



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА  
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STATE AUDIT OFFICE

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- Press Release -

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## High percentage of drinking water loss affects the profitability of operation of PUC Standard-Debar

*Profitability and continuity of the public utility company is questionable due to many identified irregularities in the operation and the high percentage of not invoiced water (81%)*

The State Audit Office conducted audit on the financial statements for 2022 together with compliance audit of the Public Utility Company "Standard" Debar.

The auditors identified shortcomings, irregularities and inconsistencies in PUC operation and due to their significance, no opinion was expressed about the reality and objectivity of the financial statements for 2022. Adverse opinion was expressed on the compliance with legislation, guidelines and policies in place.

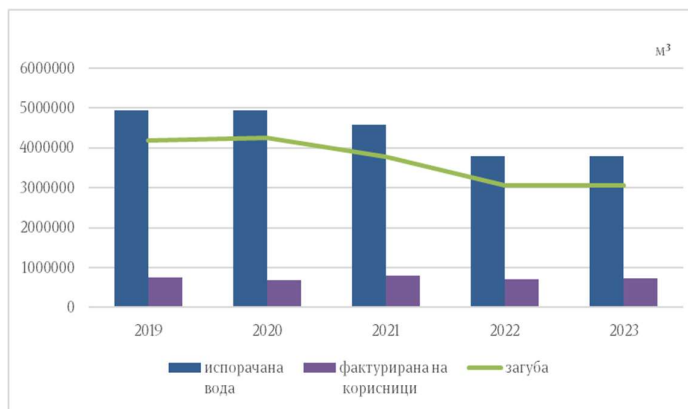
Auditors determined high percentage of water loss (81.2%), i.e. only 18.8% of drinking water is invoiced (out of 3.784.320m<sup>3</sup> of produced/supplied drinking water, only 712.435m<sup>3</sup> was invoiced).

During 2022, 512.460m<sup>3</sup> of drinking water were supplied to the Municipality Centar Župa, which are not invoiced, and the fee is not collected. PUC has not signed agreement with the municipality for regulation of rights and obligations for supply of drinking water and system maintenance, which results in less realized revenue in the amount of 9.737.000 denars, less calculated VAT and water fee, which represent revenues of the Budget of the Republic of North Macedonia.

In addition, the amounts of consumed water for some users are calculated unrealistically - only 40% are invoiced for the actual consumed amounts of water measured with a water meter, and the rest are invoiced for consumed water per household member (flat rate).

With the performed audit it was determined that PUC carries out wastewater discharge, although it has not acquired water right (permit) for the company's systems, which calls into question its

competence and responsibility as a service provider. In addition, PUC water bills do not include separately calculated fee for wastewater discharge in the amount of 1% of the price of the service which results in less realized funds in the Budget of the Republic of North Macedonia.



Regarding the obligation for protection and promotion of goods of general interest and the business policy of the PUC, auditors found a write-off of claims in the amount of 1.345.000 denars for natural persons and 3.315.000 denars for legal entities in 2022, without prior decision by the Managing Board.

The auditors identified Irregularities in the method for determining and calculating gross salary of PUC employees, as well as a practice of cash payment of net salaries of employees through PUC treasury without confirmation / proof of the amount paid (13.669.000 denars in 2022). In addition, there is no treasury maximum, and daily turnover funds received in cash are not paid timely to the transaction account of the PUC.

The PUC is providing necessary human resources by hiring persons on a contract-to-hire basis, for which expenses of 3.469.000 denars were recorded in 2022. There are no written criteria for hiring people, both in terms of professional qualifications and competencies and in terms of the amount of compensation.

In 2022, the PUC procured goods and services in the amount of 4.096.000 denars without public procurement procedure.

For overcoming identified shortcomings, recommendations were given for taking measures and activities by the competent institutions and responsible persons.

**Press contact:**

Albiona Mustafa Muhajiri +389 72228 203 [albiona.mustafa@dzt.gov.mk](mailto:albiona.mustafa@dzt.gov.mk)

Mijalche Durgutov +389 70 358 486 [mijalce.durgutov@dzt.gov.mk](mailto:mijalce.durgutov@dzt.gov.mk)

Martin Duvnjak +389 75 268 517 [martin.duvnjak@dzt.gov.mk](mailto:martin.duvnjak@dzt.gov.mk)