in 2020.

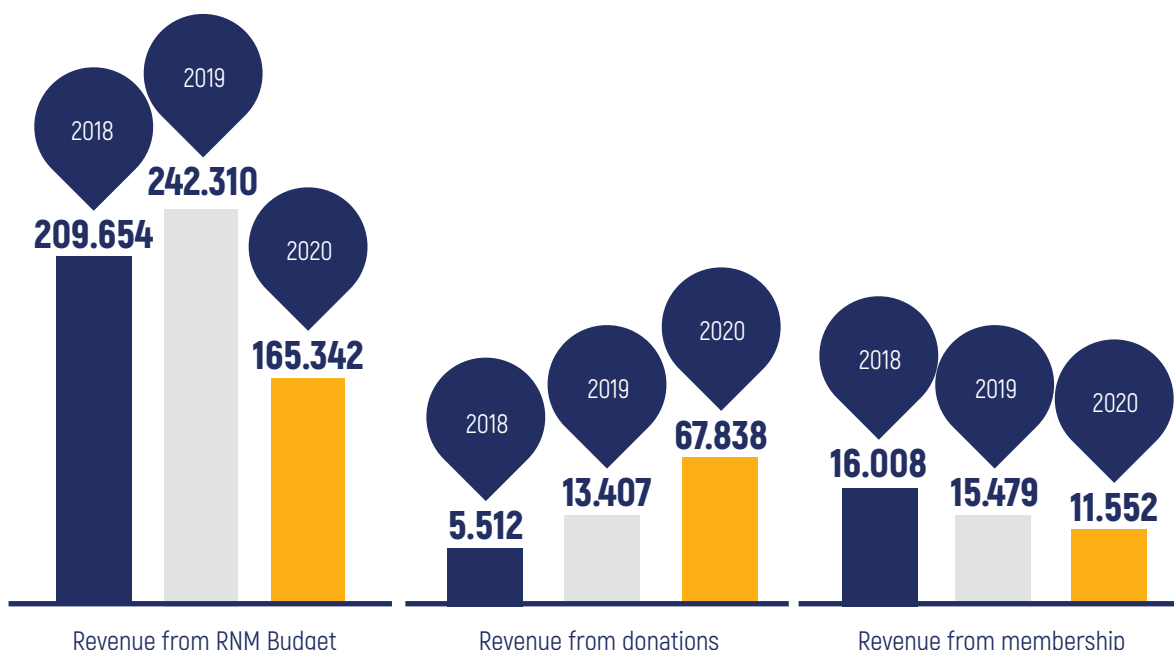
The performed audits identified shortcomings for which competent authorities of the PP need to take action, particularly for conducting inventory in accordance with the legislation, establishing a method of collection, payment and recording of revenues based on membership fees for full confirmation of the same, complete records of assets at disposal

of the PP, financing of election campaign from the regular operation account with funds from sources not provided for financing the election campaign, unsecured complete supporting documentation for part of the invoices for incurred expenses, assessment of certain balance sheet items contained in the general ledger are not carried out in line with the accounting principle of modified occurrence of business changes / transactions, as well as unsecured proper and reliable documentation for disposal of cash.

In the paragraph Emphasis on Matter, we disclose shortcomings related to outstanding liabilities to suppliers originating from previous years and to the structure of funding sources in terms of participation of private and public sources of funding.

The share of individual types of revenue by years and by PP is presented below.

REVENUE OF POLITICAL PARTIES FROM MEMBERSHIP, DONATIONS AND RNM BUDGET



in 000 denars

With the analysis of the total revenues by types of sources of financing, it was concluded that the share of public financing from RNM Budget for the regular operation of PPs shows downward trend in 2020, which is 37% less than in 2019. This resulted from the reduction of the percentage for annual financing of PP, as well as the reduction of the total source revenues from RNM Budget due to the impact of the health-economic crisis caused by COVID-19.

Due to the epidemic with COVID - 19, in June 2020 with the Decree with the force of law for financing political parties¹⁵, the percentage of 0.15% of the source revenues

of RNM Budget was reduced to 0.04%. In December 2020, with the Law on Amending the Law on Financing of Political Parties¹⁶, the percentage for financing PPs for 2020 and 2021 was set at 0.105% of source revenues of RNM Budget.

In addition, with the performed audits we continuously point to systemic weaknesses in the legislation and the need to overcome them, with detailed information in the section Systemic Weaknesses.

5.17.2. POLITICAL PARTIES - ELECTION CAMPAIGN

In accordance with the provisions of the Electoral Code, SAO audited the Total financial report for the election campaign.

In line with SAO Annual Work Program for 2021, we performed audits on the financial statements of revenue and expenditure of seven participants in the election campaign for early local elections for election of mayor of Municipality Stip and Municipality Plasnica 2020.

With the performed audits of the participants in the election campaign, we identified shortcomings that are not in accordance with the provisions of the Electoral Code:

- ▶ part of the legally prescribed reports on revenues and expenditures in the election campaign are not submitted to all competent institutions;
- ▶ inconsistent application of deadlines for submitting reports on realized revenues and expenditures in the election process;

- ▶ financial statements for the election campaign are not prepared in accordance with the legally prescribed forms; and
- ▶ the Total financial report does not present revenues and expenditures for paid political advertising based on assignment agreements paid by the State Election Commission, and the payment by assignment is not realized through the transaction account of the participant in the election campaign.

The election campaign can be financed by funds from the regular account of PP, membership fee of PP, donations of PP, donations of individuals in the amount of 3.000 euros in denars counter value, donations of legal entities in the amount of 30.000 euros in denars counter value, and loans of PP intended for the election campaign. To fulfill the legal obligations of broadcasters, print media and electronic media (portals) in relation to publishing paid political advertising in the election process, the funds are provided from RNM Budget and paid by the State Election Commission.

¹⁵ Official Gazette of RNM, no.166/20

¹⁶ Official Gazette of RNM, no.294/20

From the performed analysis of the total sources of financing of the election campaign, it was concluded that it was financed in the amount of 5.813.000 denars,

and the structure of sources of financing by participants is presented below.

EARLY LOCAL ELECTIONS PLASNICA – STIP – 2020							
POLITICAL PARTY	DNET	TMRO	INTEGRA	IDNINATA VO NASI RACE	TRAJCO MITOV	DUI	SDSM
Donations from natural persons and legal entities	25	0	255	1	0	0	0
Funds transferred from PP regular operations account to election campaign account	0	204	254	5	0	0	0
Paid political advertising with funds from RNM Budget (SEC)	0	147	1	88	143	126	1.720
Revenue from membership of natural persons paid to election campaign account	0	0	0	0	0	0	2.652
Revenue from donations in services by natural persons	0	0	0	0	0	4	14

From the analysis of revenue by type of funding sources, it was determined that the election campaign was funded with funds provided by RNM Budget and paid by the State Election Commission (57%), while 43% are funds provided by other sources of funding.

In addition, with the performed audits, we continuously point to certain systemic weaknesses of the Electoral Code, presented in detail in the section Systemic Weaknesses of this report, which require action for harmonizing and overcoming thereof.



SYSTEMIC
WEAKNESSES

We, the employees of the State Audit Office, performing the competencies determined by law and SAI standards, continuously perform, inter alia, assessment of the degree of compliance of laws and bylaws and the need of amendments thereof. In this section, we highlight systemic weaknesses that require action by competent authorities of the executive / legislative power.

Regulation	Proposal for amendment / adoption
Law on Public Debt	To specify methodology for calculation of the level of public debt by competent institutions in RNM (NBRNM, MF, State Statistical Office) for data uniformity, as well as to provide legal regulation for the scope of government debt data, as an integral part of the final account of the Budget of RNM.
Budget Law Law on Court Budget	To harmonize Article 14 of the Law on Court Budget with Article 19 of the Law on Budgets in the part of the time frame for preparation and submission of the budget circular and budget requests.
Law on Accounting of Budgets and Budget Users Law on Use and Disposal of State-Owned and Municipal-Owned Items	Due to the importance of having data on property at national level as well as presenting this property in financial statements, it is necessary for MoF to consider initiating legal regulation of the manner of recording state property and its presentation in financial statements.
Law on Accounting for Non-Profit Organizations	It is necessary to take on activities for amending and supplementing bylaws that regulate the manner of accounting of non-profit organizations, which will ensure consistent compliance with the accounting principle of "modified occurrence of business changes, i.e. transactions"
Law on Use and Disposal of State-Owned and Municipal-Owned Items	<p>According to the provision of Article 21 paragraph (1) of the Law on Use and Disposal of State-Owned and Municipal-Owned Items, the municipalities in the City of Skopje and the City of Skopje, the Municipal Council, i.e. the Municipal Council of the City of Skopje and the City Council Skopje, may with a decision temporarily or permanently lease the real estate owned by the municipalities, with or without compensation, to state bodies and legal entities established by the state.</p> <p>According to this legal solution, this provision applies only in cases when the real estate owned by the municipality is given for temporary or permanent use to state bodies or legal entities established by the state, but not to institutions or legal entities established by the municipality.</p> <p>To overcome this weakness, we believe that it is necessary to amend the legal solution on the manner of granting temporary or permanent use of real estate in municipal ownership, which will include the legal entities established by the municipality.</p>
Law on Financing of Political Parties	To adopt more specific guidelines for regulating the manner of payment and registration of membership fees as a source of funding for political parties for the purpose of uniformity in the accounting and confirmation of the legally established limit for each member separately, taking into account the financing of the election campaign for a particular process.

Electoral Code

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

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

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

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

To further amend Article 78-a on prescribing obligation to submit report on used billboards by the municipalities in RNM and the City of Skopje.

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

Regulation	Proposal for amendment / adoption
Electoral Code	<p>To regulate the manner of organizing, paying, monitoring and reporting to the competent authorities on the internet representation of the participants in the election campaign through social networks.</p> <p>To reconsider the deadline for payment of donations prescribed in Article 71, paragraph 6, i.e. it is necessary to provide for payment of donations no later than the day of completion of election campaign.</p> <p>To further amend Article 84-b, paragraph 8 of the Electoral Code, which will enable Ministry of Finance to regulate the manner of keeping business books and preparation of financial report for the election campaign with a bylaw, taking into account all types / sources of campaign funds, especially when they do not involve cash inflow to the transaction account.</p> <p>To further amend the Electoral Code concerning Penalties and misdemeanor provisions for providing fines for the electronic media (internet portals) in case of non-submission of Report on advertising space used by each participant in the election campaign and the funds paid and claimed on that basis.</p> <p>Nomo-technical regulation of the Electoral Code because certain articles have no sequence and the provisions of certain articles have wrong reference.</p>
Law on Internal Affairs Law on Payment of Salaries in the Republic of North Macedonia Law on Execution of the Budget of the Republic of North Macedonia for the respective year	<p>To harmonize laws and bylaws that regulate the method of calculating severance pay paid to the employee upon retirement. With the provisions of Article 9 of the Law on payment of salaries in RNM and Article 14 of the Law on Execution of the Budget of RNM for the respective year, it was determined that the retiring employee is paid double amount of severance pay calculated on the basis of average monthly net salary per employee published until the day of payment.</p> <p>Whereas the provisions of Article 175 of the Law on Internal Affairs stipulate that the employee who has acquired the right to a pension is entitled to one-time compensation in the form of severance pay, in the amount of five average monthly net salaries earned per employee published until the day of payment.</p>
Law on Audio and Audiovisual Media Services Law on Administrative Servants Law on Public Sector Employees	<p>It is necessary to clarify and harmonize Article 22 of the Law on AVMS with Article 4 of the Law on Administrative Servants in the part of the entities that may regulate certain employment issues completely or in part by law or by collective agreement in a manner different from the one provided by the Law on Administrative Servants. This non-compliance has impact on the employment procedure, the manner of employment and the status of employees in the Agency. It is necessary to harmonize the provisions of the Law on AVMS and the Law on Public Employees, in terms of job classification, records, types of employment, general rights, duties and responsibilities, mobility, and other general issues for public sector employees.</p>

Law on Utility Fees

The audit continuously reports on the weaknesses in the legal solution that regulates collection of communal fees, which are own sources of income of local self-government units; due to inaccuracies in the legal solution there is no possibility for real collection of certain types of utilities and tariffs as follows:

- ▶ The communal fee for use of roads with motor vehicles is prescribed to be collected by the legal entities performing vehicle registration and to be paid to the appropriate payment account of the municipality treasury account. The existing legal solution does not stipulate the deadlines for payment of collected fees to the municipality account, to inform the municipality on the number of registered vehicles depending on the cubic capacity and on the monthly amount of collected funds individually and cumulatively.
- ▶ The communal fee for use and maintenance of public lighting is collected by the trade company responsible for electricity distribution from the meter holders; the trade company is not obliged to inform the municipalities, the municipalities in the City of Skopje and the City of Skopje about the number of tax payers by category (number of meters), in accordance with the tariff number, and on collected revenues and unpaid receivables on this basis.

Property Tax Law

The audit highlights uncertainty in the application of Article 39 of the Law on Property Taxes since its adoption in 2004, in terms of the obligation to harmonize the real estate register managed by the municipalities, municipalities in the City of Skopje and the City of Skopje with the register managed by the Agency for Real Estate Cadaster of RNM; no later than 31 December of the current year data from the registers should be submitted to the Central Register of the Republic of North Macedonia and to the Public Revenue Office. The implementation of this legal solution requires certain clarifications in the Law as well as software connection of the competent authorities.

The law does not clearly define the manner how the Public Revenue Office will implement activities related to the competencies taken over by municipalities, nor does it provide further regulation of the Law by adopting a bylaw.

Law on Firefighting

Pursuant to Article 49 of the Law on firefighting, territorial firefighting units (TFFUs) of the City of Skopje and the municipalities have a possibility to realize additional revenue from collected fines for violations involving fire protection and explosions; donations and other funds from insurance companies, foundations, and legal and natural persons intended for promoting fire safety; and from own revenues for services rendered.

The City of Skopje and the municipalities in RNM do not generate revenue on this basis, except for the revenue from the insurance companies amounting to 2% of collected premiums for insurance of motor vehicles and liability insurance for the use of motor vehicles. However, municipalities have no information on the amount of funds that are paid on this basis, nor have legal possibility to verify the accuracy and reliability of funds paid. The imprecise legal solution for other types of revenue for financing TFFUs results in failure to collect revenue on this basis.

According to the Law on Public Sector Employees, public sector employees are categorized into four basic groups, and professional firefighters employed in territorial firefighting units have the status of authorized officials in the field of security; they belong to group II - jobs of officials with special authorizations, i.e. persons who have employment in public sector institutions in the field of security, defense and intelligence for the purpose of performing special authorizations, subgroup 10 - other authorized officials in the field of security, defense and intelligence. Within each subgroup, several categories of jobs are determined by a special law or collective agreement.

The Law on Firefighting defines three categories of jobs: Category A - Senior Management Firefighters, Category B - Managing Firefighters and Category C - Professional Firefighters. Under category A, 5 levels of managerial positions are determined, and under category B and C, 4 levels of positions are determined. According to Article 5 of the law, due to the type and nature of the work they perform, the amount of salary of professional firefighters in firefighting units is 20% higher than the salary of other employees with appropriate training for municipal administration, whose rights and salary obligations are regulated by the Law on Administrative Servants.

Exercising the rights of employees in TPPE of salary higher than 20% of the salary of other employees with appropriate professional training for jobs in the municipal administration is a legal provision that is not precise enough, given that the structure of employees in municipalities is very different and depends on several factors.

Clear and concise legal solution is needed to determine the salary of professional firefighters to overcome the established shortcomings.

Regulation	Proposal for amendment / adoption
Law on Mineral Resources	<p>Pursuant to Article 76 of the Law on Mineral Resources, the concessionaire who performs detailed geological research of mineral resources pays one-time fee for the use of the area, depending on the type of mineral raw material of the concession, i.e. the permit for detailed geological research. The concessionaire who exploits mineral raw materials is obliged to pay annual fee for the use of the area and fee for the exploited quantity of mineral raw material subject to the concession. The funds are paid to appropriate payment account within the treasury account and represent 22% revenue of the Budget of RNM and 78% revenue of the budget of the municipality where the concession activity is performed. Although the municipality has data on the concluded concession agreements for detailed geological research and concessions for exploitation of mineral raw materials and has insight into the funds paid to the municipal budget, it has no legal possibility to confirm the completeness of revenues paid to their account on this basis.</p>
Law on the City of Skopje	<p>Financing sports and recreation activities is envisaged in the list of competencies of municipalities in line with Article 22 paragraph 1 item 6 of the Law on Local Self-Government, but not in the competencies of the municipalities in Skopje, defined in Article 15 of the Law on the City of Skopje. This Law does not include sports in matters of public interest as a competence of the municipalities in the City of Skopje. In accordance with Article 10 paragraph 1 of the same law, this competence is provided for the City of Skopje. Conversely, Article 22-a of the Law on Sports regulates competencies of municipalities, municipalities in the City of Skopje and the City of Skopje in the field of sports including: development of mass sports and recreational activities of citizens, organization of sports events and manifestations, maintenance and construction of sports facilities, support and promotion of sports, sports clubs and professional sports clubs and support of the municipal unions and the Sports Union of the City of Skopje. For their realization, the councils of the municipalities and the Council of the City of Skopje or the commission of the municipality, the municipality of the city of Skopje and the City of Skopje responsible for sports, adopt programs at the proposal of the municipal sports unions and the Sports Union of the City of Skopje. It is necessary to harmonize the legal regulations aimed at more precise and clear definition and delimitation of competencies in the field of sports for the municipalities in the City of Skopje, the manner and conditions of adopting special program within the municipality adopted by the council, and financing such activities from the funds approved by the municipal budget.</p>

Regulation	Proposal for amendment / adoption
<p>Law on Water Economy</p> <p>Law on Waters</p> <p>Energy Law</p> <p>Law on Public Enterprises</p>	<p>Article 213 of the Law on Waters stipulates the obligation for payment of fee for water use (irrigation, electricity production) calculated as a percentage of determined prices (base), which are not clearly defined, and the fee is paid within certain deadline to a separate payment account within the treasury account.</p> <p>The PE is obliged to calculate and charge fee for the use of irrigation water in the amount of 2% of determined price per m³ of water to the service provider. Article 31 of the Law on Water Economy stipulates that irrigation fee is a whole of two parts (annual fee and fee for delivered quantity of water), and the problem arises regarding the basis that should be used when calculating the fee for water use. Because legal provisions are not precise, the PE in its calculation of the fee takes into account only the fee for the delivered quantity of water without the annual fee. In the Law on Waters, the amount of fee for water use in electricity production is determined as 1% of the production price of one-kilowatt hour of electricity on the threshold of the power plant at hydropower plants. However, it does not provide precise definition on the manner of determining the production price.</p> <p>The existing legal provision on calculating the fee as a percentage of the production price of electricity, without definition thereof, has contributed for the taxpayers to apply production prices calculated in their own way or to apply sales prices.</p>
<p>Law on Waters</p> <p>Law on Concessions and Public Private Partnership</p> <p>Energy Law</p>	<p>It is necessary to envisage / adopt legal obligation for:</p> <ul style="list-style-type: none"> ▶ set up, maintenance and continuous update of a single register of granted water use concessions; ▶ set up, maintenance and continuous update of signed long-term lease agreements by direct agreement; ▶ timely and regular submission of data by the public partners in PPP to the Ministry of Economy for entry in the Register of awarded contracts for establishment of PPP, as well as misdemeanor provisions for non-compliance.
<p>Law on Waters</p> <p>Law on Environment</p> <p>Law on Concessions and Public Private Partnership</p> <p>Energy Law</p> <p>Law on Organization and Operation of State Administration Bodies</p>	<p>There is collision and overlap of competencies of MoEPP in several legal solutions. MoEPP has authority to issue permits for water right and approval of studies on environmental protection, which are also a condition for awarding concessions for construction of hydropower plants, also in the competence of MoEPP.</p> <p>The audit recommends taking activities for revising the legal solutions, i.e. MoEPP to have competences in the field of environmental protection, while the procedure for granting concessions for use of water for electricity production to be implemented by the Ministry of Economy, as the competent ministry in the field of energy (in line with the basic competencies of these ministries in the Law on Organization and Operation of State Administration Bodies).</p>

Regulation	Proposal for amendment / adoption
<p>Law on Health Insurance</p> <p>Law on Healthcare Records</p>	<p>It is necessary to reconsider the justification and validity of the introduction of Article 28-a of the Law on Health Insurance in April 2021, which provides for setting up separate system for prescribing and issuing medicines covered by the Fund (through the IT system of the Fund) when in line with the Law on Healthcare Records provides for a functional system for prescribing and issuing medicines through the Electronic Healthcare Administration-My term. This will create two parallel IT systems for prescribing and issuing medicines and will cause engagement of additional resources by doctors and pharmacies.</p>
<p>Law on Public Procurement</p>	<p>Amendments are needed to the Law on Public Procurement regarding limitation of sales margin and provision of services for servicing and spare parts at prices that correspond to the market, in the procedures for servicing equipment for which economic operators have monopoly / exclusive right. Due to the monopoly / exclusive right of most economic operators for servicing and maintenance of medical devices in public healthcare, public healthcare institutions are most often put in a position to accept conditions imposed by authorized representatives of manufacturers, for which significant budget funds are spent.</p>
<p>Law on Culture</p>	<p>There is a need to harmonize the provisions of Articles 60 to Article 70-a of the Law on Culture with Article 37-d of the Law on Budgets in terms of preparing and submitting financial plan for the use of funds approved by the National Institutions by the Ministry of Culture.</p> <p>Ministry of Culture to examine the justification of provisions of Article 76-b and 76-e of the Law on Culture and to propose amendment to the Law to eliminate the possibility of abuse in employment within category A. The legal solution allows employment of persons with different level of education from minimum completed high school to completed VII / 1 education level, which does not contribute to raising the quality and creating a highly educated professional staff within the National Institutions.</p>
<p>Law on Judicial Service</p>	<p>Pursuant to Article 78 of the new Law on Judicial Service, salaries of employees that perform technical and support work in the courts are within the frames of salaries determined for administrative-technical court clerks depending on the level of education, job position in line with the act of systematization and the work experience, without regulation of the manner of determining salaries of this category of employees.</p>
<p>Law on Out-of-Court Procedure</p> <p>Court Rules of Procedure</p>	<p>Article 307 of the Law on Out-of-Court Procedure stipulates that if the person in whose favor the case is deposited or the depositor does not raise the deposited case within ten years from the transfer of the case to the court deposit, the court will rule that the deposited case became property of the Republic of North Macedonia. Article 359 of the Court Rules provides that if the deposit beneficiary or the depositor at the invitation of the court does not take the deposit at least once a year, after the expiration of the statute of limitations of ten years, the court determines that the right to issue the deposit is obsolete and that the deposit has become revenue of the spending unit of the judiciary.</p>

Regulation	Proposal for amendment / adoption
<p>Constitution of the Republic of North Macedonia</p> <p>Law on the Government of the Republic of Macedonia</p>	<p>Absence of precise normative regulation of the term pandemic, circumstances for declaring state of emergency and its extension in conditions of pandemic, competencies and responsibilities of each type of government and procedure, scope and time validity of Decrees with legal force.</p>
<p>Absence of Law on Regulation of State of Emergency</p>	<p>Due to absence of a separate law regulating state of emergency and legal regulation of the term pandemic and its connection with declaring state of emergency, there are unanswered questions regarding legal actions, holders, competencies and acts that can be adopted. This condition poses a risk of inefficient dealing with challenges of a pandemic during state of emergency. At national level, there is no long-term strategic document with defined goals, measures and activities of competent institutions for dealing with consequences from the health and economic crisis caused by the pandemic.</p>
<p>Law on Employment and Unemployment Insurance</p>	<p>Further regulation of the provisions of the Law re preparation, the holder/competent institution and the period of adoption of the Operational Plan (OP) as an annual operational document for active employment programs and measures.</p> <p>In addition, the law does not provide for the manner of allocating funds, thus the Agency is only included in the realization of measures and services, while planning and allocation of funds is done by MLSP.</p>
<p>Law on Higher Education</p>	<p>No activities have been taken as prescribed in Article 43 paragraph 2 of the Law on Higher Education by the National Council regarding adoption of Decree on criteria for financing higher education, which results in different manner of acting and functioning of higher education institutions through current acts and decisions.</p>



SAO FINANCIAL
STATEMENTS

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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија - Сметка на основен буџет на Република Северна Македонија 020021504063119, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2021, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

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

Одговорност на ревизорот

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

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Ревизијата вклучува извршување на постапки за прибавување на ревизорски докази за износите и обелоденувањата во финансиските извештаи. Избраните постапки зависат од расудувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално погрешно прикажување на финансиските извештаи, без разлика дали е резултат на измама или грешка. Кога ги прави тие проценки на ризикот, ревизорот ја разгледува интерната контрола релевантна за подготвувањето и објективното презентирање на финансиските извештаи на ентитетот за да обликува ревизорски постапки коишто се соодветни во околностите, но не за целта на изразување на мислење за 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 основен буџет на Република Северна Македонија 020021504063119 заклучно со 31 декември 2021 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

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PCM МАКЕДОНИЈА ДООЕЛ Скопје

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Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2021 година.

Скопје, 03.06.2022

Овластен ревизор

Стојан Јорданов



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје



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БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2021	2020
Актива			
Тековни средства	4.1.		
Парични средства	4.1.1.	2.494.120	2.516.120
Побарувања од купувачите во земјата	4.1.2.	9.341.850	9.341.850
Побарувања од вработените	4.1.3.	-	-
Активни временски разграничувања	4.1.4.	-	-
Вкупно тековни средства		11.835.970	11.857.970
Постојани средства	4.2.		
Нематеријални средства	4.2.1.		-
Материјални средства	4.2.2.		-
Вкупно постојани средства		-	-
Вкупна актива		11.835.970	11.857.970
Вонбилансна евиденција - актива		-	-
Пасива			
Тековни обврски	4.3.		
Краткорочни обврски спрема добавувачи	4.3.1.	-	-
Пасивни временски разграничувања	4.3.2.	11.835.970	11.857.970
Вкупно тековни обврски		11.835.970	11.857.970
Извори на средства	4.4.		
Извори на капитални средства		-	-
Ревалоризациона резерва		-	-
Вкупно извори на деловни средства		-	-
Вкупна пасива		11.835.970	11.857.970
Вонбилансна евиденција - пасива		-	-

Скопје, 21.02.2022

Данче Ангеловска

Раководител на одделение за
 буџетска контрола и плаќања
 Данче Ангеловска



Главен државен ревизор
 Максим Ацевски

БИЛАНС НА ПРИХОДИ И РАСХОДИ

во денари

Опис на позицијата	Образложение	Буџет 2021	Реализирано 2021	Реализирано 2020
Приходи	3.1.			
Неданочни приходи	3.1.1.			2.159.127
Трансфери и донации	3.1.2.	2.970.000	2.516.120	550.363
Вкупно приходи		2.970.000	2.516.120	2.709.490
Расходи	3.2.			
Тековни расходи				
Субвенции и трансфери	3.2.1.		-	-
Стоки и услуги	3.2.2.	1.620.000	22.000	193.370
Вкупно тековни расходи		1.620.000	22.000	193.370
Капитални расходи				
Капитални расходи	3.2.3.	1.350.000	-	-
Вкупно капитални расходи		1.350.000	-	-
Вкупно расходи		2.970.000	22.000	193.370
Остварен вишок на приходи			2.494.120	2.516.120
Даноци, придонеси и други давачки од вишокот на приходи				
Нето вишок на приходи		-	2.494.120	2.516.120
Распоредување на вишокот на приходи				
Дел од нето вишокот на приходи за пренос во наредна година		-	2.494.120	2.516.120
Обврски за данок на добивка				
Вкупно распоред на вишок на приходи		-	2.494.120	2.516.120

Скопје, 21.02.2022

Данче Ангеловска

Раководител на одделение за
 буџетска контрола и плаќања
 Данче Ангеловска



Главен државен ревизор
 Максим Ацевски

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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија - Сметка на основен буџет на Република Северна Македонија 020021504063710, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2021, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

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

Одговорност на ревизорот

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

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

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

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија - Сметка на основен буџет на Република Северна Македонија 020021504063710 заклучно со 31 декември 2021 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

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Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2021 година.

Скопје, 03.06.2022

Овластен ревизор

Стојан Јорданов



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје



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МАКЕДОНИЈА ДООЕЛ Скопје

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БИЛАНС НА ПРИХОДИ И РАСХОДИ

во денари

Опис на позицијата	Образложение	Реализирано		
		Буџет 2021	2021	2020
Приходи				
Трансфери и донации	3.1.	112.623.000	111.147.301	93.954.316
Вкупно приходи		112.623.000	111.147.301	93.954.316
Расходи				
Тековни расходи				
Плати, наемнини и надоместоци	3.2.1.	94.898.000	93.793.726	78.848.799
Стоки и услуги	3.2.2.	13.715.000	13.368.469	12.822.949
Разни трансфери	3.2.3.	300.000	291.580	191.194
Вкупно тековни расходи		108.913.000	107.453.775	91.862.942
Капитални расходи				
Капитални расходи	3.3.	3.710.000	3.693.526	2.091.374
Вкупно капитални расходи		3.710.000	3.693.526	2.091.374
Вкупно расходи		112.623.000	111.147.301	93.954.316
Нето вишок на приходи - добивка по оданочување		-	-	-

Скопје, 21.02.2022

Данче Ангеловска

Раководител на одделение за
 буџетска контрола и плаќања
 Данче Ангеловска



Главен државен ревизор
 Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2021	2020
Актива			
Тековни средства			
Побарувања од купувачи	4.1.1.	218.497	218.497
Побарувања од вработените	4.1.2.	74.137	115.066
Активни временски разграничувања	4.1.3.	9.472.618	7.512.232
Залихи	4.1.4.	1.625.110	1.730.460
Вкупно тековни средства		11.390.362	9.576.255
Постојани средства			
Нематеријални средства	4.2.1.	8.549.427	5.363.237
Материјални средства	4.2.2.	367.019.426	9.647.697
Вкупно постојани средства		375.568.853	15.010.934
Вкупна актива		386.959.215	24.587.189
Вонбилансна актива		-	-
Пасива			
Тековни обврски			
Краткорочни обврски спрема добавувачи	4.3.1.	1.163.527	734.647
Краткорочни обврски за плати и други обврски спрема вработените	4.3.2.	8.309.091	6.777.584
Пасивни временски разграничувања	4.3.3.	292.634	333.564
Вкупно тековни обврски		9.765.252	7.845.795
Извори на средства			
Извори на капитални средства	4.4.	374.223.689	16.485.605
Ревалоризациона резерва		2.970.274	255.789
Вкупно извори на деловни средства		377.193.963	16.741.394
Вкупна пасива		386.959.215	24.587.189
Вонбилансна пасива		-	-

Скопје, 21.02.2022

Данче Ангеловска

Раководител на одделение за
 буџетска контрола и плаќања
 Данче Ангеловска



Главен државен ревизор
 Максим Ацевски

ПРЕГЛЕД НА ПРОМЕНИ НА ИЗВОРИ НА СРЕДСТВА

О П И С	Државен јавен капитал	Останат капитал (залихи на материјали, резервни делови и ситен инвентар и хартии од вредност)	во денари
			Вкупно
Состојба 01.01.2021 година	15.010.933	1.730.461	16.741.394
Зголемување по основ на:	367.987.513	1.099.757	369.087.270
Зголемување на вредноста (капитализација)	365.184.518	1.099.757	366.284.275
По попис 2021			-
Ревалоризација	2.802.995		2.802.995
Намалување по основ на:	7.429.593	1.205.108	8.634.701
Амортизација	6.751.019		6.751.019
Издатници		1.091.072	1.091.072
По попис 2021	590.065	114.036	704.101
Ревалоризација	88.509		88.509
Состојба 31.12.2021 година	375.568.853	1.625.110	377.193.963



PCM МАКЕДОНИЈА ДООЕЛ Скопје

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ИЗВЕШТАЈ НА НЕЗАВИСНИОТ РЕВИЗОР

До Собранието на Република Северна Македонија

Извештај за финансиските извештаи

Ние извршивме ревизија на приложените финансиски извештаи на Државниот завод за ревизија - Сметка на буџет на донации Проект од Меѓународна организација ИНТОСАИ, а коишто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2021, како и билансот на состојба заклучно со таа дата, и прегледот на значајните сметководствени политики и други објаснувачки белешки.

Одговорност на раководството за финансиските извештаи

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

Одговорност на ревизорот

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

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

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

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

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија - Сметка на буџет на донации Проект од Меѓународна организација ИНТОСАИ заклучно со 31 декември 2021 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници, Правилникот за сметководството на буџетите и буџетските корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

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Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаи на Државниот завод за ревизија за 2021 година.

Скопје, 03.06.2022

Овластен ревизор

Стојан Јорданов



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје


RSM
Друштво за ревизија PCM
МАКЕДОНИЈА ДООЕЛ Скопје

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	Буџет 2021	во денари	
			Реализирано 2021	Реализирано 2020
Приходи				
Трансфери и донации	3.1.	702.000	701.556	613.861
Вкупно приходи		702.000	701.556	613.861
Расходи				
Тековни расходи				
Тековни расходи	3.2.	-	-	-
Вкупно тековни расходи		-	-	-
Капитални расходи				
Капитални расходи	3.3.	702.000	701.556	-
Вкупно капитални расходи		702.000	701.556	-
Вкупно расходи		702.000	701.556	-
Нереализирани средства од буџетот		-	-	613.861
Даноци, придонеси и други давачки од вишокот на приходи - добивка пред оданочување				
Нето вишок на приходи - добивка по оданочување		-	-	613.861

Скопје, 21.12.2021

Данче Ангеловска

Раководител на одделение за
буџетска контрола и плаќање
Данче Ангеловска



Главен државен ревизор
Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2021	2020
Актива			
Тековни средства	4.1.		
Жиро сметка	4.1.1.	-	613.861
Вкупно тековни средства		-	613.861
Вкупна актива		-	613.861
Пасива			
Тековни обврски	4.2.		
Пасивни временски разграничувања	4.2.1.	-	613.861
Вкупно тековни обврски		-	613.861
Вкупна пасива		-	613.861

Скопје, 21.12.2021

Данче Ангеловска

Раководител на одделение за
 буџетска контрола и плаќање
 Данче Ангеловска



Главен државен ревизор
 Максим Ацевски

ABBREVIATIONS

RNM	Republic of North Macedonia
SAO	State Audit Office
SAI	Supreme Audit Institution
AG	Auditor General
DAG	Deputy Chief State Auditor
EU	European Union
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
EUROSAI	European Organization of Supreme Audit Institutions
AMS	Audit Management System
WBIF	Western Balkans Investment Framework
IT	Information technology
LSGUs	Local self-government units
HIF	Health Insurance Fund of RNM
PHI	Public healthcare institutions
PDIF	Pension and Disability Insurance Fund of RNM
EARNM	Employment Agency of RNM
PRO	Public Revenue Office of RNM
VAT	Value added tax
GDP	Gross domestic product
PE	Public Enterprise
JSC	Joint Stock Company
MoES	Ministry of Education and Science
MoLSP	Ministry of Labor and Social Policy
MoH	Ministry of Health
MoE	Ministry of Economy
HPPs	hydropower plants
SHPP	Small hydropower plants
PPP	Public Private Partnership
SEA	Secretariat for European Affairs
IPA	Instrument for Pre-Accession Assistance
SIGMA	Support for Improvement in Governance and Management
OECD	Organization for Economic Co-operation and Development
IDI	INTOSAI Development Initiative
WGEA	EUROSAI Working Group on Environmental Auditing
ITWG	EUROSAI IT Working Group

TFAE	EUROSAI Task Force on Audit and Ethics
TFMA	EUROSAI Task Force
WGPD	INTOSAI Public Debt Working Group
WFD	Westminster Foundation for Democracy
KPU	Continuous professional development
MoF	Ministry of Finance
NPAA	National Program for the Adoption of the Acquis
NSA	National Security Agency
MoI	Ministry of Interior
MRT	Public Broadcasting Company Macedonian Radio Television Skopje
MoEPP	Ministry of Environment and Physical Planning
MAFWE	Ministry of Agriculture, Forestry and Water Economy
SCPC	State Commission for Prevention of Corruption
PP	Public Procurement
PPL	Public Procurement Law
CAATs	Computer Assisted Audit Techniques
NI	National Institution
PP	Political Parties
JSC GTC	City Trade Center Skopje
PHI	Public Healthcare Institutions
MALMED	Agency for Medicines and Medical Devices
JSC ESM	JSC for production of electricity ESM
MEP	Mining Energy Plant
MISA	Ministry of Information Society and Administration
SIA	Sector for Internal Affairs
PCF	Penitentiary Correctional Facility
ECF	Educational Correctional Facility
VMRO- DPMNE	Internal Macedonian Revolutionary Organization - Democratic Party for Macedonian National Unity
SDSM	Social Democratic Union of Macedonia
DUI	Democratic Union for Integration
DPA	Democratic Party of Albanians
GROM	Civic option for Macedonia
DNET	Movement for National Unity of the Turks
AA	Alliance of Albanians

