



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА  
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STATE AUDIT OFFICE

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- Press release-

Skopje, 28 March 2023

## Increased revenue does not meet the needs of PDI Fund

The increased revenue is not sufficient to cover the deficit for payment of social benefits in 2021, which is covered by Budget funds (37.5% of total Fund's revenue)

***The auditors concluded that identified shortcomings from previous years have not been overcome in 2021. The shortcomings pertain to lack of professional and trained actuarial staff and permanent outflow of IT and internal audit employees, which has an effect on development of actuaries and pension forecasting capacities, functioning of the information system and up-to-datedness of all systems, as well as on the effectiveness of the internal control system.***

The State Audit Office conducted audit of financial statements together with compliance audit on the ***Pension and Disability Fund of North Macedonia*** (the Fund) ***for 2021***.

The auditors expressed qualified opinion on the accuracy and fair presentation of the financial situation and the results of financial activities, as well as qualified opinion on the compliance of financial transactions with the relevant legislation, guidelines and policies in place for 2021.

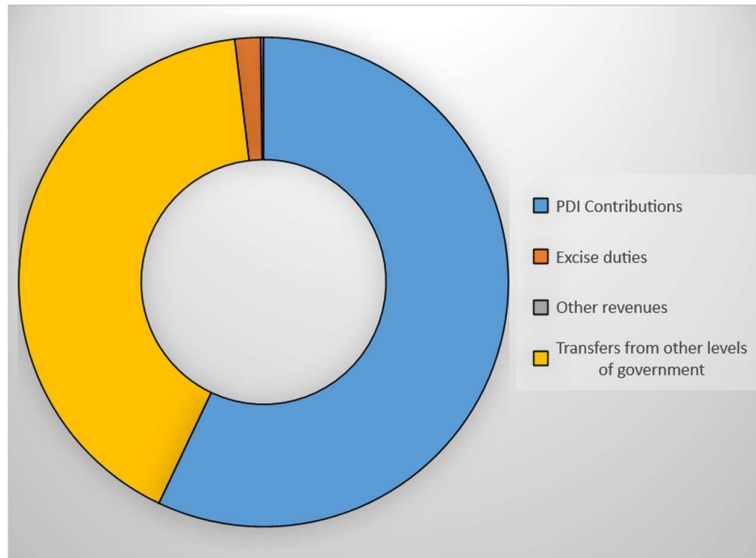
In the published audit report, the auditors identified the following:

- weaknesses in storing and archiving data in the registry, which makes it impossible to confirm the reliability and completeness of registered data, and it is necessary for exercising the rights from pension and disability insurance (PDI);
- undistributed funds on the payment account from collection of PDI contributions cannot be used by the Fund due to lack of appropriate data on employment and registration of taxpayers, as well as errors in the entry by other institutions. Thus, insured persons to whom these payments refer cannot exercise PDI rights in the full amount;
- untimely information by competent institutions about changes in the status of insured persons, resulting in unfounded payment of pensions and claims from citizens, as well as low percentage of return of overpaid funds.

In Emphasis of Matter and Other Matter paragraphs, auditors point to:

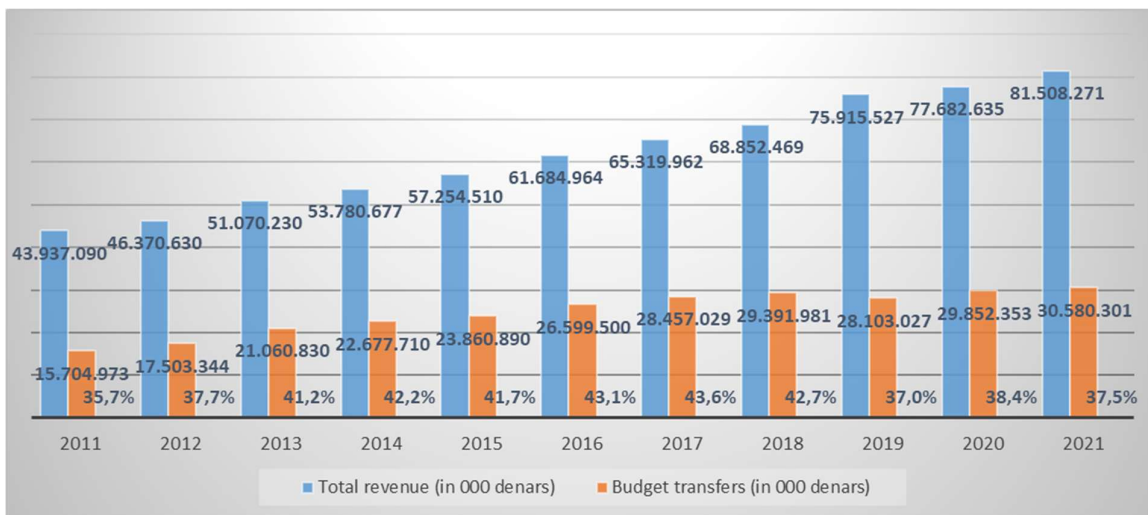
- unjustifiably withdrawn funds from the Fund's account by executors based on enforcement orders in which pension beneficiaries appear as debtors, as well as continuous realization of enforcement orders by the Fund;
- the structure and level of revenue in the reporting period, increase in the deficit for payment of pensions, as well as uncertainties concerning Fund's operation related to inflationary movements and unfavorable demographic movements.

In 2021, the Fund's revenue amounts to 81.508.271.000 denars and the structure is presented in the chart below:



The revenues from collected PDI contribution in 2021 have increased by 6.38% compared to 2020 and amount to 49.289.354.000 denars, which is 60.47% of the total revenue. The increase in revenue in 2021 is still not sufficient to cover the expenditure for social benefits, which have also increased. Namely, the expenditure for social benefits (payment of pension together with contribution for health insurance of pensioners, transfers to the second pension pillar and disability allowance)

in 2021 amounted to 79.677.493.000 denars for 328.570 beneficiaries of pension, i.e. as of December 2021 the disbursed funds are 3.8% higher compared to 2020.



Due to the lack of funds for payment of expenditure for social benefits in 2021, Budget funds in the amount of 30.580.301.000 denars were transferred to the Fund, and the participation of these funds in the total Fund's revenue (37.5%) shows a decrease compared to 2020, of which 29% is used for covering the current deficit for payment of pensions.

The audit highlights the impact of the unfavorable demographic structure of the population in the Republic of North Macedonia, which was confirmed with the Population Census, as well as the impact of the current inflationary movements affecting the country and their impact on the Fund's operation, given the legal obligation for adjustment of the amount of pension with the cost of living index and the increase in salaries.

As a result, in the long term it is expected that the Fund's financial operations will continue to be burdened by the current problem of an increasing deficit, which is covered by transfers from the State Budget.

It is necessary for the Fund to undertake activities in cooperation with the competent institutions to ensure necessary HR capacities for unimpeded functioning of internal audit unit and IT Department; activities for development of actuarial and pension forecasting capacities through coordinated activities for adoption of legal solutions that will contribute to reducing the amount of funds for expenditure for social benefits; as well as to determine PDI contribution and full collection of the same as one of the segments for stabilization of the pension system that will have an effect on the reduction of transfers from the State Budget in the total Fund's revenue.

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