



ANNUAL REPORT

**ON PERFORMED AUDITS AND OPERATION OF
THE STATE AUDIT OFFICE**

2023



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AND OPERATION OF
THE STATE AUDIT OFFICE

Наслов на оригиналот:

Годишен извештај за извршените ревизии и за работата на Државниот завод за ревизија за 2023

Title of the publication:

Annual Report on performed audits and operation of the State Audit Office for 2023

Publisher:

State Audit Office - Skopje
Pavel Shatev St no. 2, Palata Emanuel Cuckov, Skopje

About the publisher:

Maksim Acevski, MSc, Auditor General

Editor:

Maksim Acevski, MSc, Auditor General

Translation Macedonian to English:

Katerina Terzioska

Print:

Company for graphic printing activity, trade, production and services GETED print Pero DODEL export - Import - Skopje

Computer and technical processing:

Jana Sajkovicka Dimitrievski, Nadica Donevski, Vesna Bogdanovic, Elana Dogazarska

OP - Каталогизacija vo publikacija

Национална и универзитетска библиотека «Св. Климент Охридски», Скопје
607.6(497.7)-2023-(047.51)

ANNUAL report on performed audits and operation of the State audit office for 2023 / [editor Maksim Acevski ; translation Macedonian to English Katerina Terzioska]. - Skopje : State audit office, 2024. - 257 стр. : илустр. ; 30 см
Превод на делото: Годишен извештај за извршените ревизии и за работата на Државниот завод за ревизија за 2023 година

ISBN 978-608-5006-08-3

а) Државен завод за ревизија
[Скопје] -- 2023 -- Извештаи

DOBSS MK-ID 64086553

Year:

2024

Circulation:

200 copies

Place of publication:

Skopje



Implemented by:



This publication content is produced within the Parliamentary Support Program (PSP), a project of the Government of Switzerland under the auspices of the Parliament of the Republic of North Macedonia. PSP is implemented by the National Democratic Institute (NDI), the Institute for Democracy "Societas Civilis" - Skopje (IDSOS), and the Center for Change Management (CCM). The contents of this publication cannot, in any way, be considered to reflect the views of SDC.

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Auditor General Statement

The Annual Report on Performed Audits and Operation of the State Audit Office for 2023 is a result of much effort, dedication and enthusiasm, and serves as a tool for objective, transparent and reliable presentation of our results and the audits conducted in 2023.

In 2023, the State Audit Office implemented the Annual Work Program, which included 66 audits. We identified 957 findings and made 697 recommendations, which are contained in 100 audit reports. These reports present facts about the operation of audited entities and the areas covered by the performance audits.

This year, we particularly focused on performance audits, which address topics and areas of interest to stakeholders, taxpayers, citizens, and the wider public. Through these audits, we believe we provided clear and objective depiction of the conditions in areas such as sustainable development goals; gender equality; brain-drain of highly educated and skilled personnel; mineral resource exploitation; student standard development; healthcare services; critical information systems protection; capital investments; the national e-services portal, etc. At the same time, we made recommendations on how the responsible authorities should act to ensure effectiveness and efficiency and eliminate the causes of the identified shortcomings.

Additionally, significant activities were undertaken in drafting and adopting strategic and annual documents, such as the Annual Plan for Corruption Prevention and the Annual Plan for Continuous Professional Development for 2023.

SAO employees of the State Audit Office have once again demonstrated high integrity and ethics as well as commitment to enhance their knowledge and skills. Specifically, within the Corruption Prevention Program, they obtained international certification, and 101 of 126 certified employees in the public sector for corruption risk management are SAO employees, and 17 of 18 trainers for implementing this program are also from the State Audit Office.

These results confirm that the State Audit Office is dedicated to implementing the principles of INTOSAI-P12, thereby ensuring value and benefits from SAIs in making a difference in the lives of the citizens. We believe we have achieved this by strengthening the accountability, transparency, and integrity of state bodies and public sector entities, by demonstrating lasting relevance to citizens, the Assembly, and other stakeholders; and by serving as an exemplary organization.

With the audits conducted in 2023, we increased the scope of audited expenditure relative to total budgetary funds. Additionally, we enhanced the added value of performed audits, particularly in terms of identified less calculated, less returned, or less paid funds to the Budget of the Republic of North Macedonia and to municipal budgets, indicating the significant contribution of SAO towards strengthening institutions and managerial accountability in our society.

We continuously point out systemic weaknesses, as well as deficiencies and ambiguities in regulations in certain areas, highlighting the need to overcome them. Our work contributes to strengthening the legal system and creating favourable environment for the further development of legal entities. However, despite these activities, some systemic weaknesses persist for years, indicating inactivity of certain responsible authorities in taking measures to address the issues.

Transparency and accountability in SAO work are essential for building trust, responsibility and efficiency in conducting state audits. To this end, we continuously undertake activities to increase the number of stakeholders who receive timely information about SAO operations. We are pleased to note that the number of stakeholders in December 2023 was 1,200.

On international level, both bilaterally and multilaterally, numerous activities have been undertaken that position SAO as an equal partner with other SAIs and as a recognized partner with active participation in the working groups of INTOSAI and EUROSAI.

The achieved results and the activities carried out in terms of scope and quality are attributable to the selfless dedication of SAO employees, engaged external (national and international) experts, and the large number of donors to whom we express our deep gratitude for their support.

These activities enable the State Audit Office to fulfil its obligations in a manner that ensures the trust of the Assembly and the other stakeholders. This reassures our partners that the reports on performed audits and the Annual Report contain accurate and objective information based on facts, findings, and recommendations.

Our priority in the upcoming period will be to implement strategic activities aimed at strengthening SAO independence and integrity as a supreme audit institution, professional development of employees, and implementation of provisions of the signed Memorandum with the Assembly.

We strongly believe that the executive and legislative authorities will continue the activities until the final adoption of the new State Audit Law and the inclusion of SAO in the Constitution of our country as a supreme audit institution, thus ensuring constitutional and full financial and operational independence of the State Audit Office.

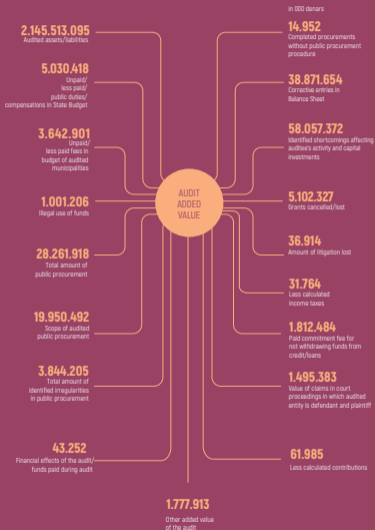


**"CAPITAL INVESTMENTS HAVE ADDED
VALUE IF THEY PROVIDE TIMELY,
HIGH-QUALITY, AND CONTINUOUS
SERVICES FOR THE CITIZENS"**

**Auditor General
Maksim Acevski, MSc**

A handwritten signature in black ink, which appears to read "Maksim Acevski". The signature is written in a cursive style with a horizontal line at the end.

KEY RESULTS OF STATE AUDIT OFFICE OPERATION



STATE AUDIT OFFICE 2023 ANNUAL WORK PROGRAM



TOPICS COVERED
BY AUDITS

66

PERFORMED
AUDITS

47 Regularity audits

9 Performance audits

2 IT Audits

4 Compliance audits

4 Follow up audits

SUSTAINABLE DEVELOPMENT
GOALS COVERED
BY THE REVISIONS



Audit activity through figures

100

FINAL AUDIT REPORTS

AUDIT OPINION
REGULARITY AUDIT

CONCLUSIONS

COMPLIANCE AUDIT
PERFORMANCE AUDIT
FOLLOW UP AUDIT

79 opinions on financial statements



31 unqualified opinions



30 adverse opinions



12 qualified opinions



6 disclaimers of opinion



72 opinions on compliance with laws and regulations



24 unqualified opinions



28 adverse opinions



18 qualified opinions



2 disclaimers of opinion



4 compliance audit conclusions



9 performance audit conclusions



2 IT audit conclusions



4 follow up audit conclusions



957

AUDIT FINDINGS AND QUESTIONS

140

AUDITED ENTITIES

37

IDENTIFIED WEAKNESSES IN PUBLIC PROCUREMENT PROCEDURES

- ▲ **593** regularity audits
- ▲ **215** performance audits
- ▲ **122** compliance audits
- ▲ **27** IT audit

- ▲ **29** regularity audits
- ▲ **74** performance audits
- ▲ **13** compliance audits
- ▲ **2** IT audit
- ▲ **18** Election Campaign participants - Local Elections 2022
- ▲ **4** follow up audit

TOTAL VALUE OF AWARDED PUBLIC PROCUREMENT CONTRACTS

28.261.918

in 000 denars

AUDITED PUBLIC PROCUREMENT

19.950.492

in 000 denars

3.844.205

IDENTIFIED IRREGULARITIES IN PUBLIC PROCUREMENTS

in 000 denars

14.952

IMPLEMENTED PROCUREMENTS WITHOUT PUBLIC PROCUREMENT PROCEDURE

in 000 denars

- ▲ weaknesses in realization of signed public procurement contracts
- ▲ not implemented public procurement procedures
- ▲ weaknesses in the public procurement planning phase
- ▲ irregularities in the preparation of tender documents/technical specification
- ▲ weaknesses in the phase of signing contracts with selected bidders

AUDITED PUBLIC REVENUE AND PUBLIC EXPENDITURE

TOTAL **365.025 MILLION DENARS** audited public revenue and **395.961 MILLION DENARS** audited public expenditure in line with SAO Annual Work Program for 2023

	Audited public revenue	Audited public expenditure
Central Budget of the Republic of North Macedonia	203.174 227.343	15.619 79.847
Budgets of Funds	135.804 123.039	129.629 115.742
Budgets of local self-government units	5.243 12.515	4.888 11.536
Health Insurance Fund budget users	1.730 1.045	1.720 1.014
Election campaign participants-Local Elections	19 766	19 734
Public enterprises	14.681 1.659	10.947 1.709
Other institutions / legal entities in which the state is dominant shareholder	1.523 8.134	1.539 7.958
Audited public revenue with performance audit	0 1.685	50.446 3.236
Audited public revenue with compliance audit	2.851 35.322	181.154 63.063

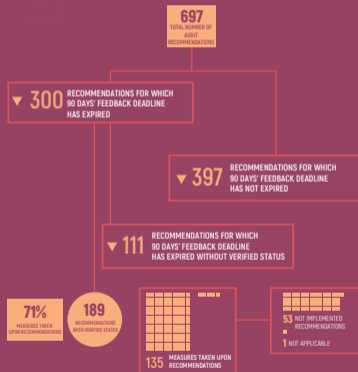
■ Annual program 2023

■ Annual program 2022

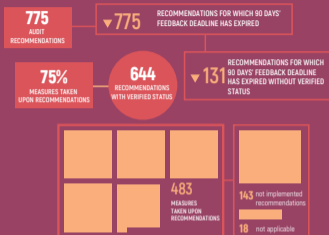
in 000.000 denars

AUDIT RECOMMENDATIONS AND IMPLEMENTATION

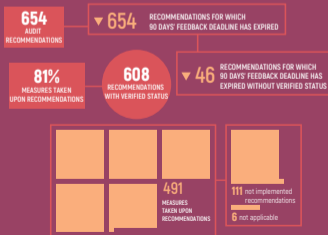
2023



2022



2021



TRANSPARENCY



PAGE

	Visitors who viewed only one post	114.465
	Total number of visitors	542.585
	Total reach for last 10 posts	56.281
	Followers	9.116



channel

	Shared videos	23
	Videos for performed audits	6
	Videos for SAO	3
	Interviews	14

SAO MAILING LIST AND COMMUNICATION WITH STAKEHOLDERS

2020-2023



VISITS TO WWW.DZR.MK

2020-2023

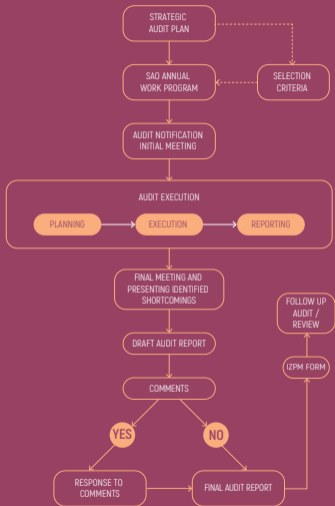


RELATIONS WITH MEDIA

01.01.2023 | 31.12.2023




AUDIT PROCESS



LOAN/GRANT COMMITMENTS

covered by the Core Budget
audit for 2022

in 000 denars

							Implementation dynamics according to loan/grant period
MoF	4.620.956	1.580.515	3.040.441	66%	25.955	3 projects from 2006, 2020 and 2022 with regular implementation dynamics	
MoFC	12.442.956	6.911.455	5.531.501	44%	26.566	2 projects from 2009-2022 with regular implementation dynamics; 2 projects from 2010 and 2019 with slow implementation dynamics	
MoEPP	7.958.655	0	3.084.750	39%	0	1 project from 2022 with slow implementation dynamics; 1 project from 2022 with regular dynamics	
MoH	1.661.906	832.883	829.024	50%	0	1 project from 2021, with very slow implementation dynamics (standstill)	
MoLSP	8.174.588	6.775.252	1.399.335	17%	22.691	5 projects from 2018 and 2020 with regular implementation dynamics	
Moj Sanctions Enforcement Authority	3.084.750	1.295.595	1.789.155	58%	0	1 project from 2020 with very slow implementation dynamics (standstill)	
MoAFWE	8.020.350	287.670	7485.900	93%	29.443	1 project from 2009 with slow implementation dynamics; 1 project from 2021/2022 with regular implementation dynamics	
MoES	11.060.992	8.951.008	2.409.984	22%	11.903	3 projects from 2011/2020 and 2021 with regular implementation dynamics; 1 project from 2009 slow implementation dynamics	
PE SR	79.471.670	10.819.497	41.342.864	52%	615.676	6 projects from 2004-2022 with slow implementation dynamics; 1 project from 2014/2016 with very slow implementation dynamics (standstill)	
PERRM	17.123.992	4.811.798	12.312.194	72%	461.852	5 projects from 2010-2018 with slow implementation dynamics	
JSC ESM	8.040.151	1.025.284	5.862.530	73%	56.711	2 projects from 2019 and 2022 with regular implementation dynamics; 2 projects with slow implementation dynamics; 1 project under bid evaluation	
JSC MEPSD	4.565.430	2.456.868	2.108.562	46%	126.008	20 projects from 2015 and 2015 with slow implementation dynamics	
JSC NOMAGAS	13.537.364	5.552.550	7.984.814	59%	240.547	2 projects from 2015 and 2021 with slow implementation dynamics	
M-NAV	602.760	0	602.760	100%	1.546	1 project from 2022 with slow implementation dynamics	
CITY SKOPJE	4.318.650	0	4.318.650	100%	0	1 project from 2021 with very slow implementation dynamics (standstill)	
PE WATER SUPPLY	7.775.570	0	7.775.570	100%	0	1 project from 2019/2022 with slow implementation dynamics	
	192.458.740	51.000.374	107.876.034		1.618.897		



Competent institution for
project realization



Total amount of loans/
investment grants



Amount of withdrawn
funds



Amount of not withdrawn
funds



% of not withdrawn
funds



Commission for not
withdrawn funds

**ABOUT THE
STATE AUDIT OFFICE**





The State Audit Office (SAO) is the independent supreme audit institution of 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.

SAO performs audits in line with the auditing principles, standards and guidelines contained in INTOSAI Framework of Professional Pronouncements (IFPP).

The independence of the institution is stipulated in the State Audit Law, which regulates SAO competencies, the broad mandate for conducting audits with unlimited access to all information, documentation and records necessary 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 and contents of the reports on performed audits, without bias and free from influence from the legislative and the executive power.

MISSION

WHO WE ARE AND WHAT WE DO

SAD is the supreme audit institution of the Republic of North Macedonia with a mandate to perform state audit. SAD performs audit of financial statements, compliance audit and performance audits in accordance with the requirements of INTOSAI standards (ISSAIs).

Our task is to examine/investigate, evaluate and issue an opinion for the performed audit that will add value for the citizens and the society.

The results of our work and our mandate aim to fulfil the needs and expectations of our users for promoting and ensuring accountability, objectivity and transparency in support of the country, as well as for informed and sound public funds management.



VISION

WHAT WE STRIVE FOR

In striving to fulfil our mission, we hope to continue maintaining our independence, professionalism, ethics and integrity, carry out our tasks in accordance with the law and mandate, ensure continuous promotion of objectivity and transparency, be inspiring and innovative and lead by example for protecting the public interest and achieving high level of public trust.

To achieve these values, all our employees work devotedly as highly skilled professionals, protecting and respecting the interests of the audit profession.



1.1 LEGAL FRAMEWORK

INDEPENDENCE AND LEGAL COMPETENCES

The State Audit Office powers and responsibilities are prescribed by the State Audit Law [Official Gazette of the Republic of Macedonia* no. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15, 27/16 and 83/18 Official Gazette of the Republic of North Macedonia* no. 122 of 2021]. SAO operation is in line with INTOSAI authoritative international standards on public sector auditing (ISSAIs).

In addition to the organic law, other national laws regulate different matters within SAO competences, of which more significant are the provisions of the Law on the Financing of Political Parties that pertain to the audit of financial statements of political parties, the provisions of the Electoral Code for the audit of financial reports of election campaigns participants, the Law on Budgets for the audit on the State Budget, the Law on Financing of Local Self-Government Units and the Law on Local Self-Government for the audit of financial statements of municipalities.

SAO is active participant in the implementation of the National Programme for Adoption of the Acquis Communautaire (NPAA) 2021-2025 for Chapter 3.32. Financial control. In addition, SAO participates in the working groups for negotiations and contributes to the progress report on the country for the EU accession process on different chapters such as public procurement, justice, fight against corruption, gender equality, functionality of democratic institutions and public administration reform.

The State Audit Office is an active stakeholder in achieving objectives, acting and implementing activities included in one of the most important program documents of the country, the Public Finance Management Reform Program "SMART PUBLIC FINANCES" 2022 - 2025.

Along with the continuous upgrade of audit methodology acts, in 2023 SAO paid special attention to the legal framework on the method and procedure of submitting final audit reports to the Public Prosecutor's Office of the Republic of North Macedonia. Several workshops and technical meetings between state auditors and public prosecutors were held for efficient processing of investigative actions in relation to identified shortcomings with reasonable suspicion of committed criminal offense by audited entities. For this purpose, on 19 December 2023, Auditor General issued Guidelines for reporting on identified shortcomings with reasonable suspicion of committed criminal offense by audited entities.

The adoption of proposed amendments to the Constitution of the Republic of North Macedonia for constitutional anchorage i.e. the highest legal guarantee of SAO independence, as well as the adoption of the draft State Audit Law prepared and harmonized with the ISSAIs, the legislation of EU member states and the practice of EUROSAI members, remain key challenge for the executive and legislative bodies in 2024.

1.2 STRATEGIC AND ANNUAL DOCUMENTS AND ACTIVITIES

Assessment reports of relevant international organizations, as well as the EC Progress Report on the Republic of North Macedonia for 2022 in relation to External Audit Area, indicate that the following aspects need improvement by the competent authorities:

- ▲ effective completion of the procedure for regulation of constitutionality and adoption of new State Audit Law to strengthen SAO financial and operational independence in accordance with INTOSAI principles, standards and guidelines,
- ▲ increased oversight and monitoring by the Assembly of the Republic of North Macedonia by reviewing SAO audit reports with the aim to improve the percentage of implemented recommendations.

These aspects for improvement, as well as priorities of the Public Finance Management Reform Program "SMART PUBLIC FINANCES" 2022 - 2025 related to SAO, are included in the following SAO strategic documents.

DEVELOPMENT STRATEGY 2023 - 2027

To update its strategic objectives and adapt the operation to the current circumstances and challenges in the society, in 2023 SAO adopted new Development Strategy for the period 2023-2027 and undertook numerous activities for realization of its strategic objectives relating to:

- ▲ Ensuring and maintaining full SAO independence - institutional independence and legal institutional framework
- ▲ Building and maintaining capacities in the fields of interest - internal management, institutional support, continuous improvements, relations/communication with stakeholders, human capacities, and audit methodology and standards

- ▲ Delivering measurable state audit results i.e. high-quality audits, audits of public interest and increase of public trust, to improve the lives of the citizens
- ▲ Creating strategic plan for potential audit areas and assessment of challenges in areas of interest and in line with the risk assessment for the period 2023 - 2027

According to the Report on the degree of realization of SAO Development Strategy 2023-2027 based on set indicators, it was concluded that since the adoption of the Strategy until December 2023, SAO has implemented 75% of planned activities.

IT STRATEGY 2023 - 2027

New IT Strategy was adopted in 2023 to increase the efficiency of SAI IT system as well as to contribute to the implementation of the Development Strategy. The IT Strategy provides for proper development and sustainability of IT capacities and the information system for continuous and quality support of SAO operations, as well as for achieving the following IT strategic objectives:

- ▲ Development and maintenance of the IT system,
- ▲ Development and maintenance of the ICT architecture,
- ▲ Development and maintenance of application solutions and ICT support of the audit,
- ▲ Presentation of results of SAO operation,
- ▲ Research of innovative IT solutions and their future application,
- ▲ IT education, certification and training for employees.

According to the Report on the degree of implementation of SAO IT Strategy 2023-2027 based on set indicators, it was concluded that since the adoption of the Strategy until December 2023, SAO has implemented 89.66% of planned activities.

HUMAN RESOURCES MANAGEMENT STRATEGY

2020 - 2023 AND 2024 - 2027

The HRM Strategy establishes the strategic sustainability of SAO HR management process. After the expiration of the period of validity of the Strategy for the period 2020-2023, new HRM Strategy for 2024-2027 was adopted, which enables employees to maintain and increase their interest to work in the institution by improving working conditions, equal conditions for employment and promotion, continuous professional development and valuation of the work of the employees.

The HRM Strategy proposes measures referring to:

- ▲ Employment
- ▲ Career
- ▲ Continuous professional development
- ▲ Performance measurement/ evaluation of the work of employees
- ▲ Sustainability of the working environment and
- ▲ Digitization of HRM processes

Increasing knowledge and skills of SAO employees is one of the main commitments of the institution, which are translated into the annual plans for continuous professional development.

RISK MANAGEMENT STRATEGY

2020 - 2023 AND 2024 - 2027

The Risk Management Strategy identifies all potential risks that may affect the achievement of objectives and SAO operation and regulates the procedures and activities for managing the identified risks. Following the successful implementation of the Strategy for the period 2020-2023, new Risk Management Strategy 2024-2027 was adopted, which defines objectives and benefits as well as responsibilities of risk management and gives an overview of the framework to be established for successful risk management aimed at unimpeded realization of SAO strategic objectives.

Effective risk management requires effective risk detection and assessment for implementation of appropriate controls and activities to minimize the risks.



STRATEGIC AUDIT PLAN 2021 – 2023 AND 2024 – 2027

The strategic audit objectives and priority audit areas were initially defined in the Strategic Audit Plan for the period 2021-2023, followed by the Strategic Audit Plan for the period 2024-2027. These strategic audit plans were prepared based on the Decision on identifying strategic audit objectives for 2021-2023 and priority audit areas by audit departments, and a new Decision for the period 2024-2027. The strategic audit plans are also in accordance with SAO Guidelines for strategic and annual audit planning and the strategic objectives defined in SAO Development Strategy for 2018 - 2022 and 2023 - 2027.

The strategic audit plan serves as a basis for the annual audit planning process by audit departments, aimed at:

- ▲ providing solid foundation to heads of departments in providing strategic direction for the scope of future audits
- ▲ identifying and selecting audits that have potential to improve accountability of the public sector and administration

- ▲ understanding potential and current risks and considering these risks in the selection of audits
- ▲ providing basis for accountability of audit departments and for creating audit program that may optimally achieve results with the available resources and knowledge

According to the Report on the degree of implementation of SAO Strategic Audit Plan 2021-2023, it was concluded that since the adoption of the Strategy until December 2023, SAO has covered all 18 identified priority areas.

COMMUNICATION STRATEGY 2020 - 2023 AND 2024 - 2027

The Communication Strategy 2020 - 2023 was upgraded with the new Communication Strategy for the period 2024 - 2027, which provides for constant communication to motivate and make possible deeper and comprehensive, strategically based involvement of target groups from the civil domain to strengthen the effect of SAO findings and recommendations.

For increasing transparency and accountability, as well as availability of information on SAO operation and on the shortcomings contained in the final audit reports, SAO has put together a register of 1,215 stakeholders. SAO has also continued with the practice of preparing audit abstract and press release for the public, where key shortcomings / information contained in final audit report are presented in a simple and comprehensible way.

When publishing final audit reports on SAO website (www.dzr.mk), the information is also sent to all stakeholders and posted to SAO Facebook page (<https://www.facebook.com/DrzavenZavodzaRevizija>).

According to the Report on the degree of implementation of SAO Communication Strategy 2020-2023 based on set indicators, it was concluded that since the adoption of the Strategy until December 2023, SAO has implemented 85% of planned activities.

SCOPE OF THE STRATEGY



THE STRATEGY DEFINES TWO STRATEGIC COMMUNICATION OBJECTIVES:

FIRST STRATEGIC COMMUNICATION OBJECTIVE

To enable deeper and comprehensive, strategically based inclusion of target groups from the civil domain in the joint efforts for greater efficiency, transparency and accountability of actors in the institutional system of the Republic of North Macedonia

SECOND STRATEGIC COMMUNICATION OBJECTIVE

To enable actors in the institutional system to recognize our work more clearly as basis for strengthening good governance, and our institution as a catalyst for democratization

1 SPECIFIC OBJECTIVE

To bring audit findings and SAO overall mission closer to the citizens by strengthening their level of knowledge and trust in our institution

SPECIFIC OBJECTIVE

To structure and intensify dialogue with the Public Prosecutor's Office and to establish a practice of regular discussion between auditors and public prosecutors about audit findings

2 SPECIFIC OBJECTIVE

To strengthen communication eco-system in which there is a constant conversation between SAO and actors in the civil domain- journalists and activists in civil society organizations, to jointly motivate good governance of institutions

SPECIFIC OBJECTIVE

To increase the knowledge of MPs and Assembly administration about the audit and to ensure that audit reports' findings are discussed regularly and by order of importance in committee hearings and plenary sessions

3 SPECIFIC OBJECTIVE

To expand the scope of communication with actors in the civil domain who work outside the capital and who provide services to vulnerable and marginalized citizens

SPECIFIC OBJECTIVE

To open dialogue with the Government about the importance of SAO findings for the creation of overall policies in the country

**PUBLIC FINANCE
MANAGEMENT REFORM PROGRAM
«SMART PUBLIC FINANCES»
2022 – 2025**

The Public Finance Management Reform Program "SMART PUBLIC FINANCES" 2022 - 2025 adopted by the Government of the Republic of North Macedonia, identifies priorities for external audit and parliamentary oversight under the competence of the State Audit Office. These priorities aim to strengthen public finance management and ensure accountability in the use of public funds by strengthening external audit legal framework and achieving constitutional independence of SAO as well as by strengthening SAO financial and operational independence in accordance with INTOSAI principles, standards and guidelines, setting up a mechanism for proactive role of the Assembly for reviewing audit reports and measures taken upon audit recommendations, and strengthening institutional capacities of external audit.

The Action Plan for implementation of the Public Finance Management Reform Program for 2023 adopted by the Government, contains activities and sub-activities for implementation of measures and achieving target indicators, including priorities for external audit and parliamentary oversight that are under SAO competence.

The State Audit Office actively participated in the drafting of the new Public Finance Management Reform Program 2024-2027, to be adopted in 2024.

**PFM SECTOR WORKING GROUP AND PFM
COUNCIL**

SAO actively participated in the Sector Working Group for Public Finance Management chaired by the Minister of Finance, whose purpose is to set up and maintain a functional sectoral approach in public finance management.

Auditor General participated as a member in the work of the Public Finance Management Council, which is a coordinating body for monitoring implementation of public finance management reforms.

The achievement of strategic objectives identified in separate strategic documents of the State Audit Office and in other strategic documents requires adoption of annual acts. Therefore, several annual acts have been adopted and a system for continuous monitoring of implementation of strategic and annual documents has been established, for which reports are prepared on biannual and annual level.

2023 ANNUAL WORK PROGRAM

SAO Annual Work Program for 2023 has been drawn up in accordance with the State Audit Law and the Rulebook on the manner of performing state audit based on SAO Strategic Audit Plan 2021 - 2023, the objectives and priorities of SAO Development Strategy 2023 - 2027, the UN SDGs and the criteria set by OECD-SIGMA evaluation methodology, with consideration of available resources.

Feeling the necessity to increase transparency, accountability and responsibility in the performance of competences entrusted by law, SAO submitted notification for audit requests/proposals to all stakeholders and placed Audit request form on its

website as well as a call on its social network (FB) to all interested legal and natural persons.

Of the received 36 requests, in the preparation of SAO Annual Work Program for 2023, 13 requests (36%) of all received requests were accepted, in line with the strategic documents, the selection criteria and the available resources for audit.



REVIEW NO. 1 REQUESTS RECEIVED AND REQUESTS ACCEPTED BY TYPES OF ENTITIES

Entities that submitted audit request	Audit requests	Accepted audit requests
LSGUs	13	5
Institutions	9	4
Public enterprises	3	1
Citizens	3 ¹	/
Anonymous	8	3
Total:	36	13

The State Audit Office fully implemented the Annual Work Program for 2023. SAO conducted 66 audits, of which 48 regularity audits, 11 performance audits, 3 compliance audits and 4 follow up regularity audits (audit of financial statements together with compliance audit).

Within the Annual Work Program for 2023, SAO carried out 11 performance audits, of which:

- ▲ two performance audits in cooperation with the Swedish National Audit Office (SNAO)
- ▲ two audits in cooperation with the Office of the Auditor General of Norway (OAGN)
- ▲ one cooperative performance audit on gender equality – SDG 5, which was coordinated by SAO and carried out together with SAs of Albania and Kosovo, with the

¹ Of the three audit requests received, two requests have been accepted and implemented with audits conducted in accordance with SAO Annual Work Programs for 2021 and 2022.

support of UN Women. The results of the cooperative audit were presented at a side event, organized by SAO with the support of UN Women, at the 68th Commission on the Status of Women held in March 2024 in UN Headquarters in New York, USA

- ▲ one cooperative performance audit on the implementation of Sustainable Development Goals until 2030, in cooperation with SAI Serbia, with the support of UNDP
- ▲ two performance audits with the support of external experts provided by WFD
- ▲ one performance audit with the support of experts from OECD - SIGMA.

Performance audits in 2023 cover the following areas and topics:

- ▲ State property management
- ▲ Gender equality and empowering women from rural areas through their inclusion in the labour market
- ▲ Preparedness of the Republic of North Macedonia for implementation of Sustainable Development Goals until 2030
- ▲ Effectiveness of measures for prevention of outflow of highly educated professionals
- ▲ Efficiency of measures and policies for public debt servicing
- ▲ Realization of capital investments financed by the State Budget, EU funds and funds from other international financial institutions under jurisdiction of central government and local self-government
- ▲ Use of healthcare services with radiological diagnostics-MRI

- ▲ Granting right to carry out detailed geological research and exploitation of mineral raw materials, with focus on marble

- ▲ Efficiency of measures, policies and projects for realization and development of the student standard

- ▲ Effectiveness of the National E-Services Portal

- ▲ Effectiveness of measures taken by competent authorities for protection of critical information systems.

The areas covered by the above audits provide basis for the manner of action by competent authorities, and at the same time ensure SAO active contribution by providing recommendations on the manner of action, making assessment for implementation of reform processes, advising on the realization of public revenues, on the use of public funds, on the use of natural resources and energy, on the protection of cultural heritage and the environment and on improvement of the control environment.

According to the Report on the degree of implementation of SAO Annual Work Program for 2023, it was concluded that since the adoption of the AWP until December 2023, SAO has implemented 100% of planned audits.

2023

ANNUAL PLAN FOR CORRUPTION PREVENTION

SAO activities related to corruption prevention were implemented in accordance with the powers and responsibilities provided for by the State Audit Law, the Law on Prevention of Corruption and

Conflict of interest and other relevant legislation.

To exercise these competences, SAO adopted Annual Plan for Corruption Prevention for 2023, which foresees measures and activities at institution level.

In line with the Annual Plan, SAO implemented activities for:

- ▲ Submitting final audit reports/notifications to competent authorities about findings within their competence to provide feedback on measures taken upon the findings
- ▲ Submitting reports and information on performed audits at request of individual institutions
- ▲ Holding meetings for information purposes, exchange of experience related to the methodology and presentation of identified shortcomings in final audit reports, harmonization of regulations, acquaintance with the European legislation from the aspect of the fight against corruption and performance of the state audit
- ▲ Participating in the work and activities of the Interdepartmental body for coordinating anti-corruption activities, as well as active cooperation with the State Commission for the Prevention of Corruption in relation to action taken for implementation of the National Strategy for Prevention of Corruption and Conflict of Interest 2022-2025
- ▲ Continuing the cooperation with competent authorities, primarily with the Public Prosecutor's Office, in accordance with the signed Memorandum of Cooperation between the two institutions

- ▲ Contributing to the work of the Anti-corruption Business Coalition, as well as other anti-corruption bodies and

- ▲ Application of international auditing standards and GUID 5270 - Guidelines for Audit of Corruption Prevention, the Guidelines for detection of irregularities, fraud and corruption and the Guidelines for audit of EU funds and pre-accession assistance.

According to the Report on the degree of implementation of SAO Annual Plan for Corruption Prevention for 2023 based on set indicators, it was concluded that since the adoption of the Annual Plan until December 2023, SAO has implemented 76% of planned audits.

In December 2023, new Annual Plan for Corruption Prevention for 2024 was adopted, which is published on SAO website ².

2023

ANNUAL PLAN FOR CONTINUOUS PROFESSIONAL DEVELOPMENT

SAO continuously invests in strengthening skills and knowledge of state auditors, which ensures additional quality in operation and maintaining professional integrity as an institution that bears progress in public funds management.

Trainings of SAO employees were carried out in accordance with the Annual Plan for continuous professional development for 2023, which consists of methodology trainings at basic and advanced level, accounting and financial reporting trainings, trainings in the field of IT, and other trainings.

² dzr.mik/siteaq/default/Files/2023-12/Godisen_plan_spracuvanje_korupcija_02R_2024.pdf

The Annual Plan for 2023 was prepared based on analysis of needs for professional development of employees.

For implementation of the Annual Plan, appropriate training materials were prepared, trainings were conducted, and evaluation of the trainings

was carried out. These activities ensure highly qualified employees distinguished by professionalism, responsibility and reliability, impartiality, independence, conscientiousness, ethics and teamwork, and thus directly contribute to the quality of work of the State Audit Office.

CONTINUOUS PROFESSIONAL DEVELOPMENT PROCESS



2022

SAO ANNUAL REPORT

The Annual Report on Performed Audits And Operation of the State Audit Office for 2022 has been prepared and submitted to the Assembly of the Republic of North Macedonia within the legal deadline until the end of June 2023 and it was made available on SAO website in three languages - Macedonian, Albanian and English [https://dzt.mk/sites/default/files/2023-06/DZR_Godisen_izvestaj_2022_mkd_0.pdf].

SAO has established a practice to make available information and data contained in the Annual Report to other SAs, the European Court of Audit, INTOSAI and EUROSAL, Delegation of the European Union in the Republic of North Macedonia, missions of international organizations as well as certain diplomatic missions in the Republic of North Macedonia.

At the 110th session held on 27 November 2023, the Assembly reviewed and adopted 11 conclusions on the Annual Report. The conclusions are in support of SAO activities, implementation of recommendations, overcoming systemic weaknesses and ambiguities identified in laws and by-laws and strengthening the cooperation with the Assembly.

1.3 METHODOLOGY AND APPLICATION OF GOOD PRACTICE

In 2023, SAO adopted improved methodology acts for presentation of audit results and recommendations in accordance with international standards. The novelties relate to the new structure and contents of audit reports contained in the templates for:

- ▲ Draft/Final audit report on financial statements and compliance audit for budget users
- ▲ Draft/Final audit report on financial statements and compliance audit for public enterprises
- ▲ Draft/Final compliance audit report, and
- ▲ Draft/Final performance audit report.

In December 2023, SAO prepared and adopted Guidelines for reporting on identified shortcomings with reasonable suspicion of committed criminal offense by audited entities. This document was prepared in cooperation with the Public Prosecutor's Office of the Republic of North Macedonia in line with the provisions of the State Audit Law and the Memorandum of cooperation signed for strengthening inter-institutional communication between SAO and the Public Prosecutor's Office. The Guidelines also adheres to the recommendations of EC Progress Report for 2023, Chapter 32 - Financial control, for strengthening cooperation of anti-corruption institutions, improving monitoring systems and developing mechanisms for monitoring the number of cases that have been investigated and prosecuted in accordance with the law. The Guidelines contains a template letter for the Public Prosecutor's Office and a template for reporting on identified shortcomings with reasonable suspicion of committed criminal offense by audited entities.

ISO certification



In August 2023, certification body performed successful recertification check and the validity of the certificate for application of Quality Management System in accordance with MKS EN ISO 9001:2015 was extended until 30 August 2024.

SAO started activities for implementation of ISO 37001 Anti-bribery management systems and ISO/IEC 27001 Information security management systems. The certification for these standards will be carried out when appropriate conditions are created in the country, i.e. when there is an accredited body to perform the certification.

A large, white, stylized number '2' is centered on a solid red background. The number is thick and has rounded edges. Inside the upper loop of the '2', the text 'COMMUNICATION AND COOPERATION WITH STAKEHOLDERS' is written in a bold, orange, sans-serif font, stacked in four lines.

**COMMUNICATION
AND COOPERATION
WITH
STAKEHOLDERS**



2.1 COMMUNICATION AND TRANSPARENCY IN OPERATION

Transparency and accountability in SAO operation is of essential importance for ensuring trust, responsible public finance management and institutional responsibility.

This is achieved with the publication of final audit reports, open and timely communication with the media, civil society organizations, and other stakeholders, high level of citizen awareness and public knowledge about the results of the State Audit Office's operation, and active presence on social media platforms as well as in the media through interviews and debate programs.

The continuous commitments and action taken to maintain high level of SAO transparency and accountability contributed to further updating of stakeholder mailing list, which at the end of 2023 included 1215 contacts.

In 2023, through proactive participation in national media interviews and statements from SAO management on identified shortcomings in final audit reports, SAO has improved its reputation, positioning itself as one of the most credible and transparent institutions in the country.

SAO commitments for continuous improvement, maintenance, and introduction of new forms of

communication aimed at sharing information with the public, media, and civil society organizations were highly positively evaluated in the third systematic monitoring of the Public Administration Reform 2021/2022 conducted in the region by the European Policy Institute [EPI].

In the National Monitor for Reforms in Public Administration 2021/2022, the most positive results, according to indicators for public finance management, are noted for the accountability and transparency of the State Audit Office through an analysis of its communication and cooperation with the public regarding its work.

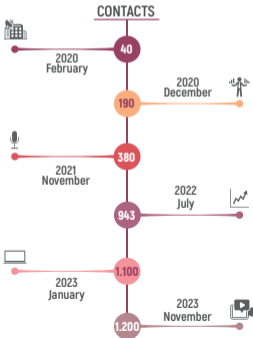
The highest score in the report on the work, accountability, objectivity and professionalism of the State Audit Office is elaborated in detail in the area of Public Finance Management - Principle 16. The supreme audit institution applies standards in a neutral and objective manner to ensure high-quality audits, which positively impact the functioning of the public sector - WeBER indicator PFM P16 II. The State Audit Office communicates and cooperates with the public regarding its work.

The State Audit Office, as a partner to the media and civil society organizations, utilizes various means of communication with the public.

It strives to present the identified conditions in audit reports in a simple and understandable manner through Abstracts and Press Releases, aiming to inform the public about the use of public funds and to encourage proactive action by the relevant institutions. Additionally, a channel has been established for external stakeholders to submit comments or initiatives to the State Audit Office.

The results and successfully implemented activities in communication with stakeholders and the high degree of transparency of the State Audit Office are presented in the following graphs:

SAO MAILING LIST AND COMMUNICATION WITH STAKEHOLDERS





**SAD MAILING LIST
AND COMMUNICATION
WITH 1,200 STAKEHOLDERS**

2023

	News agencies	11
	Journalists	93
	Daily newspapers	7
	Weekly magazines	3
	Broadcasters	38
	Televisions	51
	Cable operators	25
	Internet portals	96
	Civil organizations	166
	Institutions	14
	Municipalities	81
	Chambers and associations	12
	Local level public enterprises	122
	Central level public enterprises	34
	Public healthcare institutions	117
	Entities subject to audit	256
	Universities and colleges	74

2022
943 STAKEHOLDERS

2021
380 STAKEHOLDERS

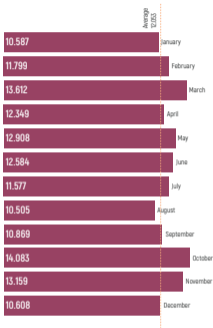
2020
190 STAKEHOLDERS

	2022	2021	2020
 News agencies	11	11	11
 Journalists	92	91	62
 Daily newspapers	7	7	7
 Weekly magazines	3	3	3
 Broadcasters	38	38	38
 Televisions	51	51	20
 Internet portals	96	95	30
 Civil organizations	51	50	50
 Institutions	9	9	5
 Cable operators	25		
 Municipalities	81		
 Chambers and associations	11		
 Local level public enterprises	70		
 Central level public enterprises	25		
 Public healthcare institutions	117		
 Entities subject to audit	256		

2023
VISITED CONTENTS
AT WWW.DZR.MK
2023



**VISITS
TO WWW.DZR.MK
2023**



**TOTAL
144.640**

**RELATIONS
WITH MEDIA**

01.01.2023 | 31.12.2023



To increase its transparency and accountability, following the global trends of increased use of social media, SAO actively continued to increase its presence on these platforms as a tool for promotion of activities and results of the state audit. Through social media, citizens and all stakeholders are informed about the activities and achieved results of SAO operation. These new communication tools represent a space for creative and constructive discussion and exchange of viewpoints.

In 2022, SAO had 170 announcements/posts on its official FB page, and on average 2.232 visits per day, which compared to 2021 is an increase of 427%.

SAO actively uses YouTube and LinkedIn as channels for communications with the stakeholders.








**PUBLIC SURVEY -
DEGREE OF SATISFACTION**

The State Audit Office regularly conducts a public survey to explore the opinions of stakeholders about its work. To improve quality and transparency, SAO sent a satisfaction questionnaire to all stakeholders, including institutions, media, and civil society organizations. The survey was shared on Facebook and on SAO website.

The results showed that 93% of respondents are satisfied with their cooperation with the State Audit Office, particularly due to timely information about audit reports and increased openness to the media and civil society organizations. Respondents rated SAO work as impartial, independent, lawful, objective, transparent, and professional. There is also high satisfaction with the quality of audit reports, which are evaluated as topical, understandable, accurate, and objective.

STRUCTURE OF ANSWERS

	Public sector institutions	41%
	Private sector	2%
	Civil organizations	25%
	Media	28%
	Natural persons	5%

SAO final audit reports are:






Topical	95%
Understandable	94%
Correct	95%
Objective	95%

To share knowledge and lessons learned from the performed audits, SAD representatives actively participated in numerous conferences, panel discussions, debates and round tables, organized by relevant institutions /stakeholders on different topics for discussion.

SAD has established a practice to send final audit reports that have been published on SAD website to a group of entities, which are stakeholders for different audit areas (LSGUs, PHU, PE at central and local level, state-owned JSCs etc.). Thus, ascertained situation in final audit reports is shared as knowledge and information, and identified shortcomings/ irregularities are shared not to be repeated.

For sharing knowledge and strengthening cooperation with professional associations, institutions and civil organizations on audit topics, at organized trainings/workshops SAD was inviting representatives of LSGUs, Public Prosecutor's Office, Assembly administration, internal auditors from JSCs and PEs, auditors from regional SAs, and representatives from the media and civil society organizations. On these trainings, the representatives had an opportunity to become familiar with the audit methodology, the method of implementation of the International Accounting Standards, the implementation of INTOSAI auditing standards, to gain understanding of the audit reports, the most common audit execution errors, as well as to exchange experience and good practice for improving operation and cooperation.

Satisfaction with SAD cooperation

	Public sector institutions	95%
	Private sector	80%
	Civil organizations	98%
	Media	99%
	Natural persons	92%

SAD operation provides

Impartiality	95%
Independence	94%
Legality	96%
Objectivity	94%
Transparency	95%
Expertise	96%

2.2 COOPERATION WITH THE ASSEMBLY, STATE AUTHORITIES, PROFESSIONAL ASSOCIATIONS AND INSTITUTIONS, CIVIL ORGANIZATIONS AND THE PUBLIC

In 2023, SAO continued the cooperation with national professional associations and institutions that significantly contribute to the realization of the strategic objectives. SAO is recognized by these organizations as a socially responsible and influential institution that provides timely up-to-date data, information and clarifications and recommendations about the ascertained situation.

Through the cooperation with professional associations, higher education institutions, scientific research centres and other organizations from the civil sector, SAO work becomes accessible to

citizens, enables analysis of factors and evaluation of the public administration performance, and increases citizens' awareness about the micro and macro environment in public finance management and oversight of public funds spending.

For this purpose, in 2023, SAO maintained the existing forms of cooperation and continued with the process of arranging new forms of cooperation with state institutions and professional and other organizations from the civil sector, in line with signed memoranda of cooperation.



Assembly of the Republic of North Macedonia

The State Audit Office promptly and objectively informs the Assembly about its work, about audit findings from conducted audits, provides support to the Assembly in fulfilling some of its competences by identifying and presenting irregularities, non-compliance with legal regulations, illegal use of public funds and possible cases of corruption and abuse of power. Thus, the communication with the Assembly is considered particularly important.

Cooperation between SAO and the Assembly is continuous and in line with the State Audit Law and the Memorandum on Cooperation signed between these two institutions on 21 October 2022.

Consistent with the signed MoC, in the first half of 2023 SAO prepared and submitted to the Assembly two summary reports on the key findings of individual audits carried out in accordance with SAO Annual Work Program for 2022.

With the support of the National Democratic Institute (NDI) and with the aim to improve cooperation and supervision of public spending, SAO held meetings with the Assembly, together with the Finance and Budget Committee, the Parliamentary Budget Office and the Parliamentary Institute.

In October 2023, for the first time, the Finance and Budget Committee in the Assembly reviewed the final audit report on the financial statements together with compliance audit for 2021 on PH University Clinic for Radiotherapy and Oncology Skopje. After several days of discussion, the Committee adopted conclusions with instructions for action by competent institutions. This activity is a result of the signed MoC, which foresees review of individual final audit reports.

On 14 March 2023, at the 79th plenary session of the Assembly, Auditor General presented the Annual Report on performed audits and SAO operation for 2021, while at the 120th plenary session of the Assembly held on 15 November 2023, Auditor General presented the Annual Report on performed audits and SAO operation for 2022. In his address before the MPs, Auditor General emphasized that SAO is selecting and defining the scope of audits guided by its strategic objectives and principles of transparent and earmarked spending of funds to improve the quality of services provided to the citizens.



A significant step in strengthening the cooperation with the Public Prosecutor's Office is the signing of the Memorandum of Cooperation in 2022, which regulates the method of communication, consultation and delivery of final audit reports to the Public Prosecutor's Office for their further processing, as well as the exchange of data and information for more efficient handling of detected irregularities.

In 2023, with the support of WFD, workshops for state auditors and public prosecutors were organized for exchange of experience and practice and strengthening knowledge and skills about audit irregularities and their treatment in criminal prosecution procedures. At these workshops,

Auditor General held two meetings with the President of Assembly - in July 2023 together with Auditor General of the National Audit Office of Kosovo, and in November 2023 with the President of the State Audit Institution of the Slovak Republic and the Ambassador of the Slovak Republic in the country. At these meetings the participants discussed the successful cooperation between the supreme audit institutions, as well as the deepened cooperation between SAO and the Assembly.

SAO Annual Work Program for 2024 has been prepared and submitted to the Assembly in December 2023 for information purposes.

Public Prosecutor's Office of the Republic of North Macedonia

public prosecutors were introduced to the audit methodology and SAO approach in the preparation and contents of final audit reports, while state auditors became familiar with the public prosecution procedure. In addition, several meetings were held between public prosecutors and state auditors for providing more information about detected irregularities in submitted audit reports.

In December 2023, the two institutions adopted internal mandatory guidelines for acting upon submitted audit reports that should contribute to more efficient communication and cooperation between SAO and PPO.



Financial Police Authority

The Memorandum of Cooperation between SAO and the Financial Police Administration signed in 2023 ensured deepening of inter-institutional cooperation and improving quality of communication

to ensure timely, expedient and efficient action on identified shortcomings in final audit reports in the post-audit process.



**ИНСТИТУТ ЗА
ТРАНСФУЗИОНА МЕДИЦИНА
НА РЕПУБЛИКА МАКЕДОНИЈА**

PHI Institute of Transfusion

In 2023, SAO and PHI Institute for Transfusion Medicine, by signing the MoC, committed themselves to improve communication and cooperation in the field of transfusion and blood donation, joint participation in projects and programs of mutual interest, as well as organization of educational events of mutual interest for the employees of both institutions involved in audit of healthcare.

In SAO premises, blood donations continuously organized, and thus SAO contributes to the healthcare system as a socially responsible institution and promotes the values for better global health, saving lives and improving health.



Centre for Civic Communications

In the audit process, SAO continuously monitors the implementation of public procurement procedures in auditees and points out ascertained shortcomings and weaknesses in the phases of planning, implementation and execution. In 2023, SAO continued its cooperation with the Centre

for Civic Communications in public procurement, as well as in the debate on the topic "Effects of the financial and energy crisis on policies and citizens", where state auditors shared their own experiences.



Institute for Democracy «Societas Civilis» organized a series of workshops in which SAO representatives participated. Through the exchange of knowledge and information, it was possible to create a Forsyth analysis on future challenges in the fight against corruption. At the event organized

Institute for Democracy "Societas Civilis" - Skopje (IDSCS)

in February 2023, Forsyth analysis was presented on the possible scenarios in which corruption and fight against corruption would develop until 2030 in the Republic of North Macedonia and how public sector institutions may cope with future challenges.



The State Audit Office also participated in the research on the National Integrity System, which was carried out within the frames of "EU Rule of Law: Civil Engagement for Public Integrity (CEPI) in the Western Balkans and Turkey", financially supported by the European Union. Through the analysis and assessment of 15 pillars of integrity, in line with the Methodology prepared by the Secretariat of Transparency International, an answer was given to the effectiveness of national efforts for dealing with corruption.

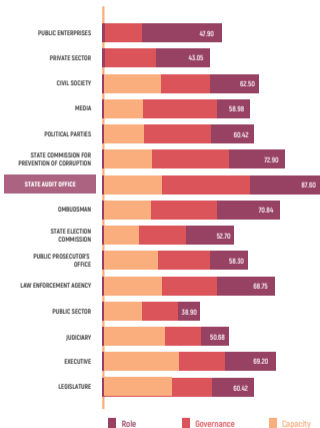
At the event organized by Transparency International - Macedonia on 14 January 2024, the results of the National Integrity System for the Republic of North Macedonia were presented, highlighting the following:

Transparency International

"The State Audit Office is the standout institution, with a very high overall score of 87.6, a score of 92 for governance and 87.5 in the fight against corruption... The institution has strong integrity policies that are not only written but are fully implemented. Their work is also well presented to the public and is the most transparent institution, providing timely and qualitative information to the relevant stakeholders and the public."



NATIONAL INTEGRITY SYSTEM –
NORTH MACEDONIA
SCORES OF THE PILLARS OF THE
NATIONAL INTEGRITY SYSTEM



SAD is part of the advisory group of the project « Integrity Watch in the Western Balkans and Turkey: civil society combating corruption with political

integrity data», to be implemented in the period March 2023 - February 2026.

The public

SAD is an independent institution that enables citizens to monitor the spending of public funds by providing information on the work of public institutions and the measures that should be taken to ensure responsible and transparent public funds management. During 2023, in accordance with the Law on Free Access to Public Information, SAD has received 11 requests for public information and provided answer within the legal deadline. In addi-

tion, in line with the National Action Plan for Open Government Partnership and the commitment "Proactive disclosure of information of public nature on the websites of the institutions", SAD has published on its website all documents that are of interest to the public.



2.3 COOPERATION WITH COMPETENT AUTHORITIES ON AUDITS AND EFFECTS THEREOF

For achieving the main audit objective - watching over public funds and improve public funds management, as well as timely detection of deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy in public funds management, SAO provides clear and effective recommendations for prevention or impediment of future deviations and damages. The corrective measures in line with the audit recommendations enable auditee's management to improve the effectiveness, efficiency and economy of operation.

In 2023, through clear, real, objective and timely information on ascertained irregularities, non-compliance with legal regulations, illegal managing of public funds and possible cases of corruption and abuse of power, SAO contributed to fulfilment of part of the competences of the Assembly of the Republic of North Macedonia.

SAO pays due attention to processing and analysing information contained in final audit reports of authorized state auditors. Data is processed regularly with an integrated, autonomous and functional software application, which provides reliable, updated, timely and relevant information for the needs of SAO, competent authorities and other stakeholders.

With regular submission of final audit reports to the Assembly and other competent authorities, SAO draws attention to the ascertained weaknesses in the operation of audited entities.

We continuously record, monitor and analyse the feedback received from the Public Prosecutor's Office, State Commission for Prevention of Corruption, Ministry of Finance - Financial Police, Min-

istry of Internal Affairs and Deputy Prime Minister in charge of Good Governance Policies, for acting upon final audit reports that were submitted to these institutions.

The effect of the ascertained shortcomings that point to irregularities and illegalities in the operation of auditees for improving public funds management can be expected only if the competent institutions take necessary measures for overcoming these shortcomings.

Monitoring and informing about the activities taken by the competent institutions for overcoming detected irregularities and illegalities in auditees' operation is one of SAO strategic objectives.

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

With the implementation of the Annual Work Program for 2023, SAO has submitted audit reports to the following competent institutions:

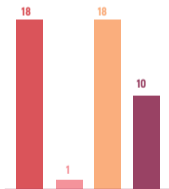
- ▲ 18 audit reports for 14 audited entities to the Public Prosecutor's Office
- ▲ One audit report for one audited entity to the Public Revenue Office
- ▲ 18 audit reports for election campaign participants to the State Commission for Prevention of Corruption, ex officio, in ac-

cordance with the amendments to Article 85-b of the Electoral Code [Official Gazette of the Republic of North Macedonia, no. 42/20]

▲ 10 audit reports for 8 audited entities to the Deputy Prime Minister in Charge of Good Governance Policies.

AUDIT REPORTS SUBMITTED TO COMPETENT AUTHORITIES

in line with SAO Annual Work Program 2023



■ Public Prosecutor's Office

■ Public Revenue Office

■ Deputy Prime Minister in Charge of Good Governance Policies

■ State Commission for Prevention of Corruption (Article 85 b, Electoral Code)

In May 2024, SAO submitted request to the competent authorities for providing feedback on the activities taken upon submitted final audit reports in the last 3 years. Until the drafting of this Report, SAO has received feedback from the Public Prosecutor's Office.

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

SAO 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 authorities and bodies for prevention of corruption.





3



**ADMINISTRATIVE
CAPACITIES**



3.1 ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

SAD pays due attention to building modern, efficient and functional human resources management system, which is directly related to organizational efficiency and effectiveness. SAD ensures continuous development through:

	continuous improvement of working conditions
	specialization of internal organizational units
	assignment of employees to job positions according to their professional qualifications, work experience and acquired skills

	continuous career advancement through promotion
	appropriate remuneration for results achieved
	new qualified personnel in the state audit



GENDER STRUCTURE
OF HEADS OF
AUDIT TEAMS



GENDER STRUCTURE
OF STATE AUDITORS,
ADMINISTRATIVE SERVANTS,
SUPPORT AND TECHNICAL
PERSONEL



39

state
auditors

67

7

administrative
servants

6

2

support and
technical personel

1

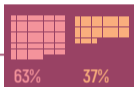




Human Resources

120

employees



Management structure



Appointed



Secretary
General



Advisor to the
Auditor General
4 employees



Assistant Auditor
General
10 employees

3.2 PROFESSIONAL DEVELOPMENT OF STATE AUDITORS

SAD continuously takes on activities for strengthening knowledge and skills of human resources to achieve high professional level of work and an atmosphere suitable for learning, progress and development of all employees.

In accordance with the requirements of INTOSAI and ISSAI, in the preparation of the Annual Plan for continuous professional development for 2023, SAD paid attention to topics related to the current professional challenges in the execution of audits that are part of SAD Annual Work Program for 2023, but also topics of interest expressed in the conducted survey.

2023 Annual Plan for professional development was implemented with internal resources and by using national and international experts in the relevant field. In 2023, employees received 13.168 hours training or an average of 110 hours per employee. For receiving feedback on the quality of trainings, SAD regularly conducts evaluations, which showed that more than 80% of employees have positive opinion on the trainings i.e. that the trainings would contribute to improving their work.

During 2023, specially designed trainings were conducted for newly employed state auditors with the aim to facilitate their professional adjustment in the new work environment.

SAD intelligent approach to investment in strengthening HR capacities and its successful cooperation with the international organizations

- the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Foundation for Electoral Systems (IFES) and USAID, resulted in successful certification of 101 SAD employees in corruption risk management out of 126 employees in the public sector that obtained the international certificate in corruption risk management. In addition, 17 authorized state auditors successfully completed the train-the-trainer course to implement the Corruption Prevention Program. These results make SAD a pioneer and an institution with a vision in the region and beyond in the field of implementation, management and monitoring of corruption risks and integrity plans in the public sector entities at national level.

The Corruption Prevention Program has been developed as an ambitious program by the United Nations Office on Drugs and Crime (UNODC) and the Chartered Institute of Public Finance and Accounting - CIPFA.

Strengthening knowledge and skills of SAD employees is carried out through implementation of parallel and cooperative audits with other SAs, study visits, participation in seminars, workshops and conferences within the working groups of INTOSAI and EUROSAI, as well as in cooperation with international organizations: World Bank, UN Women, UNDP, NDI, Westminster Foundation for Democracy, The International Foundation for Electoral Systems and other.

The Annual plan was implemented completely through trainings in the following areas:

	Audit, methodology trainings – basic and advanced level
	IT audit
	Accounting and financial reporting
	Practical application of INTOSAI auditing standards (ISSAIs)
	Prevention of fraud and corruption, and integrity
	Information technology
	Data analysis
	Soft skills development and personal development
	Legislation
	Protection and provision of access to public information
	Public procurement
	Taxes and contributions
	Audit of local self-government units
	Strategic and annual planning
	Other types of training

SAD also undertakes activities for training of employees in other areas that are necessary for performance of SAD competences in cooperation

with national and international organizations by attending specialized programs for education and training:



International Certificate in
Corruption Risk Management



Certified trainers for the International Certificate in
Corruption Risk Management



Graphic Design Academy



Master's degree in
anti-corruption



Academy for Data Science



Leveraging on Technological Advancements
(LOTA) Pioneers



Performance Audit

3.3 IT RESOURCES

Development of information technology affects all spheres in society, as well as the audit. The State Audit Office continuously monitors IT developments based on current analyses and previous experiences and regularly invests in IT upgrades for unimpeded audit performance.



Firewall and VPN

In 2023, SAO carried out necessary planned procurements for ICT and ICT security. Modern firewall solution was successfully procured, which offers protection of network traffic, data and services in a backup location.

In addition, for the firewall solution on the primary site, improvements were implemented in the VPN connection, which includes additional level of user identification.



Equipment and applications

As a novelty in the system operation, everything started with the implementation of a solution for centralized administration of IT resources. SAO made procurements for the needs of audit, such as laptops and desktops, as well as laptops with advanced business performance intended for the Department for data analysis and research, development and application of innovative IT solutions in audits - Innovative Laboratory, as well as drones for documenting audit evidence.



Office 365

To facilitate and unify resources for employees, application of Office 365 tools began. It will be implemented in three phases (2023-2025), and as a result it will provide modern and protected system of electronic messages and cloud protection of part of data used in the operation.



IT trainings

For new employees, SAO provided training for familiarization with the information system, appropriate use of IT resources, software tools, applications and the audit management system (AMS), which are actively used in the audit process, as well as familiarization with IT policies and procedures as basis for successful, correct and safe use of assets and data. The purchase of licenses for graphic design software packages was also realized, as well as the appropriate several months of training for three employees.



Video conferences

The practice of using an appropriate professional platform for video conferences and meetings with internal and external parties continued this year. Additionally, SAO procured video conferencing equipment, consisting of equipment for use in the conference room, as well as additional mobile packages for video meetings - for use in smaller conference rooms.



CAATs

The development of information technology and its use by auditees has provided for the use of computer assisted audit techniques (CAATs) in the audit process. CAATs help auditors to perform series of automated tests for evaluation of entity's information system or electronic data. CAATs provide higher level of certainty as well as sufficient and appropriate audit evidence. SAO uses IDEA software to analyse data used for generating financial statements and for audit sampling.

In 2023, laptops with advanced performance for data analysis were procured to facilitate the use of IDEA software.



IT policies and procedures

Unimpeded functioning of the 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 in a central location, compliance with laws, regular backup and protection from physical and logical access to data.



The security policy on the information one system and ISO 27001:2013

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.



Within the project implemented in cooperation with the Office of the Auditor General of Norway (OAGN), the component for development of SAO Innovation Laboratory organized the first Hackathon on 08 June 2023. The theme was "Efficient data collection for efficient audits". About 50 auditors, organized in several teams, took part in this event. The teams worked on their own ideas on how to increase the efficiency of audit with the application of new technology.

3.4 FINANCIAL RESOURCES FOR SAO OPERATION

The State Audit Office (SAO) is the independent supreme audit institution of 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.

SAO organization, competences and operation are provided for in the State Audit Law ("Official Gazette of the Republic of Macedonia" no. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15, 27/ 16 and 83/18 and "Official Gazette of the Republic of North Macedonia" no. 122/21) with a broad mandate for conducting audits and unlimited access to all information, documentation and records necessary for conducting state audit.

SAO continuously and devotedly invests in the execution of its powers delegated by law and in achieving the performance indicators for its operation. SAO, as an organization with high standards for operation and financial management, has set up performance indicators for measuring results of its operation i.e. the added value of SAO work.

By providing sufficient financial resources for unimpeded execution of competences, SAO would be able to provide direct return of funds to the Bud-

get of the Republic of North Macedonia through detected tax evasion.

Namely, with the performed audits of the Annual Work Program for 2023, SAO provided return to the Budget of the Republic of North Macedonia in a ratio of 1:60, that is one SAO budget provided a return to the Budget of the Republic of North Macedonia of at least 60 SAO budgets. The unpaid, less calculated and less paid funds in the Budget of the Republic of North Macedonia amount to 8.675 million denars or about 139 million euros.

The budget of the State Audit Office is an integral part of the Budget of the Republic of North Macedonia, which is proposed by the Ministry of Finance and submitted to the Assembly of the Republic of North Macedonia for adoption. After its approval, it is published in the Official Gazette.

The initially approved SAO budget for 2023 ("Official Gazette of the Republic of North Macedonia" no. 282 of 27.12.2022) amounted to 141.600.000 denars for the core budget account 637 and 3.000.000 denars for the budget account 631.

In 2023, SAO carried out its regular operations through the following accounts:

- ▲ 020021504063710 - regular core budget account;
- ▲ 020021504063119 - own budget account;
- ▲ 020021504078550 - donor account SAUDI FISP-donation from Saudi Arabia;
- ▲ 020021504078584 - donor account EUROSAI-donation from EUROSAI.

Based on the needs of financial resources, the annual plan for public procurement and the public procurement procedures carried out during 2023, changes and additions, conversions and expansions of SAO budget were made, with the last rebalanced budget of 2023 for the budget account

637 amounting to 148.530.000 denars, for budget account 631 - 3.000.000 denars, for donor account 78550 the planned budget is 1.710.000 denars and for donor account 78564 the planned budget is 930.000 denars.

PLAN AND REALIZATION OF SAO BUDGET ACCOUNTS FOR 2023



From the total planned financial resources for 2023 amounting to 154.170.000 denars, SAO has re-

alized 147.730.000 denars or 96%.

REGULAR ACCOUNT - 020021504063710

Based on the last rebalanced budget for 2023, 148.530.000 denars were planned for this account, while 145.205.000 denars or 97.76% were realized.

or 15% for goods and services, 700.000 denars or 0.5% for transfers and donations and 7.250.000 denars or 5% for capital expenditures.

Planned expenditure in the amount of 118.700.000 denars or 80% refer to salaries, contributions and compensations of employees, 21.880.000 denars

Regarding realization of planned expenditure, 116.449.000 denars or 80% refer to salaries and other compensations of employees, 21.259.000 denars or 15% for goods and services, 523.000 denars

or 0.38% for transfers and donations and 6.973.000 denars or 5% for capital investments.

According to the structure of planned and realized expenditure by items in 2023, the largest share have utilities, heating, communications and transport in the amount of 6.800.000 denars (realized 6.792.000 denars); planned travel and per diems amount to 5.780.000 denars (realized 5.225.000 denars); office supplies and small inventory 2.000.000 denars (realized 1.973.000 denars); planned 2.500.000 denars for repairs and ongoing maintenance (realized 2.497.000 denars); 2.900.000 denars for contract services (realized 2.900.000 denars); 1.900.000 denars for current operational expenses (realized 1.872.000 denars); and 700.000 denars planned for various transfers and donations (realized 523.000 denars).

Out of 7.250.000 denars planned capital expenditure intended for procurement of computer equipment, office furniture, new software solutions and licenses related to the current work of SAO employees, 6.974.000 denars or 97% were realized.



SAO has its own account 631 through which revenue was generated from collection of fees from auditees in accordance with the tariff published in the "Official Gazette of the Republic of Macedonia" no. 30 from 19.04.2000.

The tariff determined the procedure for calculating and invoicing fees for conducting state audits of entities subject to audit in accordance with the State Audit Law.

With the elimination of the collection for conducted audits in the "Official Gazette of the Republic of Macedonia" no. 66 from 2010, invoicing for con-

The structure of planned and realized expenditure for capital items is as follows: planned funds for procurement of computer equipment in the amount of 3.520.000 denars (realized 3.394.000 denars); planned funds for procurement of office furniture in the amount of 850.000 denars (realized 841.000 denars); planned funds for procurement of software and licenses in the amount of 1.380.000 denars (realized 1.370.000 denars); and planned funds for procurement of vehicles amounting to 1.500.000 denars (realized 1.367.000 denars, for payment of finance lease instalments for three SAO vehicles).

ducted audits of entities was discontinued, and thus the accounting recording of revenues on this account was also stopped.

For 2023, planned revenue on this account amounted to 3.000 denars; and the realization of revenue was 374.000 denars.

Regarding the expenditure of this account for 2023, 3.000 denars were planned, and there is no realization.



DONOR ACCOUNT
020021504078550
- SAUDI FISP

INTOSAI-Donor Cooperation and the General Audit Bureau (GAB) of Saudi Arabia launched Saudi Fund for Improved SAI Performance (Saudi FISP) and announced a call in 2022 for awarding grants for improving resilience and continuity in the operation of supreme audit institutions during Covid-19 pandemic via ICT solutions.

SAO applied for and received notification for approved grant in the amount of 30.000 USD intended for procurement of computer equipment for SAO current operations.

The General Audit Bureau-Saudi FISP transferred 30.000 USD or 1.710.000 denars and SAO procured IT equipment (18 laptops and 2 drones).

This project for improving resilience and continuity in SAI operations through ICT support has been fully realized and implemented in 2023, and from the planned funds of 1.710.000 denars for computer equipment, 1.710.000 denars were realized i.e. 100%.



DONOR ACCOUNT
020021504078564
- EUROSAI

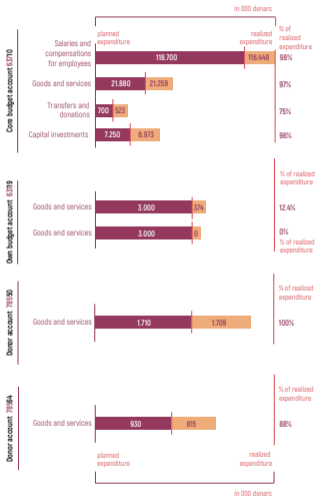
The State Audit Office has applied for approval of grant in the amount of 15.000 euros to EUROSAI General Secretariate intended for organization of events and meetings for presentation of results of the joint cooperative audit report on 'Own reviews of municipalities for providing quality services to citizens during the pandemic'. In May 2023, SAO received notification from EUROSAI about the approved grant in the amount of 13.000 euros.

In November 2023, funds in the amount of 13.000 euros or 815.000 denars were transferred from EUROSAI account to SAO account. The funds were used for rental of technical equipment, conference room, translation services during the event held on 26 - 27 September, as well as for covering the costs for virtual connection to the events.

On this donor account, SAO has planned funds in the amount of 930.000 denars for organizing events and conferences, of which 815.000 denars or 87.7% have been realized.

The financial statements of the State Audit Office were prepared in compliance with the provisions of the Law on Accounting for Budgets and Budget Users [Official Gazette of the Republic of Macedonia* no. 81/02, 98/02, 81/02, 81/05, 24/ 11, 8/09, 175/11, 101/13]. External audit company elected by the Assembly of the Republic of North Macedonia audits SAO financial statements.

The independent auditor report on SAO operation is integral part of the Annual Report on performed audits and operation of the State Audit Office.



**SUPPORT OF SAO OPERATION BY
INTERNATIONAL ORGANIZATIONS
DONOR-FUNDED ACTIVITIES**



To strengthen SAO capacities for including gender perspective in performance audit and execution of gender audits, UN Women provided support of 70.000 USD. This financial support was intended for expert assistance in the cooperative gender audit, visualization of audit results, and participation of state auditors in workshops in the country and abroad, including regional meetings and study visits for exchange of experience and good practices with other SAIs.



The cooperation with UNDP aimed at continuous improvement and education of SAO employees was realized through workshops on value for money audit, preparation of SAO Annual Work Program based on the National Development Strategy, analysis of financial statements and risk analysis.

Expert and technical support was provided for the implementation of the parallel performance audit «Preparedness of the country for implementation of Sustainable Development Goals until 2030», in the amount of 33.000 USD. This support also enabled participation of state auditors in workshops in the country and abroad, including regional meetings and study visits for exchange of experience and good practices with other SAIs.



The National Democratic Institute (NDI), in cooperation with the National Endowment for Democracy (NED), provided financial support for SAO for exchange of good experiences and practices on the oversight of public funds by the legislative authority, as well as good accountability practices during executive transitions. For ensuring budget accountability and transparency, understanding of audit reports and SAO methodology and work approach, a series of workshops were organized with representatives from the Finance and Budget Committee, the Assembly administration, the Parliamentary Budget Office and the Parliamentary Institute. For these workshops SAO realized 15.000 USD.















The International Foundation for Electoral Systems in cooperation with USAID, to increase the effectiveness of SAO work in the performance of regular audit functions, provided support of 75.000 USD. The funds are intended for increasing expertise and specialization of auditors through training and certification for the international certificate in corruption risk management, specialized training for graphic design and data science, as well as for development of employees' communication skills.

In addition, IFES provided support for development of specialized platform for online learning and creation of e-training for performance audits, with the aim of improving SAO operations SAO and introducing innovative tools and software solutions. State auditors also participated in workshops in the country and abroad, international meetings and study visits to exchange experience and good practices with other SAIs and international organizations.



Within the frames of the implementation of SAO Communication Strategy, Westminster Foundation for Democracy (WFD) provided financial support to SAO amounting to €86.000. This support is intended for improving SAO communication and cooperation with the competent institutions, the Public Prosecutor's Office, the Assembly, NGOs, journalists, and the media, as well as for strengthening SAO capacities for conducting audits, particularly in value for money and graphic design.

WFD also provided expert support for the execution of two performance audits - "Efficiency of procedures for granting right to exploit mineral raw materials and implementation of signed contracts, with special focus on marble" and "Efficiency of measures, policies and projects for meeting the conditions under which state student dormitories operate in the Republic of North Macedonia and development of the student standard". Additionally, WFD assisted in the preparation of the new SAO Communication Strategy.

		 70.000 \$
		 52.210 €
		 15.179 \$
		 33.028 \$
 		 75.000 \$

The State Audit Office, as the Supreme Audit Institution in the Republic of North Macedonia, continuously strives to establish cooperation with a larger number of international organizations to secure support for its activities.

3.5 SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PROTECTION

SAO continues its responsible approach towards environmental protection by establishing **waste separation for paper and plastic bottles** within its premises, which are then handed over for further processing and treatment by a collective operator. In this way, the SAO contributes to increasing general awareness of sustainable development and environmental protection.

In conducting its activities, SAO fosters a culture of behaviour aimed at **reducing paper consumption**. A system for controlling printed material in paper form has been established, including the use of double-sided printing and issuing audit reports recorded on CDs.

During 2023, several **blood donation drives** were organized in SAO premises, where employees

actively contributed to raising awareness about human health, the importance of well-being, and supported community solidarity.

In 2023, through its audit reports, SAO addressed the **Sustainable Development Goals (SDGs)** relevant to our country. Through specific and clear recommendations to the competent institutions, SAO actively participates in environmental protection, improvement of social and economic living conditions, poverty reduction, and supports guidelines for sustainable development and a better future for the next generations. In 2023, eleven performance audits and two compliance audits were conducted by all departments, covering the following Sustainable Development Goals:



Certain performance audits, although differing in their subject matter, are similar in that they cover different aspects of the same goal.

In 2023, with the performance audit "Preparedness of the Republic of North Macedonia for Imple-

mentation of the Sustainable Development Goals until 2030," SAO provided an overview, monitored the situation, and made recommendations aimed at achieving greater progress for the Republic of North Macedonia towards the Sustainable Development Goals.

4

**INTERNATIONAL
COOPERATION**



4.1 INTERNATIONAL COOPERATION

Aiming to implement 2023-2027 strategic objectives and activities for realization thereof, in 2023 SAO was developing and constantly improving the professional international cooperation with other SAIs, EUROSAI, INTOSAI and other international organizations and thus maintaining the independence, objectivity, integrity and quality of the state audit, increasing the impact of state audit, sharing one's own good practices and using the experience and good practices of other SAIs, as well as professional development of SAO employees.

During 2023, SAO took part in numerous international events (meetings, workshops, conferences) and over 90% of the events were organized via video link. All participants had the opportunity to be informed about best practices and to participate in networking as an opportunity to expand knowledge and skills in several areas:

- ▲ environmental audit
- ▲ IT audit and IT support
- ▲ development of SAI operations
- ▲ public debt
- ▲ gender audit and gender budgeting
- ▲ audit of municipalities and other.

SAD is an active member of several international working groups and task forces.



SAD contribution to the implementation of EUROSAI WG activities and programs during 2023 was continuous, and the exchange of positive experiences and lessons learned with other SAIs is one of the main working principles for ensuring institutional development.

Participation in cooperative audits with other EU SAIs and beyond remains one of SAD priorities given the fact that this type of cooperation significantly contributes to continuous strengthening of auditors' skills and improving the 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 SAD capacities for performance audit as well as in promoting results achieved by SAD.

EUROPEAN ORGANIZATION OF SUPREME AUDIT INSTITUTIONS (EUROSAI)

CONTACT COMMITTEE

SAO delegation headed by Auditor General participated in the regular annual meeting of the Contact Committee of the Heads of EU SAIs, the European Court of Auditors (ECA), representatives of SIGMA, and INTOSAI Development Initiative, held on 21-22 June 2023 in Lisbon, Portugal. The central focus of this meeting was "Energy – How Supreme Audit Institutions Can Contribute to Better and Stable Implementation of Energy Goals by 2030". The meeting presented the challenges and experiences of EU SAIs in conducting audits in the field of energy.

On the sidelines of this event, Auditor General held several bilateral meetings with colleagues and representatives of SAIs from EU member countries and candidate countries – Auditors General of SAIs of Portugal, Slovenia, Slovakia, the Czech Republic, Montenegro, and other. The discussions were focused on SAI independence and their impact on better public funds management, the importance of applying auditing standards, human resources as a prerequisite for a professional institution, value and importance of measuring SAI results, and participation and contribution of SAIs within EUROSAI.



INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS (INTOSAI)

INTOSAI DEVELOPMENT INITIATIVE (IDI)

SAI independence was the topic of the second meeting of the Reference group on Proactive Advocacy for SAI Independence, held in the Czech Republic. The event was attended by 25 representatives of EU SAIs. SAO representatives presented their experiences with the SIRAM mechanism (SAI Independence Rapid Advocacy Mechanism). SIRAM aims to help INTOSAI members in providing timely and effective responses to political developments and legislative changes/reforms that could negatively impact SAI independence. IDI is developing a proactive advocacy mechanism for SAI independence.

In November 2023, SAO delegation participated in IDI Global Summit for Professionalisation of SAI Auditors. This international conference was dedicated to PESA (Professional Education for SAI Auditors), which provides access to continuous professional education for state auditors and lays the foundation for establishing a Centre for Professional Education of SAI Auditors within IDI.

In 2023, SAO joined LOTA pioneers' program, which aims to integrate technology into the world of SAI auditing through analysis of audit processes and development of strategy for leveraging technology in audits and auditing the use of technology by governments.

PARTICIPATION IN INTOSAI AND EUROSAI WORKING GROUPS

EUROSAI Strategic Goal 1 - Project Group on Benefits and Methodologies of Real Time Audit

SAO representatives headed by Auditor General attended the meeting of EUROSAI Strategic Goal 1 - Project Group for Benefits and Methodology of Real Time Audit, organized by the Italian SAI, on 11 May 2023 in Rome. The meeting was attended by representatives from 19 SAIs, with the Italian SAI as coordinator. The participants shared experiences on real time audit, its significance, development,

contribution, and the need for future cooperation in this area. On the sidelines of this event, Auditor General held a meeting with the President of the Italian Court of Auditors, initiating future bilateral cooperation, which was formalized in 2024 with the signing of a Memorandum of Cooperation.

EUROSAI Strategic Goal 2 - Development of Institutional Capacities

On 15-16 November 2023, SAIs of Poland and Sweden organized the second conference on audit methodology as part of EUROSAI Strategic Goal 2 - Development of Institutional Capacities. The focus of this conference was audit methodology, covering the three phases of audit: audit selection, audit execution, ensuring high quality audits in line with ISSAI 140, which is under revision, and communication of audit results.

Deputy Auditor General presented SAO achievements in communicating audit results, which garnered significant interest among the attendees. The outcome of these discussions forms the basis for future activities of SAIs within EUROSAI towards developing effective audit tools.



INTOSAI

EUROSAI Working Group on IT and INTOSAI Working Group on IT Audit

SAO representatives actively participated in all online workshops organized by the EUROSAI and

INTOSAI IT WGs. This participation enhanced their skills and knowledge in conducting IT audits.



The meetings of EUROSAI Working Group on Environmental Auditing (WGEA), led by SAI Poland, were held in May in Poland and in September in the Czech Republic. The themes of WG meetings

EUROSAI **Working Group on Environmental** **Audit (WGEA)**

in 2023 included energy security and efficiency, renewable energy sources, and tools for green fiscal policy.



SAD representatives participated in online workshops on audit of blue economy, issues and challenges, with special focus on SDG 14, the climate

INTOSAI **Working Group on Environmental** **Audit (WGEA)**

scanner, as well as on education sessions introducing environmental auditing within INTOSAI WGEA, whose secretariat is SAI Finland.



From 8-10 May 2023, SAD representatives participated in the Annual Meeting of INTOSAI Working Group on Public Debt (WGPD) in Cairo, Egypt. During the event, SAD, as the project leader, presented both projects led from 2020 to 2022:

- ▲ "Research Paper on determining mandate of SAIs for auditing public debt, their institutional capacities, and support from regional organizations"
- ▲ "Collection of Practical Procedures for public debt legal framework, approval of borrowing, and authority for approving borrowing instruments".

INTOSAI **Working Group on Public Debt**

The event was organized by the WGPD Secretariat, SAI Philippines, and hosted by SAI Egypt. Delegations from 28 INTOSAI member countries attended the meeting. The participation of SAD representatives was financially supported by the International Foundation for Electoral Systems (IFES).



SAO made a significant contribution to the work of EUROSAI Task Force on Municipality Audit (TFMA), particularly in implementing the Action Plan for 2022/23. At the proposal of TFMA Secretariat, SAO assumed the role of coordinator for the cooperative audit, which involved SAs of Albania, Romania, Poland, Slovakia, Montenegro, and Turkey.

In September 2023, a closing meeting was held in Skopje for presenting results of the first cooperative performance audit on the topic "Municipal own revenues for providing quality services to citizens during the pandemic"¹. Participants were TFMA member SAs of the TFMA, including the seven SAs that took part in the audit.

EUROSAI

Task Force on Municipality Audit

The objective of the cooperative audit was to assess the impact of COVID-19 at local level and to determine whether municipal own revenues were sufficient to provide quality services. The audit focused on:

- ▲ Crisis management caused by COVID-19
- ▲ Municipal financing
- ▲ Municipal services to citizens
- ▲ Post-crisis recovery plans

The joint report presents comparative analyses and findings from the audits of each country, sharing best practices and experiences. The results and experiences from this audit were also shared in several workshops organized within the TFMA.



¹ https://dtr.mk/_/2023-06/veinti20Report_Coop120TFMA.pdf

Network of SAIs of Candidate and Potential Candidate Countries and the European Court of Auditors

At the regular annual meeting of the Network of SAIs of Candidate and Potential Candidate Countries and the European Court of Auditors, held on 20 June 2023 in Lisbon, central focus was the re-

vised Cooperation Framework of the Network and the implementation of future activities of the Network Outline Work Plan 2022 - 2025.

BILATERAL AND REGIONAL COOPERATION



As a result of the long-term successful bilateral cooperation and the cooperation agreement signed in 2023, which defined activities and areas for cooperation, preconditions were created for conducting parallel performance audits, as well as for exchange of experience aimed at improving audit processes in accordance with international standards and best practice of EU SAIs. The results of the first parallel audit "Balanced regional development with special emphasis on demography" and the successful collaboration between the two

STATE AUDIT INSTITUTION OF THE REPUBLIC OF SERBIA

institutions, were incentives for implementation of another parallel performance audit on the topic "Preparedness of the Republic of North Macedonia and the Republic of Serbia for implementation of the Sustainable Development Goals until 2030". This audit was implemented with the support of the United Nations Development Program (UNDP). The results of the cooperative/parallel audit were presented at the promotional event organized by SAO on 22 May 2024, in Skopje, with financial support from UNDP.



In September 2023, SAO and the Court of Audit of the Republic of Slovenia signed Memorandum of Cooperation expressing willingness to strengthen professional capacities and promote accountable

COURT OF AUDIT OF THE REPUBLIC OF SLOVENIA

and effective external audit. The Memorandum focuses on exchange of experiences and practices, and a commitment for open and effective communication on future joint activities.



Supreme Audit Office of the Slovak Republic

On 6-7 November 2023, SAO hosted a delegation from the Supreme Audit Institution of the Slovak Republic, headed by the President. During the bilateral visit, the heads of the institutions signed Memorandum of Cooperation, expressing willingness for continued professional and technical cooperation in areas of mutual interest. The del-

SUPREME AUDIT INSTITUTION OF THE SLOVAK REPUBLIC

egations exchanged good practice in HR management and development, continuous education and measuring results of SAIs work. The delegations met with the President of the Assembly of the Republic of North Macedonia, as well as with UNDP Resident Representative for the Republic of North Macedonia.



In March 2023, at the invitation of SAI Bosnia and Herzegovina, SAO delegation participated in a bilateral meeting in Sarajevo. At the meeting, the SAIs signed Memorandum of Cooperation and delegations exchanged experience and good practice

AUDIT OFFICE OF THE INSTITUTIONS IN BOSNIA AND HERZEGOVINA

on different topics of interest. In June 2023, SAO representatives participated in a round table organized by SAI Bosnia and Herzegovina and SIGMA on the topic "Increasing the impact of supreme audit institutions through external engagement".



AUDIT AUTHORITY OF MONTENEGRO

SAO delegation participated in the scientific conference of SAI Montenegro, organized on the 19th anniversary of the establishment of the institution in cooperation with SIGMA, where Auditor General

STATE AUDIT INSTITUTION OF MONTENEGRO

presented the results achieved in SAO transparency and accountability, emphasizing the added value of SAO work and the efficient system of communication with stakeholders.



At the invitation of the President of ALSAI, SAO Auditor General and Auditor General of Kosovo attended the celebration of the 98th anniversary of the establishment of the audit institution in Tirana. The successful cooperation between SAIs of Albania, Kosovo and North Macedonia is an example of neighbourly and professional cooperation. One important joint activity was the cooperative

ALBANIAN SUPREME AUDIT INSTITUTION

audit on the topic "Gender equality of women in rural areas through their inclusion in the labour market". SAO was coordinator of the cooperative audit that was implemented with the support of UN Women. The successful cooperation between the SAIs continued with the implementation of a joint workshop on leadership, which was supported by SAI Sweden.



Zyra Kombëtare e Auditimit
Nacionale Komerciale Revisje
National Audit Office

SAD hosted delegation from the National Audit Office of Kosovo. This bilateral visit provided possibility for exchange of positive practices and presentation of achieved results in state audit. Auditors General signed Memorandum of Understanding, which foresees joint activities for deepening cooperation and strengthening capacities of both in-



At the invitation of the Turkish Court of Accounts, SAD delegation headed by Auditor General and Deputy Auditor General paid a visit to the SAI Türkiye in June 2023. During the bilateral visit, the Heads of the institutions signed Annex to the 2018 Cooperation Agreement for strengthening cooperation, particularly for implementation of UN SDGs audit, climate change, food security, green and grey economy, digitalization and use of AI in audit.

The visit was also used for organizing a multi-day workshop for exchange of knowledge in audit of UN SDGs, financial audit and the new INTOSAI auditing standard on quality management. SAI Tür-

stitutions. The delegations met with the President of the Assembly of the Republic of North Macedonia and discussed the organizational setup of SAIs, the cooperation with the Assembly and the practice of reviewing audit reports by parliamentary committees and at plenary sessions.

NATIONAL AUDIT OFFICE OF KOSOVO

TURKISH COURT OF ACCOUNTS

kiye, as one of the largest institutions in INTOSAI, continued to support SAD interests at international level, and thus, SAD was invited to participate as an observer in ASOSAI activities. This bilateral visit was supported by TİKA.

In October 2023, SAD was a host of the President of the Turkish Court of Accounts. For intensifying bilateral cooperation and improving public funds management, the two institutions committed to friendly relations and collaboration, particularly in audit implementation, but also in setting up Regional Educational Centre for exchange of knowledge and good practice.



SUPREME AUDIT OFFICE
Rzeczpospolita
Czech Republic
Supreme Audit Office

SUPREME AUDIT OFFICES OF THE REPUBLIC OF POLAND AND THE CZECH REPUBLIC

In October 2023, Auditor General headed SAD delegation at the bilateral meetings with the Presidents of the Supreme Audit Offices of the Republic of Poland and the Czech Republic.

At the meeting with the President of SAI Poland, the Heads of the institutions signed Memorandum of Cooperation committing to activities aimed at deepening inter-institutional cooperation, particularly for conducting peer-review of SAD operations, joint/parallel audits and organizing joint events and trainings of mutual interest.

The President of Czech SAI and President of EUROSAI and SAD Auditor General signed Memorandum of Cooperation, which provides for continued professional and technical cooperation for advancement of public finance management and exchange of good practices. Both institutions presented their results and challenges and agreed on further cooperation within EUROSAI. The representatives of the two institutions expressed readiness for further intensification of cooperation for professional development.



With the acquisition of the status of the Republic of North Macedonia as NATO member country, SAO was invited to the IBAN Meeting in June 2023. SAO together with the other representatives of 29 na-

NATO INTERNATIONAL BOARD OF AUDITORS (IBAN)

tional audit institutions of NATO member countries reviewed the Annual Activity Report for 2022 and discussed audit issues of common interest to the participants.

Other international activities



The Chartered Institute of Public Finance & Accountancy

Upon invitation of the Chartered Institute of Public Finance and Accountancy (CIPFA) from London, United Kingdom, SAO delegation led by Auditor General participated in the Annual Conference on the topic "Public Finances 2023" held on 26-28 June 2023 in London.

As a result of the successful implementation of CIPFA Corruption Prevention Program on 24 November 2023, SAO Auditor General was declared an honorary member of the Institute.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

At the same time, the quality results demonstrated by SAO and the excellent cooperation with CIPFA prompted CIPFA to offer accreditation to SAO for the above-mentioned program. This is one of the activities under INTOSAI-P - 12 The Value and Benefits of Supreme Audit Institutions; Principle 12: Capacity building through promoting learning and knowledge sharing.



Connect. Learn. Act.

The successful cooperation with the Centre of Excellence in Finance (CEF) from Slovenia in line with the signed Memorandum of Cooperation continued in 2023. Upon CEF invitation, SAO participated in a webinar on the topic "Supreme Audit Institutions Transforming into Learning Organizations" and shared its strategic objectives and practices aimed at strengthening human resources through continuous professional development of employees for ensuring high quality execution of SAO responsibilities as the supreme audit in-

CENTRE OF EXCELLENCE IN FINANCE (CEF)

stitution in the country. SAO uses formal and informal knowledge-sharing strategies to create a dynamic learning culture, contributing to the professional growth and development of employees and improving collaboration, strengthening ability to adapt to modern challenges and changes that arise in various sectors. To increase knowledge, state auditors participated in a series of training sessions in the field of performance audit, management of state property, etc.

4.2 PROJECT ACTIVITIES



UNITED NATIONS ENTITY FOR GENDER EQUALITY AND THE EMPOWERMENT OF WOMEN (UN WOMEN)

In 2023, SAO and UN Women continued the implementation of the Memorandum of Understanding and Cooperation. The aim of this collaboration is for both parties to work together to advance the implementation of gender equality obligations in accordance with national laws and policies, as well as international commitments, and to promote gender-responsive public financial management and reporting through systematic implementation of gender-responsive budgeting as a policy tool.

In pursuit of the set goals, UN Women provided support to state auditors for participation in workshops in the country and abroad, as well as support in conducting the first gender cooperative performance audit. SAO, as coordinator, together with SAIs of Albania and Kosovo in Skopje signed a trilateral agreement in March 2023 for cooperative performance audit on the topic "Gender equality and empowerment of women in rural areas through their inclusion in the labour market". Auditors General highlighted the importance of this collaboration, which enables exchange of knowledge and experience, thereby enhancing accountability towards gender equality and strengthening women in rural areas.

Representatives from SAO and the Secretariat for European Affairs (SEA) of North Macedonia participated in a workshop organized by CEF in Ljubljana, Slovenia, in September 2023. The workshop focused on promoting and strengthening joint action and collaboration among all involved institutions in seeking support and ways to promote gender audit and integrating gender aspects into key policies, as well as increasing accountability and transparency towards gender equality obligations in accordance with EU gender legislation and INTOSAI Gender Equality Guidelines (SDG 5).

Participants were introduced to gender data and statistics. The role of SAIs as gender-responsive organizations was highlighted as part of INTOSAI Gender Equality Strategy and the commitment to advancing gender equality.

The workshop was organized within the Project "Advisory services for inclusion of gender perspective in the administration at central level in North Macedonia - Gender Equality Fund (GEF) in North Macedonia," funded by the Swedish International Development Cooperation Agency (SIDA) and implemented by UN WOMEN.

The successful cooperation between SAO and UN WOMEN continued with the signing of a new two-year Memorandum of Understanding, which envisages several areas of collaboration, including the following:

- ▲ Advancement in the implementation of gender equality obligations in accordance with national laws and policies
- ▲ Promotion of gender-responsive management of public funds and strengthening accountability in the use of public funds for gender equality and
- ▲ Enhancement of SAO capacities in conducting performance audits in the field of gender equality and integrating gender perspective into auditing practices.

SAO also participated in the Project Advisory Board Meeting on Transformative Financing for Gender Equality in the Western Balkans, held in May 2023 in Albania.



In March 2022, SAO signed Memorandum of Understanding with the United Nations Development Programme (UNDP), outlining activities to be implemented over the next two years.

In cooperation with UNDP, a series of workshops were organized in 2023 for continuous professional development of SAO employees. The topics covered value-for-money audits, preparation of SAO Annual Work Program based on the National Development Strategy, financial statement analysis, risk analysis, and more.

For the implementation of the parallel performance audit "Preparedness of the Republic of North Macedonia for implementation of the Sustainable Development Goals by 2030", conducted in

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

cooperation with SAI Serbia, UNDP provided expert and technical support. This support enabled participation of state auditors in workshops both in the country and abroad, including regional meetings and study visits for exchange of experiences and best practice with other SAIs.

SAO representatives, along with Auditor General participated in a study visit to the Republic of Armenia. The focus of the study visit was on the institutional setup of state audit, parliamentary oversight, public revenue management, digitalization, and how international cooperation can contribute to strengthening accountability, transparency, and responsibility of public institutions. This visit was organized and supported by UNDP.



The results of the multi-year successful cooperation between SAO and the Westminster Foundation for Democracy (WFD) continued with the implementation of the new project "Practice Democracy," which started in March 2023 (end on 31 March 2025), funded by the British Embassy in Skopje.

The goal of this cooperation is to support the institution in implementing transparent and accountable practices that will contribute to coordinated and responsible operations, focusing on:

- ▲ Improving SAO communication practices
- ▲ Developing SAO Communication Strategy
- ▲ Developing activities to strengthen Value for Money practices in SAO work
- ▲ Providing expert support for performance audits to create more impactful audit reports

WESTMINSTER FOUNDATION FOR DEMOCRACY (WFD)

- ▲ Supporting development of digital solutions to reduce corruption by monitoring public procurement in municipalities and institutions
- ▲ Implementing activities that strengthen SAO capacities through national and international cooperation.

In 2023, with WFD support, SAO implemented the rest of the activities regarding SAO Communication Strategy 2020-2023, focusing on communication and cooperation between SAO and relevant institutions and civil society organizations, as well as activities for drafting the new Communication Strategy for 2024-2027.

Guided by the strategic objectives of the Development Strategy 2023-2027, SAO, as an institution that continuously invests in individual development of its employees, received support from WFD in implementing the Annual Plan for Continuous Professional Development for 2024, with the

aim of enhancing auditing skills of state auditors. Additionally, specialized training in graphic design was provided for one state auditor.

Recognizing the importance and impact of performance audits, WFD also provided expert support in conducting the performance audits "Efficiency of procedures for granting right to exploitation of mineral raw materials and implementation of signed contracts, with special focus on marble" and "Efficiency of measures, policies and projects for meeting the conditions under which state student dormitories operate in the Republic of North Macedonia and development of the student standard," which are included in this Report.

With the support of WFD, in 2023, SAO and the National Audit Office (NAO) of the United Kingdom began specific activities to intensify and deepen cooperation and communication through implementation of activities related to training of state auditors in conducting Value for Money audits.

The support for drafting and introducing new audit methodology for Value for Money in SAO was initiated during a study visit of SAO management team to NAO and the Parliament of the United Kingdom in April 2023. The purpose of this study visit was to exchange knowledge, experience, and best practices on how the Parliament exercises its oversight role and reviews audit reports, as well as to present the competencies of the Public Accounts Committee.

Within the project "Increasing Capacities for Predicting and Preventing Corruption Using Big Data Analysis and Machine Learning Algorithms", WFD provided support to SAO for development of a digital solution for evaluating potential corruption risks and simultaneously preventing corruption in public procurement at local level. This project is implemented by the Centre for Social Innovations Blink 42-21, with the support of the Westminster Foundation for Democracy (WFD), in cooperation with the SAO.

R Riksrevisjonen

SAO, in accordance with the signed cooperation memorandum for a period of five years, has been successfully collaborating with the Office of the Auditor General of Norway (OAGN). The aim of this cooperation is to strengthen SAO capacities to fulfil its mandate and conduct high-quality audits, thereby promoting transparency, accountability, and good governance in the management of public funds in the Republic of North Macedonia.

The cooperation encompassed various sectors and types of audits where OAGN has relevant capacities and can add value to SAO work, particularly in the field of performance audit. The performance audit titled "Efficiency of procedures for granting right to exploit mineral raw materials and implementation of signed contracts, with special focus on marble" and the IT performance audit

COOPERATION WITH THE OFFICE OF THE AUDITOR GENERAL OF NORWAY (OAGN)

"Effectiveness of the national E-Services portal" were conducted with the support of OAGN colleagues.

As part of the activities in the field of IT audits and IT tools in financial audits, SAO has made significant progress in upgrading its capacities in these areas. Over the past year, OAGN conducted training sessions in SAO premises on auditing controls and configurations of key server system software, which are mostly used by public institutions in the country. Training was also provided, and practical tests were conducted on the configurations of SQL server databases. Audit programs prepared by OAGN, based on CIS - Centre for Internet Security, best practice and ISO 27001 standard were used as criteria.

SAD representatives participated in a study visit to OAGN from 8-12 May 2023. During the study visit, activities were carried out on the components of ICT audit and IT in financial audit, including understanding the areas where audit techniques are applied, what is audited, audit criteria, audit sub-

ject, audit of database access controls, extended audit programs; training financial auditors on general and application controls; and established network of financial auditors in OAGN.



During the visit, activities on developing Innovative Lab in SAO were also carried out and future activities were planned. The result of these activities was the first SAO Hackathon, held on 8 June 2023. The theme of the hackathon was "From Efficient Data Collection to Efficient Auditing." About 50 auditors participated in this event, organized into several teams. After the completion of the team work on ideas to improve audit efficiency using new technologies, each team presented its idea to a jury composed of members from OAGN and SAO, and the jury selected one winning idea.

As part of the planned activities for the Innovative Lab, a workshop was held in Skopje from 27-30 November 2023, attended by OAGN and SAO representatives. The result of this workshop was the development of a web applica-

tion for analysing data from the Public Procurement Bureau, which will significantly assist auditors in auditing public procurements at the audited entities. This was one of the ideas from the hackathon. For the needs of the web application, Amazon Web cloud services were configured and implemented.

Plan and program were developed for the upcoming period to continue and deepen cooperation by introducing and using new techniques in the audit process.

SAO, in collaboration with colleagues from OAGN conducted a self-assessment of integrity for the second time. On 29-30 March 2023, SAO employees participated in an integrity self-assessment workshop (IntoSAIN). A strong aspect of the self-assessment is that employees evaluate their own organization. Employees understand how the organization functions and therefore have excellent insight into its risks and vulnerabilities. The self-assessment results identified very few risks and vulnerabilities, as shown by the low score and low standard deviation (0.75 on average for all clusters). SAO has an established system of controls, and the most effective are the soft controls.



In 2023, the National Democratic Institute (NDI) supported several activities of SAO aimed at strengthening parliamentary budget oversight, particularly through intensifying cooperation between the Assembly of the Republic of North Macedonia and the SAO.

NATIONAL DEMOCRATIC INSTITUTE (NDI)

On 3-4 April 2023, with support from the National Endowment for Democracy (NED) from USA, NDI organized a two-day workshop on Budget Accountability and Transparency. This workshop included SAO representatives, members of the Parliamentary Finance and Budget Committee, and

staff from the Assembly's administration. Participants had the opportunity to become more familiar with the Memorandum of Cooperation signed between the Assembly and SAO, as well as with SAO operation and activities. During the workshop, opportunities for enhanced future cooperation and initiation of oversight activities based on final audit reports were identified.

On 5 May, SAO signed Memorandum of Cooperation with NDI, outlining areas of collaboration between the parties. The focus was on supporting and strengthening SAO capacities for effective and regular cooperation with the Assembly in conducting regular parliamentary oversight. Through the Democratic Partnership mechanism of the U.S. House of Representatives, on 5-8 May, NDI organized thematic meetings to Improve Fiscal Control and Budget Oversight in the Republic of North Macedonia. Experienced representatives from the Congress met with SAO representatives to discuss the challenges faced by SAO regarding regular review and action on final audit reports, with emphasis on the legislative branch.

On 7 June, NDI organized online workshop for SAO representatives on Accountability Practices during Executive Transitions in collaboration with the U.S. Government Accountability Office (GAO) and the Centre for Presidential Transitions in the USA. During this training, American experts shared relevant experiences in conducting activities

during power transitions to ensure accountability, transparency, and more efficient management of resources, administration, and finances, thereby providing stability and continuity in the work of institutions.

With support from NED, on 30 June, NDI conducted one-day workshop on Cooperation between the Parliamentary Administration and the SAO. During this workshop, employees from the Parliamentary Budget Office (PBO), the Parliamentary Institute, the Internal Audit Department, and advisors from the Finance and Budget Committee had the opportunity to become more familiar with the work and the types, structures, and contents of SAO reports. Contacts between the institutions were established for more intensive future cooperation.

Through the Parliamentary Support Program funded by Switzerland, NDI also organized a second workshop on Budget Accountability and Transparency on 18-19 October. During this workshop, Auditor General presented the Final compliance audit report on the Core Budget of the Republic of North Macedonia for 2022 to the members of the Finance and Budget Committee. Additionally, a comprehensive analysis of the final budget account for 2022 was provided by the Parliamentary Budget Office (PBO).



**International Foundation
for Electoral Systems**

**INTERNATIONAL FOUNDATION
FOR ELECTORAL SYSTEMS
(IFES)**

The Memorandum of Cooperation between SAO and the International Foundation for Electoral Systems (IFES) in our country signed in January 2023, with financial support from USAID, laid the foundations for cooperation focused on anti-corruption and integrity.

The objectives of this cooperation are:

- ▲ Increased efficiency of SAO in performing regular audit functions, especially in terms of managing corruption risks, communication/public relations,
- ▲ Advancement of digitization through innovative tools and software solutions, and

▲ Improved transparency and accountability in the field of political financing.

To increase transparency, accountability and openness, as well as to successfully promote SAO results in increasing public awareness of areas of corruption and identified shortcomings, SAO employees had the opportunity to become familiar with the most essential challenges in communication with the media.

In 2023, the successful cooperation with CIFFA and IFES resulted in effective implementation of the Corruption Prevention Program. Out of 126 certified employees in the public sector, 101 are SAO employees who obtained International Certi-

icate in Corruption Risk Management, and out of 18 certified trainers for this program, 17 are SAO employees.

As part of this program, a specialized education program for corruption prevention intended for SAO management was realized through a study visit to London, UK, from 9-13 October 2023. The topics covered corruption risk management, strategic planning, audit practices, data analysis, data visualization, machine learning, and sharing good practice in public finances. During this study visit, the delegation also held a meeting with the Auditor General of Wales to discuss innovative data analysis tools and use of social media.

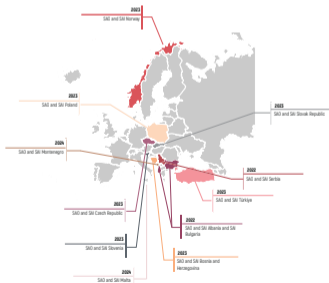
The corruption prevention program was prepared and developed as an ambitious program by the United Nations Office on Drugs and Crime (UNODC) and CIPIA, with support of IFES and USAID.

Support was also provided for the participation of SAO delegation at the Annual Meeting of the INTOSAI Working Group on Public Debt, held in Egypt.

SAO, as the project leader, presented the projects from 2020 to 2022 at the event.

As part of the project activities, seven state auditors attended Data Science Academy courses to improve their analytical skills, as key skills for data analysis in addressing business problems through effective decision-making. Additionally, three SAO employees successfully completed the Graphic Design Academy to improve the presentation of identified shortcomings in audit reports. Furthermore, with IFES support and with aimed at improving SAO audit capacities, new platform for online learning was developed, and the first e-learning program for performance audit was created.

SAO actively participated in workshops on financial reporting and transparency of political parties, which were attended by political parties, civil organizations, media, and others.



4.3 EU INTEGRATION

In July 2022, the EU began the introductory phase of accession negotiations with the Republic of North Macedonia, based on the affirmative decision of the Council of Europe in 2020 and the approved Negotiation Framework from July 2022, which is in line with the revised Negotiation Methodology. To adequately respond to this challenge, SAO

employees participated in a series of trainings, explanatory and preparatory meetings aimed at supporting and preparing for bilateral screenings. The Fundamental Values Cluster, as the first and most significant cluster, covers the five chapters related to the Rule of Law:

- ▲ Chapter 23 - Judiciary and Fundamental Rights
- ▲ Chapter 24 - Justice, Freedom, and Security
- ▲ Chapter 5 - Public Procurement
- ▲ Chapter 18 - Statistics
- ▲ Chapter 32 - Financial Control, as well as
- ▲ Functioning of democratic institutions, public administration reform and public finance management.

The State Audit Office actively collaborates with all state bodies in preventing and reducing corruption, within the Protocol on Cooperation for Prevention and Repression of Corruption and Conflict of Interest, and participates in the implementation of the National Program for Adoption of the Acquis (NPAA) through activities foreseen in Chapter 23 Judiciary and Fundamental Rights, Area - Anti-Corruption Policy, and Chapter 32 Financial Control, Area - External Audit, as well as in the work of other bodies and institutions for corruption prevention.

The State Audit Office is part of the family of other state bodies that comprise the Interdepartmental body for coordinating anti-corruption activities. This body has the obligation to coordinate the activities of all competent authorities in the fight against corruption, to strengthen cooperation and mutual reporting, to exchange information and data, and to implement the recommendations contained in GRECO reports of the Council of Europe and other international organizations.



**AUDITS
PERFORMED**



AUDIT ACTIVITY THROUGH FIGURES

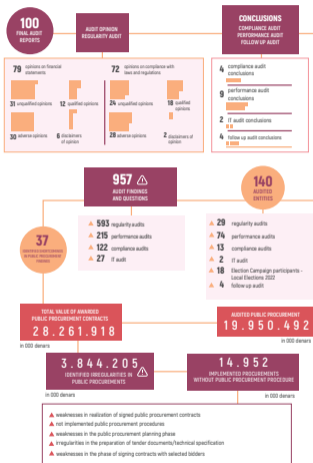
SAO 2023 ANNUAL WORK PROGRAM

80	11	4
Regularity Audit Reports	Performance Audit Reports	Compliance Audit Reports
4	2	100
Follow up Audits	IT Audit Reports	Audit Reports submitted to the Audit entities
18	10	18
Audit reports submitted to the Public Prosecutor's Office	Audit reports submitted to the Government - Deputy Prime Minister in charge of Good Governance Policies	Audit reports submitted to the State Commission for Prevention of Corruption ex officio, in accordance with the amendments to the Electoral Code, Article 85-b
1	100	140
Audit reports submitted to the Public Revenue Office	Audit reports submitted to the Assembly of the Republic of North Macedonia	Audited entities
957¹³	365.025	395.961
Audit findings and questions	Audited public revenues (in millions)	Audited public expenditures (in millions)
697	43	1.778
Audit recommendations	Financial effects of the audit (in millions)	Other audit added value (in millions)

¹³ The number of findings and questions in audit reports also includes 17 questions that are repeated in the final audit reports for all 18 participants in the election campaign for the local elections in 2022

30	60	2.145.513
Follow up reviews on the status of implementation of audit recommendations	Issued reports on follow up reviews on the status of implementation of audit recommendations	Audited assets / liabilities from the Balance Sheet (in millions)
5.003	3.643	1.001
Unpaid/ less paid/ public duties/ compensations in the State Budget (in millions)	Unpaid less paid fees in the Budget of the audited municipalities (in millions)	Illegal use of funds (in millions)
28.262	19.950	3.844
Total amount of public procurement (in millions)	Scope of audited public procurement (in millions)	Total amount of determined irregularities in public procurement (in millions)
15	38.872	58.057
Completed procurements without public procurement procedure (in millions)	Corrective entries in the Balance Sheets (in millions)	Identified shortcomings affecting auditee's activity and capital investments (in millions)
5.102	1.495	1.812
Grants cancelled/lost (in millions)	Value of claims in court proceedings in which the audited entity is defendant and plaintiff (in millions)	Paid/calculated commitment fee for not withdrawn funds from credits/loans (in millions)
32	62	37
Less calculated income taxes (in millions)	Less calculated contributions (in millions)	Amount of litigation lost (in millions)

AUDIT ACTIVITY THROUGH FIGURES





REVENUE AND EXPENDITURE

TOTAL 365.025 MILLION DENARS audited public revenue and 395.961 MILLION DENARS audited public expenditure in line with SAO Annual Work Program for 2023

Compared to the Annual Work Program for 2022, there is a significant increase in audited public revenue of:

- ▲ budgets of the Funds for **12.765 million denars**, i.e. 10% more than last year
- ▲ beneficiaries of funds of PHI budget for **685 million denars**, i.e. 66% more than last year, and
- ▲ public enterprises for **13.022 million denars**, which is about 9 times more than last year.

Regarding the audited public expenditure, we note an increase of 111.122 million denars, i.e. 39% more than the Annual Work Program for 2022. There is significant increase in audited public expenditure of the following entities:

- ▲ budgets of the Funds for **13.887 million denars**, i.e. 12% more than last year
- ▲ beneficiaries of funds of PHI budget for **706 million denars**, i.e. 70% more than last year
- ▲ public enterprises for **9.238 million denars**, which is about 6 times more than last year
- ▲ covered public expenditure with performance audits for **118.091 million denars**, which is 3 times more than last year, and
- ▲ covered public expenditures with compliance audits as a separate type of audit in the amount of **47.210 million denars**, which is an increase of 16 times compared to last year.

AUDITED PUBLIC REVENUE AND EXPENDITURE

TOTAL **365.025 MILLION DENARS** audited public revenue and **395.961 MILLION DENARS** audited public expenditure in line with SAO Annual Work Program for 2023

	Audited public revenue	Audited public expenditure
Central Budget of the Republic of North Macedonia	203.174 227.343	15.619 79.847
Budgets of Funds	135.804 123.039	129.629 115.742
Budgets of local self-government units	5.243 12.515	4.888 11.536
Health Insurance Fund budget users	1.730 1.045	1.720 1.014
Election campaign participants-Local Elections	19 766	19 734
Public enterprises	14.681 1.659	10.947 1.709
Other institutions / legal entities in which the state is dominant shareholder	1.523 8.134	1.539 7.958
Audited public revenue with performance audit	0 1.685	50.446 3.236
Audited public revenue with compliance audit	2.851 35.322	181.154 63.063

■ Annual program 2023

■ Annual program 2022

in 000.000 denars

The scope of audited expenditure of the Budget of the Republic of North Macedonia for 2022 is 84%, which is 2% more than last year. The structure of audited expenditure includes expenditure covered with regularity audit in the amount of 146.987 million denars, i.e. 63%, expenditure covered with per-

formance audit in line with Annual Work Programs for 2022 and 2023 in the amount of 53.754 million denars, i.e. 23%, and expenditure covered with compliance audit in the amount of 34.025 million denars, i.e. 14%.

SCOPE OF AUDITED BUDGET EXPENDITURE

Audited expenditure per budget type (in million denars)	Executed budget for 2022	Audited	Share in %
1	2	3	4
Expenditure of the Budget of the Republic of North Macedonia for 2022 (Final account of the Budget of the Republic of North Macedonia for 2021, Official Gazette of the Republic of North Macedonia 250/2022)	278.596	234.766	84
Budgets of Local Self-Government Units	37.754	4.888	13

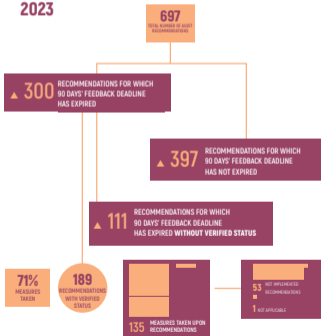


AUDIT RECOMMENDATIONS AND IMPLEMENTATION

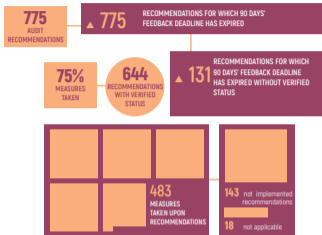
In line with the State Audit Law, the legal representative of the auditee is obliged to inform SAO and the authority responsible for supervision and control of auditee's operation on the measures taken upon findings and recommendations in audit reports within 90 days of the date of receipt

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.

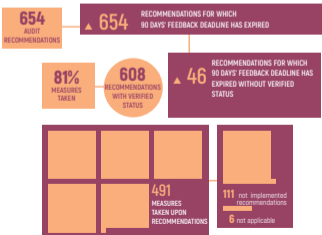
2023



2022



2021



5.1. AUDIT ADDED VALUE

SAD Annual Work Program for 2023 defines priority activities aimed at achieving objectives and work tasks i.e. SAD 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, informing stakeholders and the public on identified shortcomings in final audit reports and improving the quality of public sector services for the natural persons and legal entities.

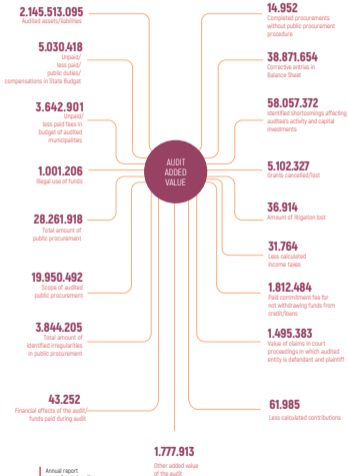
Key results of SAD operation in 2023 are visible through the following:

- ▲ support to the Assembly of the Republic of North Macedonia 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 Republic of North Macedonia 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.

KEY RESULTS OF STATE AUDIT OFFICE OPERATION

in 000 denars





5.2. BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

5.2.1. 2022 CORE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

Public finance management is one of the top national priorities, which provides financial security and sustainability of public finance. Considering the economic, social and political significance of the Budget of the Republic of North Macedonia, its planning, preparation, adoption and implementation is imposed as a necessity of the professional management and aims to maintain macroeconomic stability and stable national economic development, as well as improvement of the quality of life of the citizens of the Republic of North Macedonia.

We noted that in the phases of *planning, preparation and adoption* of the Budget for 2022, the main planning documents were adopted within the legal deadlines with an insignificant delay in the adoption of the Decision on determining the Government strategic priorities in 2022.

We analysed 20% of submitted budget requests from budget users of the central government to the Ministry of Finance. We found that 2022 Budget preparation, same as in previous years, was based on incomplete documentation submitted by budget users, and the Ministry of Finance has not submitted Report on non-harmonized budget requests to the Government. The identified situation points to the need of continuous strengthening

of activities for completing budget requests from budget users with strategic plans for harmonization with the Government strategic objectives as well as for improvement of the quality of the overall Budget planning process.

2022 Core Budget (account 637) adopted in the amount of 181.941.800.000 denars is 29% less than the requested funds from budget users and 7% less compared to the 2021 Budget. Changes were made to the initial fiscal projections for the 2022 Budget with the rebalancing of the Budget in July 2022 and two Decisions on redistribution of funds between budget users of the central government and between the Funds in November 2022. The new approved Budget of 196.000.184.000 denars is 8% higher than the originally planned. The increase of Budget revenue is aimed at optimizing the sources of financing of the budget deficit, while the increase of Budget expenditure is aimed at realization of part of Government's measures for overcoming energy crisis consequences.

The amount of Budget funds planned annually for certain budget users is regulated by other laws. We found that in 2022, this funding was not in line with the legally prescribed amounts.



JUDICIARY

in 000 denars



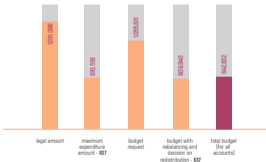
The approved funds for the **judiciary** in the amount of 2.336.067.000 denars represent 0.3% of GDP; 63% less than the legally prescribed limit, and less than

the needs expressed in the budget request by almost 925.000.000 denars.



PUBLIC PROSECUTOR'S OFFICE

in 000 denars



The approved funds for the **Public Prosecutor's Office** in the amount of 642.832.000 denars represent 0.21% of 2022 Budget funds, i.e. twice less

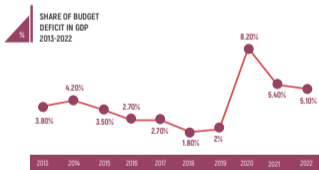
than the legally prescribed amount and 61% less than the needs presented in the budget request.

OA Sub-program - Balanced regional development: it is necessary to provide at least 1% of GDP, and the funding to be realized through the annual programs foreseen in the budgets of the Ministry of Local Self-Government and the Bureau of Regional Development. Funds amounting to 0.09% of GDP have been approved for implementation of this program in 2022, which is not a significant change compared to 2021 (0.07% of GDP).

With the audit on the **management** of the Budget of the Republic of North Macedonia, we found that the Ministry of Finance makes projections for the Budget in line with IMF GFS Methodology, as a table for displaying revenue and expenditure by type and for determining the deficit on cash basis. The Budget is projected for all budget users and funds, for all types of accounts available to users, i.e. core budget accounts, self-financing activities accounts, accounts for donations and loans, excluding the local government.

Budget revenue projections for 2022 are based on revenue realization in previous years and the effects of planned reforms in the tax and pension spheres.

The **budget deficit** at the level of the Central Budget, according to the basic macroeconomic indicators published by the Ministry of Finance for 2022 is 5.1% of GDP and it is 0.8% above the projected 4.3% foreseen in the Fiscal Strategy for 2022-2024 (with prospects until 2026). Compared to 2021, the share of the budget deficit in the GDP has decreased by 0.3%, which indicates stabilization and reduction. However, its share in the GDP for 2022 is higher compared to the years before the health-economic crisis. According to the Fiscal Strategy forecasts, through continuous reduction in the coming years, it is expected to amount to 2.2% of GDP in 2026. The trend of the budget deficit as a percentage of GDP in the period 2013-2022 is shown in the graph below.



The total revenue and inflows in 2022 were realized in the amount of 202,023,891,000 denars, i.e. 10.86% less compared to 2021, which is mostly due

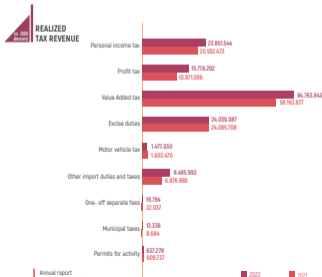
to the reduced foreign borrowing (61.89%) and domestic borrowing (36.55%).

in 000 euros

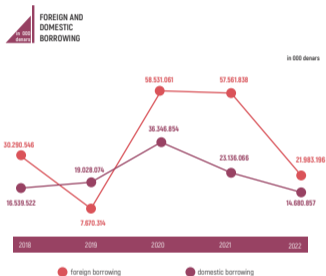
Description	Planned revenue in 2022 Budget	Realized revenue in 2022 Budget	Structure of realized revenue in total Budget revenue for 2022	Realized revenue in 2021 Budget	Structure of realized revenue in total Budget revenue for 2021	Difference realization 2022/2021	Increase/ decrease 2022/2021 (%)	Difference planning/ realization 2022	Realization/ planning 2022 (%)
Tax revenues	135 479 000	139 074 187	88,84%	122 825 942	54,20%	16 250 250	13,20%	404 883	-0,28%
Non-tax revenues	5 957 000	1 397 207	3,95%	6 279 045	2,74%	1 798 074	28,24%	-2 418 207	42,52%
Capital revenues	2 700 000	2 279 926	1,00%	1 079 803	0,80%	330 75	76,6%	-69 926	5,20%
Transfers and donations	39 798 816	10 184 700	7,52%	14 425 017	6,37%	759 302	5,28%	24 624 607	-61,85%
Domestic borrowing	26 620 000	14 680 897	7,27%	23 158 086	18,27%	- 8 458 200	-36,55%	11 969 745	-44,85%
Foreign borrowing	81 500 000	21 885 196	10,88%	57 387 838	25,40%	- 35 578 942	-41,87%	39 576 804	-54,25%
Revenue from re- payment of loans	500 000	908 570	0,46%	545 098	0,24%	355 201	65,80%	-406 570	87,28%
TOTAL	279 824 816	232 023 891	100%	228 628 817	100%	-24 804 825	-10,88%	72 580 825	-31,79%

In 2022 tax revenues were realized by 13% more compared to 2021 and have a share of 88.84% in the total revenue of 2022 Core Budget. In 2021 the share of tax revenue was 54%, which shows

improvement of the revenue structure with an increased share of tax revenues, shown in the following table:



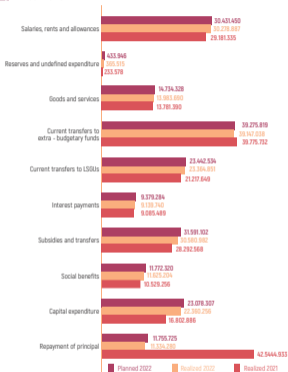
The inflows from domestic and foreign **borrowing** in 2022 comprise 18% of the total revenue of 2022 Core Budget.



Inflows from **domestic borrowing** in 2022 amounting to 14,680,857,000 denars amount to 40% of the total inflow from borrowing (37% less compared to 2021) due to less realized inflows from issued government bonds in 2022.

Inflows from foreign borrowing amounting to 21,983,196,000 denars represents a decrease of 62% compared to 2021, when there was an inflow from issued Eurobond on the international capital market.

Expenditures and outflows in 2022 Budget amount to 192,190,442,000 denars and are 9.11% less compared to 2021. Planned expenditures, their structure, realization, increase or decrease in relation to expenditures and outflows in 2021 are shown in the table below.

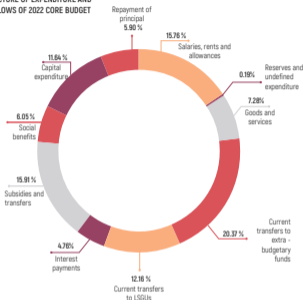
**2022 PLANNED AND
 REALIZED EXPENDITURE
 AND OUTFLOWS**


An increase of all expenditures is noticeable compared to 2021, with the most significant increase in capital expenditures by 33% and reserves and undefined expenditures by 57%. The biggest reduction of 73% compared to 2021, is recorded in the repayment of principal, resulting from the full repayment of the 3rd Eurobond (issued in 2014) in 2021.

The participation of different types of expenditure and other outflows in relation to the total expenditure and outflows in 2022 Core Budget is shown in the graph below.



STRUCTURE OF EXPENDITURE AND OUTFLOWS OF 2022 CORE BUDGET



14,850,580,000 denars Budget funds were transferred to cover the **deficit of the Pension and Disability Insurance Fund** for payment of pensions, i.e. 22% of the total sources of funds for payment of pensions in 2022 (7% less than 2021). The structure of sources for financing payment of pensions in 2022 again imposes the need for financial support from the Budget.

Subsidies in the amount of 23,384,851,000 denars were realized as **current transfers** through the competent ministries to the LSGUs, which represent 12% of the total expenditures of 2022 Core Budget. Compared to 2021, these subsidies have increased by 10%. Block subsidies paid out in the amount of 20,041,118,000 denars have the largest share in the transfers (86%), VAT subsidies 12%, while the share of earmarked grants is 2%.

Expenditure on subsidies and transfers in 2022 participate with 15.9% in the Core Budget in a total amount of 30,580,982,000 denars and have increased by 8% compared to 2021. The biggest share in the total expenditure on subsidies and transfers have various transfers (89%) amounting to 27,065,402,000 denars, of which the largest part (31%) are expenditures for Program P1 - Measures for dealing with Covid-19 crisis.

Capital expenditure in the Core Budget amount to 22,380,256,000 denars i.e. 11.84% of the total expenditure of the Core Budget. Capital expenditure in the period 2018-2022 display year-by-year increasing trend.

**CAPITAL
EXPENDITURE
2018-2022**

in 100
denars



The structure of capital expenditure in the last three years points to an increase in investments and non-financial assets, which in 2022 amount to 10,678,725,000 denars and are mostly realized through Government subprogram P1 - Measures for dealing with COVID-19 crisis and other anti-crisis measures. Over 69% of the funds paid based on Government Decisions were earmarked for the JSC for production of electricity ESM for dealing with the crisis in the supply of electricity (6,449,000,000 denars); part for JSC Vodostopanstvo for servicing obligations for electricity, and part for non-refundable financial assistance for JSC for postal traffic "Post of North Macedonia".

We found that 7,007,000,000 denars, i.e. 4% of capital expenditure have not been paid for the initial purpose - they are expenditures for purchasing additional quantities of electricity, procurement of basic resources for electricity production, regulation of arrears, loan payments, salary payments etc. Therefore, we point out that capital expenditure is intended for increasing permanent assets, durable goods such as roads, schools, hospitals, water pipes, student dormitories, sports facilities, health equipment, hardware, software, etc., which create better conditions for citizens and contribute to the development of the economy. Thus, it is necessary that the basis for allocating funds from Government programs correspond with the specified purpose.

The Law on Public Debt stipulates that for implementation of the Budget, the Ministry of Finance, on behalf of the Republic of North Macedonia, may borrow up to the maximum amount needed to finance the budget deficit and refinance the state debt obligations for the current and the next two fiscal years as determined in the Budget and the Fiscal Strategy.

On 31 December 2022, **public debt** amounted to 77,029,000,000 euros, while on 31 December 2021 it was 71,353,000,000 euros, which indicates an increase in absolute amount of 5,676,000,000 euros, i.e. 8%. Despite the increase of the public debt as an absolute amount, the public debt in relation to GDP on 31 December 2022 is 57.8% and is 3.9% lower than 2021, while GDP in 2022 is 10% higher than the previous year.

National debt on 31 December 2022 amounted to 6,581,000,000 euros and compared to last year's national debt amounting to 6,080,000,000 euros, it has increased for 501 million euros. National debt on 31 December 2022 was 48.7% of GDP, while in 2021 it was 52%.

The share of national and public debt in GDP for the period 2019-2021 is shown in the following graph:

NATIONAL AND PUBLIC DEBT AS % OF GDP
2013-2022



● National debt as % of GDP

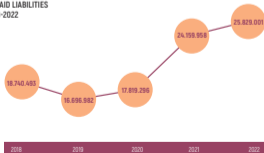
● Public debt as % of GDP

Pursuant to Article 9 of the Law on recording and reporting on liabilities, entities are obliged to report monthly on liabilities through the Electronic System for Reporting and Recording of Liabilities (ESPEO) to the Ministry of Finance in accordance with their accounting records, no later than the tenth of the month, for the previous month. In 2022, out of 1382 entities, 1205 have submitted data through ESPEO, with due and unpaid liabilities

amounting to 25,829,001,000 denars, which is 1,689,043,000 denars or 6.9% more than in 2021. Public enterprises and state-owned trading companies have the largest share in the total liabilities with 37.82%, public healthcare institutions, municipalities with 20.23%, and municipal public enterprises with 18%. The state of reported due and unpaid liabilities for the period 2018-2022 is shown in the following chart:

REPORTED DUE AND UNPAID LIABILITIES
2018-2022

in 1000 denars



Data on outstanding and due obligations of the entities are presented in the reporting on the implementation of the State Budget, as part of the Final Account of the Budget of Republic of North Macedonia, which contains data from the Report on Reported Liabilities.

Regarding the financial instability of LSGUs, we found that in December 2022, out of 81 municipality, 14 municipalities have blocked account. The total amount of execution orders in MoF amounts to 1,517,873,000 denars or 37% of the total reported liabilities of the municipalities, of which liabilities in the amount of 186,428,000 denars were paid in 2022. Of the remaining amount for execution, 1,331,446,000 denars or 77% are based on principal, 247,982,000 denars, i.e. 18% are based on interest and 61,851,000 denars, i.e. 5% are for other costs. This indicates high percentage of indebtedness of the municipalities while the realization of revenues shows a decreasing trend.

Article 39 of the Law on Financing Local Self-Government Units stipulates that if the municipality

account is blocked longer than six months or for a period of six months continuously or the total amount of unpaid obligations over 60 days exceeds 80% (until August 2022) from the realized revenues of the core budget of the municipality in the previous year, the Mayor of the municipality is obliged to declare financial instability and to notify the Council of the Municipality, MoF, Ministry of Local Self-Government and ZELS. Until the audit, no municipality has declared financial instability, and thus the municipalities may generate new obligations on various grounds and start new capital projects. This causes further deterioration of their liquidity and overall financial situation and a possibility for additional requests for allocation of funds from the Budget as financial support and an outflow of budget funds.

The final audit report is available on SAO website at the following link: https://daz.mk/sites/default/files/2023-08/KRi_Osnoven_budzet_RSM_2022.pdf



5.2.2. EFFICIENCY OF PUBLIC DEBT SERVICING MEASURES AND POLICIES

The performance audit on the topic «Efficiency of public debt servicing measures and policies» was carried out in accordance with the Annual Work Program of the State Audit Office for 2023.

The audit objective was to answer the question: «Are public debt servicing measures and policies efficient and in function of timely and accurate payment of obligations, with the lowest cost and acceptable risk?»

The audit was focused on assessment of activities and implementation of the system functions and public debt servicing processes.

The audit covered public debt servicing measures and policies, i.e. the expenditures for servicing public debt obligations presented in the Budget of the Republic of North Macedonia for 2021, 2022 and 2023.

Systemic comprehensive legal and institutional framework for public debt management has been designed.

The process of public debt servicing was given positive evaluations by the EU and the IMF.

The Law on Execution of the Budget, which is adopted every year, foresees provisions for public debt servicing regardless of the planned budget allocation for this purpose.



Fiscal policy, through financing the budget deficit, has a significant impact on the level and sustainability of the public debt. The public debt as of 31 December 2023 expressed as a percentage is 58.26% of GDP, calculated according to the GDP projections of the Ministry of Finance. According to data on GDP published by the State Statistical Office (SSO) in March 2024 for the fourth quarter

The application of procedures in the process of public debt servicing and the established electronic banking with the National Bank of the Republic of North Macedonia enable timely and accurate payment of due obligations for public debt servicing.

During the health, energy and economic crisis, the Ministry of Finance, despite the unfavourable market conditions (high interest rates), provided funds from official creditors for budget support at lower interest rates than the market ones.

The audit ascertained that the Budget of the Republic of North Macedonia does not present the real gross needs for financing the country. Inflows from issued short-term securities for debt refinancing are not presented as revenue from borrowing by issuing short-term treasury bills and outflows as expenses for principal repayments of internal debt. These payments are for liabilities presented as public debt (principal) and for interest which is not presented as liabilities. The inflows and outflows for debt refinancing from issued government bills for 2021, 2022 and 2023 are as follows:

in 2023, the public debt expressed as a percentage is 82.0% of GDP. Of the total public debt, 53% of GDP is government debt and 9% of GDP is secured and unsecured debt. The information is presented in the following table.





DATA ON EUROBONDS
MATURING IN THE
PERIOD 2025 - 2028

Eurobond	Amount per prospectus	Year	Due	Maturity period	Influx	Discount and amount	Interest rate	Annual interest	Total interest
1	2	3	4	5	6	7	8	9	10
Eurobond 6	500,000,000	2018	2025	7	462,700,000	98.442%	2.750%	12,750,000	98,250,000
Eurobond 7	700,000,000	2020	2026	6	689,892,000	98.560%	2.675%	25,725,000	194,250,000
Eurobond 8	700,000,000	2021	2028	7	689,624,000	98.432%	1.625%	9,275,000	79,625,000
Eurobond 9	500,000,000	2021	2027	6	495,750,000	99.323%	6.962%	34,800,000	129,250,000

According to IMF assessment stated in the Public Finance Management Reform Program 2022-2025, "North Macedonia's debt is assessed as sustainable in the current baseline. However, from a liquidity perspective, financing needs exceed the high-risk threshold in the baseline scenario."

The Department for public debt management has not reached the optimal level of number of employees.

The authorized state auditor emphasized that according to IMF and World Bank guidelines for efficient public debt management, it is necessary to create appropriate conditions by attracting and retaining competent staff for this area.

Although capacity was built and trainings were conducted, the fluctuation of employees and unfilled job positions may negatively affect the sustainability of achieved results. This is one of the highest operational risks that the Ministry is facing at this moment and which in the long run may have negative consequences on the overall process of public debt servicing.

To overcome ascertained shortcomings, effects and results, the authorized state auditor made recommendations aimed at improving and advancing the entire process of public debt servicing.

5.2.3. SALARIES AND SALARY SUPPLEMENTS OF ADMINISTRATIVE OFFICERS IN THE REPUBLIC OF NORTH MACEDONIA

Functional public administration is a prerequisite for transparent and effective democratic governance. Public administration carries out competences defined in the laws aimed at achieving and executing public policies of the Government.

We conducted compliance audit on the topic "Salaries and salary supplements of administrative officers in the Republic of North Macedonia".

We concluded that salaries and salary supplements of administrative officers for the period 2021-2023 are in accordance with the relevant legislation, strategic documents and established policies, but action is needed for overcoming identified shortcomings and weaknesses.

The survey was carried out in the Ministry of Information Society and Administration (MISA) and Ministry of Finance (MoF). To obtain broader information and data related to the legal and strategic framework, competences and staffing, we submitted questionnaires to 14 ministries and 22 institutions, including institutions where certain questions related to the working relationship of administrative officers are regulated by special laws.

Starting from 2014, public administration employees, depending on the institution in which they are employed, are categorised as:

- ▲ Civil servants - employees in state and local government bodies and employees in other state bodies and
- ▲ Public servants - employees in institutions that perform activities in the field of education, science, health, culture, labour and social protection and child protection, sports, funds, public institutions, public enterprises established by the state and municipalities.

Salaries of employees in the public sector are regulated by:

- ▲ Law on Public Sector Employees - prescribes the general principles for public sector employees
- ▲ Law on Administrative Officers - regulates the salaries, allowances and salary allowances
- ▲ special laws, collective agreements, regulations, decisions - applied in large number of public sector institutions for regulation of salaries and allowances.

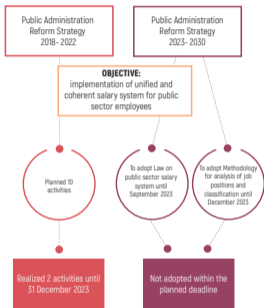
To build an efficient public administration, it is necessary to have legislation for regulating its status, and rights and obligations of employees that would enable administration's professionalization, better integrity, protection from corruption, nepotism and depoliticization. We ascertained that the existing legal framework does not ensure establishment of a unified and coherent system of salaries for employees in the public sector in an efficient and economical way.

The strategies for reorganization of institutions in the public sector, through which the Government continuously for a long period of time implements a process for improving their administrative capacity, are not effective due to untimely realization of planned activities:





REALIZATION OF OBJECTIVES FORESEEN
IN STRATEGIES FOR PUBLIC SECTOR
INSTITUTIONS REORGANIZATION



Deviation from the expected dynamics for adoption of legal and methodology framework for unimpeded public administration reform slows down the process of harmonization of national legislation with European law, prevents timely, complete and efficient realization of subsequent activities and delays establishment of a unified and coherent salary system for employees in the public sector.

To improve the efficiency of HR management and the quality of work of public sector institutions, MISA implemented Information System for HR management through four modules, which was not used in line with the purpose for which it was created.

UTILIZATION OF THE INFORMATION SYSTEM FOR HR MANAGEMENT AT MISA

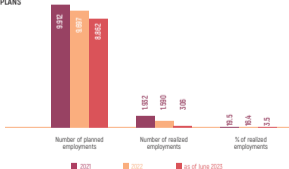


The degree of utilization of the information system calls into question the justification of its procurement and the costs for its maintenance, it does not provide aggregate statistical records for the entire public sector and affects the efficiency of HR management.

The process of planning of necessary employment is not efficient and does not allow timely employment of necessary human resources.

Due to not submitted annual employment plan within the legally stipulated period or no action on submitted indications, in the period January - June 2023, out of 1,334 institutions, 387 (29%) did not receive positive opinion. Therefore, the degree of realization of the employment plan for 2021 is only 19.5% of the total planned employments, while in 2022 is only 16.4%.

REALIZATION OF EMPLOYMENT PLANS



Annual report on performed audits and operation of THE STATE AUDIT OFFICE 2023

Of the total number of employments (3,384) in 38 institutions that are subject to audit, from 2021 until September 2023, 70% were realized through non-transparent procedure, i.e. without public notice. This is contrary to the Law on Public Sector Employees due to employment realized through temporary employment agencies or with take-over. 1,023 лица се вработени на неопределена, односно 30%,

- ▲ 1,023 indefinite term employments (30%),
- ▲ 468 fixed-term employments (13%),
- ▲ 1,424 temporary employments (over 43%), and
- ▲ 480 employments with take over from another authority (14%).

The control of calculation for payment of salaries, allowances, taxes and contributions for 756 entities with 84,235 employees every month is done by six people employed in the department for control of payment of salaries in the Ministry of Finance in written and electronic form. In the Ministry of Finance, there is no system for software control of calculations, which makes control difficult and creates the risk of possible errors in the payment of salaries.

We ascertained differences in the salary amount for the same job positions in different institutions due to different value of the points for calculating salaries:

- ▲ for civil servants - the value of salary point is determined by Government decision every year,
- ▲ for public servants: it is determined by a decision of the founder every year, at the proposal of the competent official, and
- ▲ for administrative officers in the judiciary and public prosecution, diplomacy, customs and tax administration, inspection services, regulatory bodies and the National Bank: salaries are regulated by law and collective agreement.

As a result, there is a significant difference in the basic gross salaries paid for the same position in different institutions, and salaries in the ministries are at the lowest level compared to other institutions.

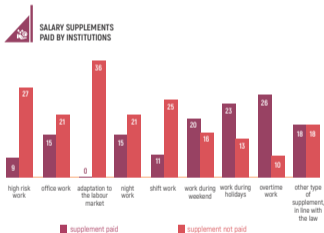
GROSS SALARY AMOUNTS FOR THE SAME POSITION IN DIFFERENT INSTITUTIONS

Job position	Ministry	Other institutions
State Advisor	69,000	up to 108,000
Head of Department	67,000	up to 125,000
Assistant head of department	59,000	up to 110,000
Head of Unit	53,000	up to 100,000
Advisor	47,000	up to 85,000
Senior Associate	44,000	up to 82,000
Associate	43,000	up to 79,000

The ascertained situation is not in accordance with result 2.4. - Establishment of unified and coherent public sector salary system of the Public Administration Reform Strategy 2023-2030.

Although the Law on payment of salaries allows monthly increase of up to 50% of achieved rate of increase of the cost of living in the current month compared to the previous month, with the audit we determined that in the period 2021-2023, even though the rate of the cost of living has increased, the institutions have not done a monthly salary increase within the provided funds.

The Law on Administrative Officers and the Law on Execution of the Budget of the Republic of North Macedonia provide for administrative officers the right to salary supplements as a % of the basic salary: for special conditions 30%, for adaptation to the labour market 15% and for night shifts, working in shifts, working on weekends and during holidays 15%. We found that in the period from 2021-2023, the following types of salary supplements were paid in 36 institutions covered with the audit, shown in the following graph:



Overtime supplement is paid in 26 institutions, while the supplement for adjustment to the labour market is not paid in any, even though it is provided for in Article 91 of the Law on Administrative Officers.

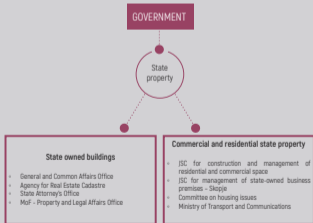
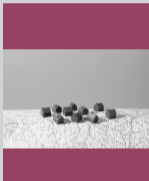
We made recommendations for taking measures and activities for realization of strategic goals and overcoming identified weaknesses, aimed at ensuring valuation of the work of public sector employees and their retention.

5.2.4. STATE PROPERTY MANAGEMENT

We conducted performance audit on the topic "Management of state property" to answer the question "Do competent institutions efficiently manage state property - commercial and residential state property?"

We ascertained that the existing legislation, measures and activities taken by the Government and other competent institutions do not provide efficient management of state property - commercial and residential state property.

The existing legislation has set up a system with divided competences between institutions in terms of decision-making, management, disposal and recording of state property, presented in the following chart:



The Government decides on granting and terminating temporary or permanent use of immovable property to state bodies, legal entities established by the state, municipalities, municipalities in the City of Skopje, the City of Skopje, citizens' associations and foundations, as well as for purchasing new property that is not permanently used and for leasing.

JSC for construction and management of residential and commercial space is responsible for managing residential and commercial space of importance for the state, particularly for its investment and ongoing maintenance, signing lease agreements, sale of residential and commercial space, keeping records of residential and commercial space, and construction of residential and commercial space where the investor is the state.

JSC for management of state-owned business premises – Skopje performs activities in relation to management of commercial space for its investment and ongoing maintenance and improvement of conditions for using the commercial space, signing lease contracts, selling and keeping records of the commercial space.

General and Common Affairs Office keeps internal records of property used by the Government and takes care of ongoing maintenance and reconstruction of buildings used by state administration bodies, representative and residential buildings.

With the performed audit, we determined that legal regulations:

- ▲ do not foresee an obligation for preparing and adopting strategic documents for management of state property because the Government has not adopted national strategy for management, use, maintenance and disposal of state property, and national strategy for housing, although there is a legal obligation thereof. JSC for construction and management of residential and commercial space and JSC for management of state-owned business premises have prepared strategic documents with long-term priorities and goals, activities and available resources and investment programs.
- ▲ do not prescribe uniform way of acting of the competent institutions. In the absence of strategic planning, no acts, procedures/instructions/manuals have been adopted for the work processes related to property management at national level for determining the need of property, acquisition, use and termination of needs to use property. With internal acts and regulations, JSC for construction and management of

residential and commercial space and JSC for management of state-owned business premises have partially regulated the processes on the conditions, method and procedure for leasing commercial space they manage.

- ▲ do not provide for centralized records i.e. comprehensive register of state property with financial and non-financial data, and there is no designated authority or body responsible for establishing the records. Property records are kept by General and Common Affairs Office, JSC for construction and management of residential and commercial space, JSC for management of state-owned business premises, but also by every state authority to which the Government, by decision, has granted the right to temporary or permanent use recorded in the Real Estate Cadastre. There is state property that is not distributed among individual institutions and for which no other records are kept except in the Agency for Real Estate Cadastre.

Activities of competent institutions for management of state property

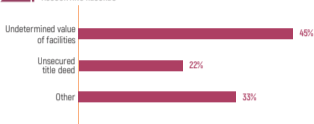
The Government, which disposes of state-owned immovable property, may by decision give it for temporary or permanent use, with or without compensation, to state bodies, legal entities established by the state, municipalities, municipalities in the City of Skopje, the City of Skopje, citizens' associations and foundations.

- ▲ Government decisions do not have unified contents that provide complete data and information about the institutions that have used/are using the property, the method of handover for proper recording and monitoring in the event of change of user.

We ascertained different action in 9 (nine) ministries when recording commercial space they are using:

- ▲ out of 1294 facilities used by the ministries, for 1,002 facilities (83%) there is a government decision on the right of use, while 212 facilities (17%) lack Government decision thereof,
- ▲ 49% of the facilities in use are recorded in the accounting records, 29% are recorded in the off-balance sheet, while the remaining 22% are not recorded at all. The reasons for not recording the facilities in the accounting records are shown in the graph below:

REASONS FOR NOT RECORDING FACILITIES USED BY MINISTRIES IN THE ACCOUNTING RECORDS



▲ Four ministries expressed the need for additional space for employees and storage of expended equipment, and three ministries have empty facilities/parts of facilities that are not used.

▲ From 2019 until 30 October 2023, 47.918.000 denars i.e. 779 thousand euros were paid based on lease contract of premises for two ministries, which is a significant outflow of budget funds.

JSC for construction and management of residential and commercial space and JSC for management of state-owned business premises - Skopje

▲ have established records of the commercial space in a software application with financial and non-financial data, information about the location, area, whether it is leased, and other technical and cadastral

data. However, there is no data on the physical and functional condition of the facilities, even though the software application enables such data,

▲ material records have been established for the facilities, but these data have not been updated and harmonized with data contained in the above-mentioned software data and with the auxiliary records kept by separate organizational units, by towns,

▲ records of property that has been alienated or property without the right of use, which according to data in the auxiliary records has been demolished, are kept, and even though the property does not actually exist, insurance costs are still incurred.



Commercial space - a former cabin of 181 m², which is kept in the records of JSC for construction and management of residential and commercial space, although it does not physically exist.

JSC for construction and management of residential and commercial space manages 1163 commercial facilities of which the subsidiaries in Skopje manage 413, Bitola 405, Kumanovo and

Kriva Palanka 151 facilities, and the remaining 198 facilities are owned by the other nine subsidiaries. 58% of facilities are not leased.

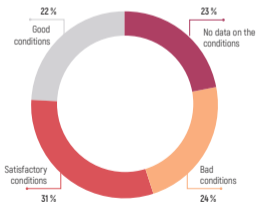
Data from auxiliary records indicate that 5% of commercial space is treated as «disputed» due to unresolved property legal disputes, illegal use or unjustifiably registered property rights by other legal and natural persons; demolished and ruined buildings, as well as buildings that have been alienated, and are still kept in the records of the JSC.

JSC for construction and management of residential and commercial space also manages government apartments for which the right of use has been granted to elected and appointed persons, as well as officials who perform special duties in state bodies. As of 2023, out of 86 users of official

apartments, 33 do not meet the conditions for using the apartments. Control of the use of government apartments has not been done after 2019.

JSC for management of state-owned business premises manages 1.071 facilities through Directorate and two Regional Centres with units in several towns around the country. The regional centre Skopje manages 288 facilities, and the regional centre Bitola manages 257, while 43% of the premises are not leased. The functionality of not leased business premises is shown in the following chart.

FUNCTIONAL CONDITIONS OF NOT LEASED BUSINESS PREMISES OF JSC FOR MANAGEMENT OF STATE-OWNED BUSINESS PREMISES



System for reporting, monitoring and evaluation of the management of state property.

There is lack of sufficient analyses for identifying non-functional commercial space, possible alternatives for alienation and informing the Government about further action.



Facility in Skopje



Facility in Prilep

There is no efficient mechanism for sharing information between competent institutions with relevant data for timely identification of problems and implementation of corrective decisions for efficient property management.

The companies have not established efficient way to inform the public: the web pages do not contain complete and updated data on the available commercial space.

The annual reports on the operation of the companies do not contain data on the physical and functional condition of the commercial space, nor information on the problems faced by the companies, which makes it impossible for the Government to make specific decisions.

At the request of the Government Commission for Economic System and Current Economic Policy, in 2019 JSC for construction and management of residential and commercial space submitted data on vacant commercial space, the expressed need for premises by state authorities and other infor-

mation. However, the Government has not adopted conclusions with specific duties for the Companies that would contribute to rational and efficient management of the commercial space.

In the audit report, we pointed out that from 2025, the Ministry of Finance will have an obligation to propose Annual Program for sale of non-financial assets to the Government, which will be responsible for managing these assets i.e. use, maintenance, sale and lease. Also, the Ministry of Finance will have an obligation to prepare consolidated balance sheet for the country and the municipalities, as integral part of the Final Account of the State Budget. Therefore, the Ministry of Finance has started activities for setting up an Integrated Information System for Public Finance Management (IFMS), which should contain a module for facilitating the preparation of the above-mentioned balance sheet. This requires greater coordination of activities between state authorities and institutions that use and dispose of state property for providing complete, accurate and relevant information thereof.

5.2.5. REALIZATION OF CAPITAL INVESTMENTS FINANCED BY THE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA, EU FUNDS AND FUNDS FROM OTHER INTERNATIONAL FINANCIAL INSTITUTIONS UNDER JURISDICTION OF THE CENTRAL GOVERNMENT AND LOCAL SELF-GOVERNMENT



The performance audit on the topic "Realization of capital investments financed by the Budget of the Republic of North Macedonia, EU funds and funds from other international financial institutions under jurisdiction of the central government and local self-government" was carried out in accordance with SAO Annual Work Program for 2023. The audit objective was to answer the question "Does existing structure and implementation of capital investments in the Republic of North Macedonia ensure sustainable and inclusive growth and a better quality of life for the citizens?"

The performance audit covered the effects of planning and realization of capital expenditure in the Budget of the Republic of North Macedonia and the public investment projects foreseen in the Government program documents for the following sectors:

- ▲ transport,
- ▲ environment,
- ▲ healthcare,
- ▲ agriculture - water management, and
- ▲ project for construction of infrastructure road Corridor 8 and Corridor 10d.

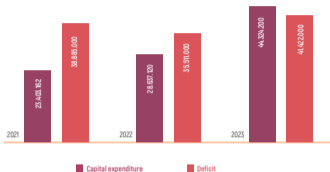
The audit has added value by informing the Assembly about the management of capital investments, as well as the exposure of public finance to fiscal risks related to allocation and spending of public money for capital investments.

The structure and realization of capital investments in the Republic of North Macedonia entail high fiscal risks and the fulfillment of the Government strategic goal for realization of sustainable and inclusive growth and a better quality of life of the citizens is called into question.

The capital expenditure presented in the Budget of the Republic of North Macedonia is not complete and does not provide clear and objective view of the public investments in the country.

The Budget does not present public investments from Public Enterprise for State Roads (PESR), which is not in accordance with the latest methodologies on government statistics and as a result there is incomplete presentation of capital investments in the Budget of the Republic of North Macedonia.

In the narrative part of the Budget of the Republic of North Macedonia for 2021, 2022 and 2023, it is stated that the proposed Budget is in accordance with the golden rule in public finance - "capital expenditures are higher than the budget deficit, i.e. borrowing will be used only for financing investment projects." This rule was fulfilled only in 2023 when the amount of realized capital expenditure is greater than the value of the budget deficit.



Public investment management system has not been established, and the process of planning, prioritization and allocation of funds in the Public Investment Budget is not adequately defined by the current Law on Budgets to allocate public funds for the highest priority investments.

New systemic Law was adopted in September 2022 that follows trends and recommendations of international financial institutions.

Comprehensive public finance management reforms are underway, and the Public Finance Management Reform Program 2022-2025 foresees measures for strengthening management of public investments to improve planning, allocation and realization of public infrastructure projects with gradual introduction of reforms that would improve efficiency of public investment management practices.

Although organizational units are planned, they have not been set up yet to support infrastructure projects in the Office of the President of the Government of the Republic of North Macedonia and for monitoring in the Cabinet of the Deputy President of the Government of the Republic of North Macedonia, responsible for economic issues, coordination of economic departments and investments.

There is no supervision over the entire portfolio of public investments at national level, and thus the overall fiscal risk for the implementation is not monitored and managed to take timely corrective measures and reduce the probability of future financial implications.

The management system is not complete, i.e. it is fragmented by projects and by means of financing.

There is also no single database of projects to look at public investments and strategic projects that are being implemented, their value, realization dynamics, financing method, type of construction and other data and information that could be used for assessments and analyses for the needs of the country.

Out of 24 audited projects amounting to 3.95 billion euros, construction contracts with a value of 2.744 billion euros have been signed for 19 projects. For the remaining 5 projects, although the preparations have started several years ago, construction contracts have not been signed. The contracts signed for 19 projects have a total value of 2.744 billion euros and the realization is 941.8 million euros. Only one of the audited projects has been completed. Of those 19 projects, six are facing delays due to the following:

- ▲ contracts have been terminated for four projects, of which three have international arbitration and a claim for damages amounting to 45.5 million euros, and
- ▲ two projects are uncertain due to expired construction deadline, and new annexes to the existing construction contracts have not been signed.

Project - Construction of Wastewater Treatment Plant of the City of Skopje

Indicative value
136 million euros

Feasibility study
2019



New estimated value and signed contract
185.70 million euros
March 2023

Contract realization
10 million euros



IPA II Projects

Environment and climate action sector

PROJECT	ESTIMATED VALUE IN MILLION EUROS	CONTRACT SIGNED IN MILLION EUROS	CONTRACT REALIZATION IN MILLION EUROS		
"Construction of wastewater treatment plant and rehabilitation and upgrade of the sewage network in the Municipality of Struga"	27.86	public procurement plan 2023	0	0	
"Construction of wastewater treatment plant and rehabilitation and upgrade of the sewage network in the Municipality of Struga"	30.12	donation agreement, December 2022	0	0	
"Rehabilitation and expansion of the sewerage network in the Municipality of Kicevo"	16.07	contract signed, November 2022	16.07	0	
"Improving the infrastructure for wastewater treatment in the City of Skopje"	9.68	signed contract in 2017	9.68	7,10	International ARBITRATION
"Setting up integrated and self-sustained regional water management system for the East and the Northeast region"	26.10	public procurement plan 2023	0	0	CLAIMS ?

TRANSPORT SECTOR



IPA II Projects

Corridor XIa "Construction of new road section Gradsko Drenovo as part of the road Corridor XIa"

Contract signed (2017)

24,74 million euros

construction deadline July 2023



Contract realization
16,80 million euros

uncertainty due to expired construction deadline
no new annexes signed



Corridor VII "Construction of new railway section Kriva Palanka to the border with Republic of Bulgaria as part of Corridor VII, phase 5"

Estimated value
560 million euros



New estimated value with GAP analysis, Government information, June 2023

Construction of Corridor VIII to the east, railway infrastructure - phase 1

Contracts signed with first contractor, termination agreement with first contractor and contract signed with second contractor

78,20 million euros

Contract realization
58,73 million euros

Construction of Corridor VIII to the east, railway infrastructure - phase 2

Contract signed (2022)
155 million euros

Contract realization
17,77 million euros

Corridor X - Project for improving railway line of Corridor X

12,78 million euros
Completed project

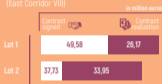


TRANSPORT SECTOR

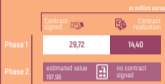
Construction of Highway 2, road section Kicevo Ohrid Corridor VIII to the West



Construction of the expressway Rankovo - Kriva Palanka (East Corridor VIII)



TEN-T Project Highway from Skopje to the border with Kosovo



Construction of regional road R2138 connected with regional road R2134 with Sonev Grad settlement

6,70 million euros
Completed project

Road construction was completed 5 years ago but not put into use due to unapproved changes during construction and no extension of construction permit deadline



Construction of infrastructure Corridor 8 and Corridor 10d



HEALTHCARE SECTOR

Project 'Rehabilitation of healthcare institutions in the Republic of Macedonia' Phase II (component 1 and component 2)

PROJECT	CONTRACT SIGNED IN MILLION EUROS	CONTRACT REALIZATION IN MILLION EUROS		CLAIMS IN MILLION EUROS
Component 1 - Construction and modernization of Mother Theresa Clinical Centre	95,50	0	contract terminated August 2018	international ARBITRATION 2023 awarded 23,50
Component 2 - Construction of Regional Hospital in Štip	42,82	12,99	contract terminated June 2023	international ARBITRATION 2023 awarded 22,00
Reconstruction, conversion, adaptation and extension of PVI General Hospital Kicevo first and second phase	7,86	2,97	contract terminated November 2023	Project standards due to terminated contract

WATER ECONOMY SECTOR





PROJECTS FROM ENVIRONMENT SECTOR

The project for construction of wastewater treatment plant of the City of Skopje is the largest environmental investment with over 196 million euros allocated by the country and additional 69.7 million euros granted from EU funds.

Although funds were secured, the project design started in 2007. In 2014, the feasibility study for the construction of the wastewater treatment plant was upgraded and updated,

but even after 10 years, the project is not ready for physical implementation.

The management of this strategic project is not efficient and the objective for implementation of legal obligations and achievement of standards has not been accomplished, particularly concerning EU Directive on removal and treatment of municipal wastewater (91/271/EEC) and EU Directive on drinking water (98/83/EEC)



IPA II PROJECTS - ENVIRONMENT AND CLIMATE ACTION AND TRANSPORT SECTOR

In the IPA II period (2014-2020), the multiannual action program for the Republic of North Macedonia on environment and climate action and transport provides for seven large projects with a value of over 10 million euros, of which two projects in the field of transport and five projects in the field of environment.

For these projects with an estimated total value of 715.5 million euros, with the bilateral agreements concluded between the European Union and the Republic of North Macedonia, financial assistance of 179.7 million euros was granted.

After ten years of the program period, the realization of three projects started. However, the projects were terminated or have slow dynamics, and the declared costs amount to 29 million euros.

For two out of three projects that have started, there are additional fiscal risks from international arbitration. Arbitration procedure was initiated for the project Improvement of the infrastructure for collection of wastewaters in the City of Skopje. The complete realization is uncertain and there is a risk of arbitration procedure for the project Construction of road section Gradsko Drenovo, Corridor Xd.

For the project Rehabilitation and expansion of the sewage network in Kichevo, there is an active construction contract that was signed in January 2023, the realization of the contract officially started in March 2023, the deadline for declaration of costs is October 2024, but the percentage of realization until the day of reporting on the audit was 2%.

The realization of four projects under this program is very uncertain and there is a risk of losing granted funds due to not implemented tender procedures and not signed contracts, as follows:

- ▲ Construction of wastewater treatment plant and rehabilitation and upgrade of the sewage network in the Municipality of Bitola.
- ▲ Construction of treatment plant and expansion of the sewage network in the municipality of Tetovo.
- ▲ Integrated self-sustaining waste management system in the East and North-East region; and
- ▲ Construction of new railway section from Kriva Palanka to the border with Bulgaria as part of Corridor VII, phase 3.

79 million euros of EU funds have been cancelled from this program until the day of reporting on the audit, and the use of the remaining financial assistance is very uncertain because the Program ends by the end of 2026.

The low percentage of absorption of funds for large infrastructure projects shows that there

are problems in the administrative capacity for managing EU structural funds in relation to Chapter 22 - regional policy, and there are fiscal risks to the State Budget and the municipal budget due to loss of grants for financing projects in the field of transport and environment.



PROJECTS FROM TRANSPORT SECTOR

Investments in road and railway infrastructure are planned for developing transport network between EU and the countries of Southeast Europe, which should contribute to balanced sustainable development in terms of economy, spatial integration, impact on the environment and social aspects, as well as social cohesion.

- ▲ Projects for construction of Corridor VII of railway infrastructure to the

East, phase 1 and 2, started back in 1996 and are not yet completed. The value of these projects has increased, and commissions have been paid for non-withdrawn funds in the amount of 4.6 million euros due to unfulfilled conditions for loan effectiveness in a period of seven years due to inefficient management of these strategic projects.



- ▲ For the project Construction of Corridor VII railway infrastructure to the East, phase 3, project planning and preparation phase is taking too long and there is a high risk of losing IPA grants of 60.765 million euros, as well as future fiscal implications due to the need of additional funds from the State Budget.

In addition, we emphasize that the value of the project has increased. The value in the bilateral agreement between the European Union and the Republic of North Macedonia is 340 million euros, and until the day of reporting on the audit, the project value is estimated at 560 million euros. This situation carries a high fiscal risk from economic point of view.

- ▲ For the project for construction of Highway 2 road section Kichevo-Ohrid, the value of the construction contract with Annex No. 3 is estimated at 589 million euros, while the initial value was 411 million euros. The project has not been completed even after 10 years, and the financial realization amounts to 465.4 million euros. The deadline for the completion of the project has passed on 31 December 2023, and there is great uncertainty due to occurrence of high legal and financial risks related to the course of this project. In April 2024, the Law on implementation of infrastructure projects for the construction of the road section Miladinovci-Shtip and the road section Kichevo-Ohrid was adopted, which provides for Annex No. 6 to the contract for construction of the highway section Kichevo-Ohrid and a new deadline for construction 31 December 2026.



- ▲ The second phase of the TEN-T route project for a highway from Skopje to the border with Kosovo has not started. It has been planned for several years, and the estimated value of 112 million euros has increased to 198 million euros for only 10.5 km highway.
- ▲ Concerning the project - Construction of regional road R2138 connected to regional road R2134 with the settlement Sonchev Grad, the auditor found series of gaps during and after the completion of the construction, and as a result the road has not yet been put into use. This is not in line with the principle of good management - to be impossible to use public investment for which public funds have been spent in the interest of the citizens.
- ▲ For the construction of infrastructural Corridor 8 and Corridor 10d of 108 km with an estimated value of 1.319 billion euros, a separate Law was passed for regulation of the conditions and method of construction.

With a comparative analysis of the cost of construction of Corridor 8 and 10d, we ascertained that in the five-year plan of the Transport Community from April 2022, the indicative value stated for these sections is 585 million euros or 475 million euros without the section Bukojčani-Kicevo, while the indicative value of the construction according to the cost benefit analysis / Consultative expert analysis, opinion on justification / profitability of the construction of Corridor VIII and Corridor Xd, prepared on 27 December 2022 by the Faculty of Civil Engineering, amounts to 1.275 million euros. The price of the estimated value in the contract is in line with the cost benefit analysis.

The above project is planned to be fully financed by the Budget of the Republic of North Macedonia. Modified red FIDIC is applied for the construction, but there is no main design, and thus the estimated value of the project is uncertain. The funding for this project is uncertain due to absence of multiannual budgeting for strategic projects and absence of project funding.



PROJECTS FROM HEALTHCARE SECTOR

The construction of Skopje Clinical Centre and Shtip Regional Hospital have been cancelled due to terminated loan and construction contracts.

Due to the cancellation of these contracts that were concluded in line with FIDIC rules [in February 2016 for the Regional Hospital in Shtip and in May 2017 for the Clinical Centre Skopje], there are high fiscal risks to public finances.

The estimated value of the construction contracts for Shtip Regional Hospital is 42.6 million euros, and for Skopje Clinical Centre is 95.5 million euros.

Due to the termination of the contract for construction of the Clinical Centre Skopje and the cancellation of the project during 2022 and 2023, arbitration was initiated with claims of 23.5 million euros from the consortium of contractors. Due to the termination of the contract for construction of the Regional Hospital in Shtip, a project of great importance to the citizens, arbitration was initiated in January 2024 by the contractor with claims amounting to 22 million euros.

In consequence of the cancelled construction of strategic projects in the tertiary healthcare, the strategic objectives of the national healthcare strategy were not accomplished, which influences the quality of life of the citizens.



PROJECTS FROM WATER ECONOMY SECTOR

The construction of three capital projects in the water management has not been completed, although the activity for realization has started in October 2015 and December 2016.

For the three projects [Konsko Dam near Gevegelija, Rečani Dam on Orizarska river near Kočani and Hydro-meliorating system Raven-Rečica in Polog] with total contract value of 91 million euros, procedure for public procurement was carried out and construction contracts were signed. However, no conditions were created for the start of the construction. Namely, the contracts were signed even though there was no construction permit for the



The construction of a new healthcare facility in Kichevo has started more than 25 years ago. The construction during 2014 and 2020 has been reactivated. The estimated value of the project is 16 million euros, but due to slow dynamics of the contract implementation by the contractor, the contract was terminated in the second half of 2023.

infrastructure, the expropriation was not resolved, and there was a need of additional designs. Therefore, even after seven years, the construction has not been completed.

To overcome ascertained shortcomings, we gave recommendations to the competent institutions for taking measures and activities for efficient management of public investments aimed at completing strategic projects and achieving positive effects in the economy, and thus improving the quality of life of the citizens and protection of the environment, i.e. achievement of SDGs.

5.3. DEFENCE

5.3.1. MINISTRY OF DEFENCE

The Ministry of Defence of the Republic of North Macedonia (MoD) is a state administration body competent and responsible for effective functioning of the national defence system, comprehensive support of the Army of the Republic of North Macedonia, strategic defence planning, efficient management of defence resources, development of military capabilities for implementation of defence missions, international defence cooperation, integration in NATO, participation in the European security and defence policy and continuous contribution to international operations.

Following the audit on the financial statements of the Ministry of Defence for 2022, we issued four reports that point to noncompliance of financial transactions with the relevant legislation, guidelines and policies in place and a separate audit report that was labelled confidential.

In the Final Audit Reports of the Authorized State Auditor from 2011, 2015 and 2017, it was continuously reported about biased expression of the value of land, forests, structures and equipment. Although the State Audit Office continuously gives recommendations for overcoming ascertained shortcomings, we found that no change has been made in 2022 as well.



Namely, in the financial statements the fixed assets have current value of 1422.999.880.000 denars, and this value is transferred every year starting from 1999.

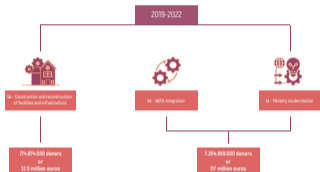
We found that although the Ministry has material records for the land, the structures (title deed, data on land surface, location, purpose, etc.) and equipment, it does not have relevant information on their value, which is why financial records have not been established.

In the course of 2022, MoD was assigned immovables for permanent use by six Government decisions. These were recorded in the material records, but not in the financial records, due to absence of data on their value.

Following the recommendation of the authorized state auditor for assessment of the property, in October 2019, MoD has submitted request to the Bureau of Forensic Expertise to assess the value of the structures in the period 2019 - 2022. The Bureau has evaluated only part of the structures that are being leased by the Ministry.

The country's efforts for NATO membership, as well as the current efforts for EU membership, imposed the need for changes both in modernization of equipment and in improving the Army conditions in line with NATO standards. For this purpose, in the past several years the Government regularly provides funds through:

- ▲ subprogram 5B - Construction and reconstruction of facilities and infrastructure; objective - improvement of conditions for functioning and performance of tasks by the Ministry and the Army,
- ▲ subprogram VA- NATO integration,
- ▲ 1A-Modernization of the Ministry.



We have ascertained that the funds spent amounting to 7,979,735,000 denars or 129.5 million euros are presented by the Ministry only as capital expenditure and not as an increase in the value of fixed assets.

The Ministry has software application for material records of permanent assets and supplies of the Ministry and the Army with data on the quantity of assets and supplies, location thereof, but without data on their value. In March 2021, contract was signed for upgrade of the module for material operations in the amount of 672,000 denars, to enable entry of value indicators for all assets. However, regardless of the qualitative-quantitative acceptance of the upgrade, the module was

not put into operation until the day of reporting on the audit.

In May 2022, the Ministry started activities to determine the value of assets acquired in the last five years, and this activity is still ongoing.

The authorized state auditor has reported in previous audit reports on the activities of the Ministry for setting up and implementing software - Logistics Information System - LIS [the funds are provided by a donation], which is a software application with data on long-term, medium-term and annual planning, programming, budgeting and execution in the Ministry and the Army. However, the software solution is still not functional in 2022.

With the performed audit, we identified shortcomings related to supplies, spare parts and small inventory, obligations toward suppliers and claims from buyers. We pointed out that, *inter alia*, the Ministry has not provided data on the value of the supplies at the end of the reporting period, obligations are expressed in lesser amount of 29.619.000 denars and the receivables amounting to 818.000 denars have not been recorded.

The audit report also presents shortcomings that refer to the operation of the Military Medical Centre - VMC, where we found that the Ministry generates revenue based on payment of participation from natural and legal persons for healthcare services from primary healthcare and specialist-consultative healthcare. The provisions of the

contract signed for healthcare services in primary healthcare and specialist-consultative healthcare for natural and legal persons between the Health Insurance Fund and the VMC, valid from 01 January 2019 until 31 December 2023, are not in accordance with Article 68a of the law on health insurance. In addition, we identified shortcomings related to the method of payment in cash and the method of financing VMC activity.

Regarding the revenues realized by the Ministry based on provision of catering, hotel, recreational services for internal and external persons, leasing of facilities and other activities, we found that the collected funds in cash are not paid within the legal deadline, i.e. the payment is delayed for up to one month, which is contrary to the legal acts.





5.4. UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

5.4.1. PREPAREDNESS OF THE REPUBLIC OF NORTH MACEDONIA FOR IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT GOALS UNTIL 2030

We conducted performance audit on the topic "Preparedness of the Republic of North Macedonia for implementation of Sustainable Development Goals until 2030", as a parallel audit with the SAI of the Republic of Serbia, with the aim to answer the question "Are the institutions and bodies of the Republic of North Macedonia prepared to implement the Sustainable Development Goals by 2030?"

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

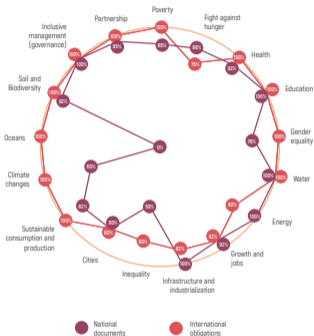
Despite well-established strategic and institutional framework for implementation of commitments from the 2030 Agenda, due to certain weaknesses in the management structure, procedures, administrative capacities, communication and information, funding and monitoring system, the institutions and bodies of the Republic of North Macedonia are partially prepared for implementation of the Sustainable Development Goals until 2030.

The existing strategic framework of the country satisfactorily encompasses the key aspects of sustainable development. Bearing in mind that the National Strategy for Sustainable Development (NSSD) has not been revised and fully aligned with the goals and indicators of the 2030 Agenda, new National Development Strategy is currently being prepared. The sectoral strategic documents mainly reflect the guidelines and principles provided by the SDGs, and thus the compliance of strategic development planning with the SDGs is at 83%, i.e. 95%, if the implementation of 55 ratified international conventions is taken into consideration.





COVERAGE OF INDIVIDUAL SDGs IN THE REPUBLIC OF NORTH MACEDONIA

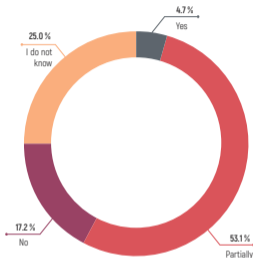


The organizational and implementation framework in place for achieving sustainable development is based on the integrated approach, but its functionality is hindered by weak administrative capacities, lack of all foreseen support bodies and procedures with clearly defined competences and responsibilities. There is no regular institutional

communication and coordination at various levels of government activities for identifying and linking goals/targets for integration of inter-sectoral policies. Also, frequent changes in the leadership within the National Council are affecting the continuity and consistency of governance towards achievement of strategic goals.



COMMUNICATION CHANNELS SET UP WITH STAKEHOLDERS



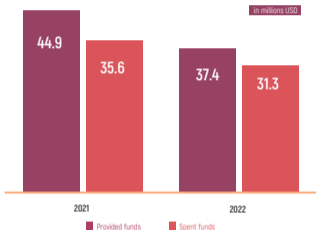
The absence of effective communication channels and information dissemination is the main reason for the insufficient involvement of stakeholders and raising public awareness, according to respondents from the conducted research. Only 5% of respondents believe that communication channels and information dissemination for stakeholders and the public are established, and their effectiveness is partial, while 77% believe that stakeholders are not given sufficient opportunities to actively participate in the process of adjusting the national SDG framework.

The current method of financing does not provide clear picture of how much of budgeted and realized funds are allocated for achievement of individual sustainable development goals and sub-goals, hindering effective monitoring of the results of the activities funded.

The Resource Mobilization and Partnership Strategy for the Sustainable Development Cooperation Framework provides a good foundation by defining common quantitative goals and qualitative approaches for resource mobilization and partnerships over a five-year period. However, the available funds by year are not fully utilized. In 2021, \$44.9 million were available to the UN agencies in the Republic of North Macedonia, of which \$35.6 million, or 79%, were spent. In 2022, out of \$37.4 million available, \$31.3 million, or 84%, were realized.



FUNDS PROVIDED AND SPENT IN 2021 AND 2022



Monitoring and reviewing progress of the Republic of North Macedonia towards achievement of Sustainable Development Goals of the 2030 Agenda is done by multiple documents:

- ▲ GAP analysis,
- ▲ Rapid Integrated Assessment,
- ▲ First voluntary national review, and
- ▲ the annual reports from the Joint Steering Committee.

Of the global set of indicators, 155 (63%) are available for the Republic of North Macedonia. Most of the SDG indicator set comes from the work

program of the State Statistical Office, while the remaining indicators are provided by other relevant institutions. The absence of a system for collecting and monitoring data from multiple institutions complicates the reporting process in support of the accountability mechanism. In this regard, there is no platform on the website of the State Statistical Office, which should facilitate continuous monitoring of updated data, metadata information, and sources of information on SDG indicators.

The achievement of SDGs by indicators can be found at the following link:

NORTH MACEDONIA

Eastern Europe and Central Asia

OVERALL PERFORMANCE

COUNTRY RANKING **60** / 166



AVERAGE PERFORMANCE BY SDG



SDG DASHBOARDS AND TRENDS



■ Major challenge ■ Significant challenge ■ Challenge met ■ SDG achieved
↓ Deteriorating → Stagnating ↗ Moderately improving ↑ On track or making SDG achievement Information available Information unavailable

Note: For full list of each SDG's available from <https://www.sustainabledevelopment.un.org/topics/sustainabledevelopment>



5.5. HEALTHCARE SYSTEM

5.5.1. HEALTH INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA

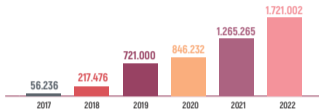
The State Audit Office audited the financial statements along with compliance audit of the Health Insurance Fund of the Republic of North Macedonia for 2022, and identified several shortcomings as follows:

- ▲ weaknesses in the functioning of the Fund's IT system due to absence of IT strategy, lack of IT personnel, and an outdated server structure, which resulted in a cyber-attack on the Fund's IT system,
- ▲ for public healthcare institutions (PHIs) to be able to provide healthcare services that are deficient due to expensive therapy and treatment methods, there is a legal possibility within the annual contractual fee to include conditional fee for procurement of new generations of drugs for treatment of certain diseases. The allocated funds for the conditional fee in 2022 amount to 1,721,002,000 denars for 24 PHIs and are continuously increasing, as detailed in the following Chart.





CONDITIONAL COMPENSATION 2017-2022



The implementation of conditional compensation in PHIs is not fully monitored by the Fund and no financial control has been carried out on the earmarked spending of funds, on the procurement and records of medicines and on the performed healthcare services for 2022. We ascertained weaknesses in the planning, implementation and control of the conditional compensation that affect the achievement of the purpose of the approved conditional compensation,

- ▲ in the procedure for referring insured individuals for treatment abroad, there are weaknesses and irregularities, where adequate legal protection for applicants is not ensured, and there is no established control and system for monitoring the success of treatments abroad. The claims for advances given for treatment abroad are incompletely recorded, and appropriate controls for verifying invoices from foreign hospitals are not established, resulting in legal claims,
- ▲ control activities for provision of healthcare services in healthcare institutions are not adequately established or implemented, resulting in incomplete verification of invoices for performed healthcare services. The absence of a unified integrat-

ed system for issuing referrals, medical reports, and calculations for performed healthcare services, which are the basis for preparing monthly invoices/reports, creates a risk of omissions and errors. With limited staffing capacities, there is no possibility for complete control of private healthcare institutions (PHI) to which a total of 3.362.245.000 denars were paid in 2022. According to presented data on performed controls in 2022 concerning hospital healthcare, we determined that irregularities were found in 80 out of 88 controls, with most controls being carried out in public healthcare institutions (PHI), even though this does not significantly affect the amount of compensation paid by the Fund, unlike the controls in PHI, which should ensure verification of the type and scope of invoiced healthcare services affecting the amount of compensation paid. The reports on performed controls are submitted to the commission for contractual penalties, but there is no complete information on actions taken and on imposed contractual penalties,

- ▲ Based on invoices for prescription drugs issued during 2022, a total of 2.818.726.000

denars were paid to private healthcare pharmacies. However, systemic and manual controls in the process of prescribing and issuing drugs are not adequately established or implemented, posing a risk of paying invoices for prescriptions that differ in type and quantity from the actual. Following the detection of double-billed prescriptions by the audit, the Fund has undertaken activities for systematic checks, uncovering 65,809 disputed prescriptions issued between 2021 and 2023, with a total value of 6,138,000 denars. We found that upon requested re-check of the disputed prescriptions in 2022, documented letters were recorded, and the pharmacy invoices were reduced by only 4% of the total disputed amount. In addition, steps have been taken to integrate certain new systemic controls for invoiced prescriptions and to amend the internal act, increasing the representative sample for manual prescription control. However, these controls still have a limited scope and are not sufficiently effective, considering that over 2 million prescriptions are issued monthly on average*. Although activities to establish an ePrescription system were initiated in 2021, which should enable full control in the process of issuing prescriptions and drugs and invoicing to the Fund, the system has not been implemented as of the date of the audit,

- ▲ the property and legal status of some structures/buildings and land is unregulated, the value of the real estate is incompletely determined, and it is not fully recorded in the business books,

- ▲ irregularities were noted in the implementation of procedures and the execution of public procurement contracts, specifically, some contracts were not concluded within the legal timeframe, and there is insufficient competition in the procurement of equipment and services for the Fund's IT system.

In the section Emphasis of Matter, the audit discloses the following:

- ▲ absence of complete information on claims based on unpaid contributions for healthcare insurance and highly uncertain collection of claims that arose as of 31 December 2008,
- ▲ uncertainty about the outcome of court proceedings in which the Fund is either a defendant or a plaintiff,
- ▲ outdated reference prices for healthcare services that are covered by the Fund.

In the section Key Audit Matters, we report on the payment method for services rendered by healthcare institutions, indicating that real purchase of services as provided by the Health Insurance Law is not ensured. Within the established budget, instead of reimbursing the performed healthcare services, the Fund is forced to allocate funds for the full operation of all public healthcare institutions, with 2/3 of them having the status of unsustainable because they deliver significantly smaller volume of services compared to the agreed compensation.

In the section Other Matter, we report that the list of drugs covered by the Fund is not updated and the National e-Health Strategy is not adopted.

* According to the Annual Report of the Fund for 2022, a total of 25,013,389 prescriptions were issued

5.5.2 PUBLIC HEALTHCARE INSTITUTIONS

3 GOOD HEALTH AND WELL-BEING



With SAO Annual Work Program for 2023, we covered three public healthcare institutions in the field of secondary and tertiary healthcare, namely:

- ▲ PHI Clinical Hospital dr. Trifun Panovski Bitola,
- ▲ PHI University Clinic for Eye Diseases, and
- ▲ PHI University Clinic for Paediatric Diseases.

With the audits of the financial statements and compliance audits for 2022 of the previously mentioned PHIs, we identified shortcomings that largely recur in previous annual reports of other PHIs and pertain to:

- ▲ irregularities in the conducted inventory of assets and liabilities,
- ▲ irregularities in the recording and monitoring of consumption of medicines and other medical materials,
- ▲ differences in calculated and collected participation fees, i.e., lack of activities for timely collection of receivables for performed healthcare services and incomplete assurance of revenue from performed healthcare services,
- ▲ weaknesses in the organization of working hours, enabling improper determination of the working hours and the amount of compensation to be paid to certain employees, as well as improper payment of salaries and salary compensations,
- ▲ failure to provide legally mandatory slots for performing healthcare services through "My Appointment" ("Moj termin"),
- ▲ failure to ensure consistent compliance with the provisions of the Law on Public Procurement in the procedures for awarding public procurement contracts and

monitoring execution of signed contracts, and

- ▲ weaknesses in internal controls concerning work processes in PHIs.

In the section Emphasis of Matter, we report on the following:

- ▲ A linear accelerator was procured by the Ministry for the needs of PHI Clinical Hospital Bitola in 2012, in the amount of 100.015.000 denars, which has not been put into use as of the date of the audit because it lacks appropriate staff and additional equipment necessary for its operation.
- ▲ At the PHI University Clinic for Paediatric Diseases, between 130 and 140 patients suffering from cystic fibrosis have been registered. The funds provided, as of November 2023, are sufficient to purchase therapy for only 15 patients. The audit opinion is that, given the limited budget and the restricted number of patients receiving therapy, there is a risk of subjectivity in selecting patients to be included in the therapy. Therefore, it is necessary for the Clinic, in cooperation with the Fund and the Ministry, to take actions to secure funds to ensure that this therapy is available to all patients who meet the medical criteria, as confirmed by a medical consilium and a professional board.
- ▲ As of 31 December 2022, audited PHIs have outstanding receivables from the Ministry of Health for healthcare services provided under healthcare protection programs in the amount of 148.753.000 denars, which originated in the period from 2009 to 2022. This situation impacts the financial condition of the PHIs and the quality of services provided to citizens, creating a risk of the receivables becoming statute barred. Therefore, the audit indicates that it is nec-

essary for the PHIs, in cooperation with the Ministry, to find a solution to overcome the issue of unpaid receivables.

In the section Other Matter, we report as follows:

Despite the legal obligation of the Ministry of Health to establish National system for material-financial and accounting operations and Central system for timekeeping for the needs of PHIs, these systems are not operational. It is necessary to undertake activities to review these legal solutions and explore possibilities for their implementation and functionality.

Activities need to be taken by the Minister of Health to issue a decree specifying the types of costs that can be included in the compensation when entering into an agreement for continuous provision of healthcare services between public healthcare institutions, in accordance with Article 221 of the Law on Healthcare, considering that different institutions regulate this process differently.



5.5.3 USE OF HEALTHCARE SERVICES FOR RADIOLOGICAL DIAGNOSTICS WITH MAGNETIC RESONANCE

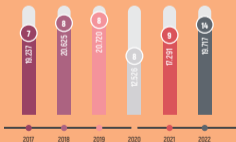
3 GOOD HEALTH AND WELL-BEING



The State Audit Office conducted performance audit on the topic "Use of healthcare services for radiological diagnostics with magnetic resonance imaging" to answer the question "Are timely and quality healthcare services for radiological diagnostics with MRI available to the insured?" for the period 2019-2022.

We ascertained that despite the progress achieved in terms of obtaining seven new MRI devices in addition to the existing eight in the public healthcare in the last three years, the devices are not sufficiently used, and the adopted policies and the measures and activities taken by the competent institutions and healthcare institutions do not always provide affordable and quality healthcare MRI services for the insured individuals.

SERVICES DELIVERED / NUMBER OF MRI DEVICES 2017-2022



The volume of services in 2022 is approximately the same as in 2017, although the number of MRI devices in public healthcare has doubled from 7 to 14.

The annual average of 2800 scans per MRI device is below the average of European countries, which ranges from 4000 to 8000 scans per MRI device per year.

The volume of services in 2022 is at approximately the same level as in 2017, although the number of MRI devices in public healthcare has doubled from 7 to 14.

The annual average of 2,800 services performed per device is below the average of European countries, which ranges from 4,000 to 9,000 recordings per year per device.

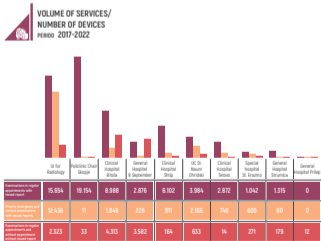
The electronic system has made available 110,466 MRI appointments, of which 83% were booked, and 56% were used, resulting in 61,987 examinations with specialist reports issued. There are significant discrepancies between the number of published appointments and the prescribed ones, mainly due to defects in MRI devices and reduced availability of staff, as well as the COVID-19 crisis in 2020 and 2021.

A practice has been established for unjustified and unnecessary referrals for MRI scans by specialists, for which the Ministry of Health has not taken measures for sanctions. Such situations often lead to insured individuals being unable to schedule appointments and access their rights under man-

datory healthcare insurance in public healthcare, leading them to frequently resort to private healthcare services, for which relevant authorities lack data.

Some PHIs do not have central Picture Archiving and Communication System (PACS), making it impossible to confirm the total number of conducted scans, especially since effective controls for the imaging and recording process are not established. Only three PHIs conduct MRI scans for all types of diagnostics, while in other, due to insufficiently trained staff and/or malfunctioning equipment (antennas), only specific scans are performed.

According to data obtained from "My Appointment", a total of 92,533 examinations were recorded from 2019 to May 2023. This includes both completed examinations with issued reports and examinations without issued reports, scheduled both in regular appointments and without appointments, across various public healthcare institutions (PHIs), as depicted in the following chart:



According to data from "My Appointment", reports were not issued for 12% of the total number of examinations, of which 90% relate to three PHIs, while one PHI has not written any reports in "My Appointment". These PHIs do not perform continuous and complete synchronization of data from the internal hospital software with "My Appointment", which is why some of the specialist reports issued are created outside of "My Appointment".

Of the total number of documented examinations in "My Appointment", 21% were realized outside of regular appointments such as priority, emergency, and service examinations, of which the majority or 86% were realized in three PHIs in Skopje and Bitola, which have increased number of patients on this basis. Under increased pressure on these PHIs, there is a risk that MRI examinations will be performed in shorter duration than necessary, affecting the quality of healthcare services.

For the period from 2019 to May 2023, data from PHIs shows 114,181 MRI services performed, amounting to 747,873,000 denars (approximately 12 million euros). Billing calculations to the Health Insurance Fund were made for 100,862 health service packages amounting to 668,658,000 denars (approximately 10.8 million euros), while data from "My Appointment" for the same period indicates a total of 92,533 MRI services performed.

The PHIs reported 25,632 more services than the data in "My Appointment" for which there is no proof of a written report, affecting the realization of patients' rights and the quality of the performed services. At the same time, PHIs and "My Appointment" reported 17,503 more services than billed packages to the Fund, for which there is no evidence of whether and how the payment for services amounting to 114,845,000 denars (approximately 1.8 million euros) was made. The potential lost revenue for the PHIs from patient participation amounts to at least 12,252,000 denars. In the absence of effective controls, the aforementioned discrepancies were not detected by either the PHIs or the Fund.

Services performed as additional activities are not scheduled through the electronic system and are not recorded in "My Appointment". Prices for these services are 47% higher than the prices for services provided to foreigners, and written reports for these services are not submitted by healthcare workers to the institution.

Based on maintenance and servicing of the equipment, PHIs have paid 75,495,000 denars (approximately 1.2 million euros) for 48 interventions, presented by type of equipment in the following chart:

	NUMBER OF DEVICES	NUMBER OF DEFECTS	NUMBER OF REGULAR SERVICES	% OF COSTS FOR MAINTENANCE AND SERVICING
SIEMENS	4	25	4	57%
PHILIPS GYROSCAN	1	10	/	10.1%
GE SIGNA	3	9	/	32.9%
PHILIPS INGENIA	1	/	1	0.4%

Some PHIs regularly plan and implement procedures, while other enter maintenance and servicing contracts and procure spare parts only after a defect is identified, which affects the availability of MRI services.

Based on agreements for performing healthcare services in four PHIs that do not have their own staff for reading MRI scans, 9,158,000 denars have been paid. There are significant differences in the manner of engagement and the amount of compensation for the doctors, as well as lack of controls and irregularities in the way the engagement and payments are determined and confirmed, which affects the economical and rational spending of public funds.

To address these issues, we made recommendations to the responsible institutions to take measures and actions for ensuring efficient use, availability, and appropriate quality of MRI healthcare services.





5.6. INFORMATION SYSTEMS, SECURITY AND DATA PROTECTION

5.6.1. EFFICIENCY OF THE NATIONAL E-SERVICES PORTAL

We conducted IT performance audit on the topic "Effectiveness of National e-Services Portal" to answer the question "Will the digitization of services ensure efficient, comprehensive, high-quality, and electronic services for the citizens at lower costs?"

The audit was carried out in cooperation with auditors from the Office of the Auditor General of Norway.

With the conducted audit and applied audit methodology, the collected audit evidence provided reasonable assurance that the relevant authorities and institutions are partially committed to the activities for digital transformation and enabling electronic services for citizens. The process of digitizing services is slow, as 140 laws, along with the Law on General Administrative Procedure, are still not aligned with the digitalization package of laws.

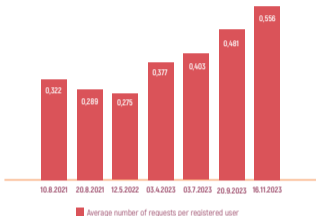
The relevant institutions and authorities lack experienced and qualified IT personnel, which increases the risk of implementing activities in the field of digitalization. Institutions do not update data, meaning some of the nominated persons for operators and verifiers of electronic services in the service catalogue are no longer in the institutions, and some are recorded with private email ad-

resses. Certain institutions independently develop e-solutions without integrating them with the national e-services portal, resulting in inefficient use of resources. The low interest of citizens, insufficient promotion of the portal and electronic services through media and social networks, and equal prices of electronic and paper documents have led to an increase of 70,000 registered users on the National Portal over two years, while the number of submitted requests for electronic services increased by 40,000, or only 0.556 submitted requests per registered user. Approximately 65,000 electronic services have been realized through the national portal over four years.





AVERAGE NUMBER OF REQUESTS PER REGISTERED USER



Given the financial resources invested in the development and maintenance of the national portal amounting to 829,167,000 denars from the Budget and IPA projects, the number of registered users (112,657) on the portal, and the number of requested 64,700 e-services, it follows that the cost of one realized e-service through the national portal is 12.815 denars.

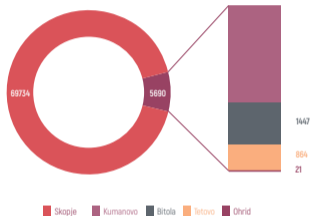
The Ministry of Information Society (MISA) has not taken any activities to inform citizens and the business community about the digitalization of

processes in institutions and the electronic services offered through the national portal.

The commitments undertaken for identifying and eliminating obstacles and barriers in accessibility and internet accessibility standards have not been fully implemented, and visually impaired persons are not able to use electronic services through the national e-services portal.



NUMBER OF TICKETS PER OSS CENTRES



Additionally, One-stop service Centres (OSS centres) outside of Skopje have not achieved the intended goals, considering that they serve between 0,9 to 146 citizens per month per centre, or 0,2 to 24,33 citizens per employee in the centre per month.

The difficult access for persons with disabilities, the issuance of 9,588 electronic documents with expired certificates, and the absence of monitoring for user satisfaction affect the quality and availability of electronic services. The utilization of the national e-services portal by citizens is at a low level.

To address the identified shortcomings, we made recommendations to competent authorities to accelerate the digitalization process in the country, introduce a greater number of electronic services, synchronize citizen user profiles from different portals with the national portal, and promote the existence and accessibility of the national e-services portal more widely. Additionally, we recommended broader acceptance of electronic documents and greater utilization of the national portal as a central system for unified login.

5.8.2. EFFICIENCY OF MEASURES TAKEN BY COMPETENT AUTHORITIES FOR PROTECTION OF CRITICAL INFORMATION SYSTEMS

We conducted IT performance audit on the topic "Effectiveness of measures taken by competent authorities for protection of critical information systems" to answer the question "Do measures taken by the competent authorities ensure efficient and complete protection of critical information systems?"

With the conducted audit and applied audit methodology, the collected audit evidence provided reasonable assurance that the competent authorities and institutions do not provide efficient and complete protection of critical information systems. Additionally, the absence of legal regulation in the country regarding network and information systems security, as well as the need for alignment with the EU NIS2 Directive, does not obligate institutions to take responsibility for risk management measures, assign roles and responsibilities for cyber security, obligation to report incidents, or to prepare and test continuity plans for their services.

The absence of strategic documents, such as a set of activities and measures, does not ensure secure, resilient, and reliable digital environment, which affects the country's ability to be a safe place for online activities and work with advanced human and technical capacities.

The last National ICT Strategy was valid until 2017, while the last National Cybersecurity Strategy was valid until 2022. Despite being prepared, the draft National ICT Strategy and the draft National Cybersecurity Strategy are still in process of inter-institutional alignment. The entities lack approved development documents, strategies, and action plans for IT risk management.

Laws and by-laws for defining criteria and creating registry of operators of critical infrastructure (CI), as well as defining minimum security measures and standards for protecting their information systems, have not been adopted.

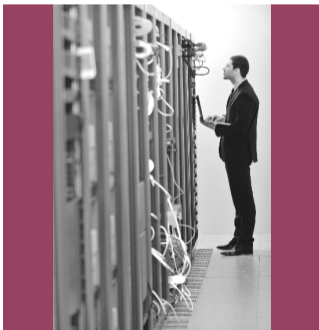
During the audited period from 2020 to 2022, and until the day of reporting on the audit, we ascertained the following:

- ▲ There is no regulation for mandatory reporting of computer security incidents by institutions to MKD-CIRT,
- ▲ The method for preventing access to the Internet network of infected and malicious devices connected through Internet operators, which are sources of malicious software, is not regulated,
- ▲ Persons responsible for information security in institutions have not been appointed, and there is insufficient number of employees to minimize the risk of timely detection of information security threats at an acceptable level and to take protection measures,
- ▲ Continuous professional training on the latest information security threats is lacking, as well as testing to verify awareness, including recognition of phishing attacks through sending fake messages,
- ▲ Insufficient number of computer security incident response teams,
- ▲ Lack of risk analysis with proposed measures according to risk priorities for reducing, mitigating, transferring or minimizing risks to an acceptable level, with exact timeframe for implementation,
- ▲ Lack of continuous analysis to observe the actual situation and define measures and recommendations to enhance the security level, perform regular reviews to detect security errors and vulnerabilities, and develop and periodically test information security plans in institutions,

▲ Dysfunctionality of the National Cyber Security Council questions its effectiveness, efficiency, and relevance in dealing with current and future challenges in cyber security of information systems,

▲ Human resources for preventing and addressing ICT security incidents are insufficient, and 40% of institutions lack assigned personnel responsible for information security.

To address the identified shortcomings, we provided recommendations aimed at ensuring adequate number of educated human resources and effective and comprehensive protection of critical information systems.





5.7. JUDICIARY AND RULE OF LAW

5.7.1. STATE COMMISSION FOR PUBLIC PROCUREMENT APPEALS

The State Commission decides on the legality of actions and omissions to take actions, as well as on decisions as individual legal acts made in procedures for public procurement and the awarding of contracts for concessions and public-private partnerships.

We conducted audit of the financial statements of the State Commission for Public Procurement Appeals for the core budget accounts for 2022, along with compliance audit, for which we expressed unqualified opinion.

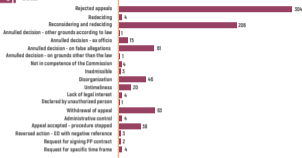
In 2022, the State Commission acted on 837 cases, of which 784 (93%) were resolved, while the remaining cases were carried over for resolution in 2023 due to incomplete documentation.

The resolved cases in 2022, according to the type of decision made by the State Commission, are shown in the following graph:





STRUCTURE OF RESOLVED CASES IN 2022

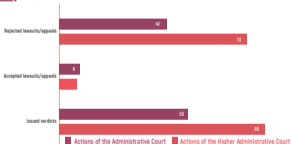


The decisions of the State Commission are final, and all parties are obliged to respect and implement them. Decisions of the State Commission can be contested before the Administrative Court, or an appeal can be filed with the Higher Administrative Court.

The actions of the competent courts against the decisions made by the State Commission in 2022 are shown in the following graph.



ACTIONS OF COMPETENT COURTS UPON PUBLIC PROCUREMENT PROCEDURES



If the economic operators whose lawsuits/appeals are upheld by the Administrative and Higher Administrative Courts initiate proceedings for compensation (lost profits), such situations in the future will lead to an outflow of funds from the

State Budget. This points to the need for due diligence when making decisions by the State Commission on the lawsuits submitted by economic operators.

5.7.2. PROCESS OF AWARDING PUBLIC PROCUREMENT CONTRACTS

The State Audit Office conducted compliance audit on the topic "Process of Awarding Public Procurement Contracts" in JSC ESM Power Plants of North Macedonia, JSC TPP Negotino, PHI General Hospital 8th September, PHI Special Hospital for Orthopaedics and Traumatology "St. Erazmo" - Ohrid, and the Municipality of Bitola.

Audit subject was the process of awarding public procurement contracts in the period 2021-2022 in the aforementioned entities, with the aim of determining whether it is conducted in accordance with the Law on Public Procurement and the relevant bylaws.

The process begins with the adoption of the public procurement plan, which includes the total procurement needs for the current year by type of goods, services, and works, and specifies the procurement subject, the expected start of the procedure, the estimated contract value, and the type of public procurement procedure. This is followed by the implementation of the planned public procurements and concludes with the awarding of the contract. The procedure should be conducted in accordance with legal provisions to ensure economical, efficient, and effective use of public funds, competition, and equal treatment of economic operators.

With the audit we ascertained the following:

- ▲ Annual procurement plans for 2021 and 2022 were timely published in the Electronic System for Public Procurement [ESPP]. During the year, the contracting authorities made amendments and additions, which were also published in ESPP.
- ▲ The assessment of the public procurement value when preparing annual plans is mainly based on historical data rather than a prior market analysis.
- ▲ Some contracting authorities did not publish announcements for implementation of some planned procedures in the current year as well as for some procedures that were added to the annual plans through amendments and additions.

Frequent changes to the annual procurement plan and the failure to implement significant portion of planned procedures by some entities points to inadequate identification of priorities and needs of the contracting authorities, as well as inadequate management of necessary funds.

Concerning the implementation of public procurement procedures, we ascertained the following:



- ▲ In cases where the most favourable offer has a price higher than the amount of funds determined in the decision for public procurement, the contracting authorities amended the decision to ensure the necessary funds for contract implementation but did not conduct analysis to determine whether it is economically viable to conclude the contract or to repeat the procedure.
- ▲ The procurement subject is not always described in a clear, unambiguous, comprehensive, and neutral manner, and is not formed in a way that provides access of small and medium-sized enterprises in the procurement process.
- ▲ The conditions, criteria, and other necessary information in the tender documentation on the implementation of the procedure are not always described in a comprehensive, accurate, and precise manner and proportionate to the procurement subject.
- ▲ In certain cases, the contracting authorities did not take action to respond to questions raised by economic operators, inform them about changes in the tender documentation requirements, or to provide proportionate extension of the deadline for submission of offers following amendments and additions to the tender documentation, which affects competition and equal treatment of economic operators.
- ▲ In some procedures, the public procurement commission did not evaluate bids according to the terms and criteria stated in the tender documentation.
- ▲ The public procurement commission did not provide notification to the bidders whose bids were selected as most favourable, as well as to the candidates/bidders that were rejected or whose bids were not selected as most favourable, with detailed explanations on the reasons behind the decision.

With analysis of data from the ESPP for 2021 and 2022, we found that the audited contracting authorities submitted 290 notifications for 2,925 cancellations, of which 520 were for PP procedures and 2,405 for parts of PP procedures. Considering that during the same period, 9,292 cancellations of procedures and parts of procedures were published by all contracting authorities using the system, the share of cancellations of procedures and parts of procedures by the audited entities is 31%. We found that some contracting authorities, during the validity period of the public procurement contract, sign contract annexes that modify the terms of the tender documentation and the technical specification, as well as annexes for which the terms and the manner of their signing are not clearly and precisely stated in the tender documentation.

For overcoming identified shortcomings, we made recommendations to the competent authorities and the contracting authorities aimed at taking measures and activities for improving conditions related to ensuring competition, economical and efficient use of funds, and greater transparency in public procurement.

5.7.3. HIGHER ADMINISTRATIVE COURT

The State Audit Office conducted audit of the financial statements of the Higher Administrative Court Skopje for the core budget accounts for 2022 along with compliance audit, for which we expressed unqualified opinion.

In the section Emphasis of Matter, we highlighted several conditions related to:

- ▲ Absence of opinion from the Judicial Service Council regarding the internal systematization and organization of job positions of the Higher Administrative Court.
- ▲ Allocated funds for the Court's budget, which in 2022 amounted to 0.29% instead of the legally established 0.8% of GDP.
- ▲ Unfilled, vacant positions for judges since July 2022, which may influence resolving of judicial cases.
- ▲ Case flow management in the court, i.e. the number of cases in progress is declining, and thus the number of unresolved cases. We made an analysis of the number of cases in progress, resolved, and remaining unresolved judicial cases for the period 2020-2022 presented in the following table.

Description/Year	2020	2021	2022
Number of cases in progress	4,478	4,297	3,656
Resolved cases	3,331	3,502	2,884
Unsolved cases	1,147	795	772

5.7.4. OMBUDSMAN OF THE REPUBLIC OF NORTH MACEDONIA



Република Северна Македонија
НАРОДЕН ПРАВОБРАНИТЕЛ
Republika e Maqedonis e Veriut
AFOKATI I POPULLIT
Republic of North Macedonia
O M B U D S M A N

The State Audit Office conducted audit of the financial statements of the Ombudsman for the core budget account for 2022 along with compliance audit, for which we expressed unqualified opinion.

In the section Other Matter, we highlighted certain shortcomings related to:

- ▲ Harmonization and clarification of the legal provisions regulating the status, rights, and obligations of employees in the Ombudsman's Office.
- ▲ The role of the Ombudsman as a national rapporteur on human trafficking is not provided for in the Ombudsman Law as part of its mandate.
- ▲ The inadequately defined procedure for selection and appointment of deputy ombudsmen, allows for delays in reasonable time frames and prolongs the process of selecting and appointing deputy ombudsmen.





5.8. ENVIRONMENT

5.8.1. MINISTRY OF ENVIRONMENT AND PHYSICAL PLANNING

In line with SAO Annual Work Program for 2023, we audited the financial statements of the Ministry of Environment and Physical Planning for the core budget account, own revenue account and self-financing activities account for 2022, together with compliance audit and we expressed adverse opinion.

With the performed audit, we identified several shortcomings including the following:

- ▲ For 2022, the Ministry did not conduct an inventory at the end of the reporting period as an activity to reconcile the actual with the accounting state of assets and liabilities.
- ▲ Business premises are not recorded, and the initial conditions of material and intangible assets, material assets in preparation, stock of materials, spare parts, and small inventory are not confirmed.
- ▲ An objective and realistic system for selecting projects for the implementation of the Water Management Program for 2022 has not been established; clear criteria and rules for their realization are lacking.
- ▲ The Ministry has not appointed authorized person for oversight, nor has it performed full control over the realization of works during the disbursement of funds for earmarked subsidies to municipalities based on the fee for energy production from fossil fuels.
- ▲ The collection of the water right fee, according to the agreements with water service providers, is not performed as planned. Specifically for the period from 2020 to September 2023, agreements for unpaid fees amounting to 112.863.000 denars were concluded with water service providers. We found that by September 2023, out of the total calculated/ due 49.188.000 denars, fees amounting to 23.090.000 denars, or 47%, were collected. An outstanding amount of 89.573.000 denars remains unpaid.

- ▲ Part of the office space and equipment managed by the Ministry is not insured.
- ▲ There is a need to strengthen capacities and employ skilled staff in the Laboratory Department to accredit air emission methods, as well as for continuous use, maintenance, and servicing of the equipment.
- ▲ The Ministry generates income from various sources: registration of motor vehicles and watercraft, A-integrated environmental permits and B-integrated environmental permits in protected areas, and fees for biodegradable bags [since 2021]. We identified lack of data connectivity between the institutions involved in the process of calculation and collection of fees and incomplete collection of these fees. Specifically, for 17 entities holding A-integrated environmental permits registered in the Registry, no decisions were issued for the annual fee for holding an A-integrated environmental permit, resulting in a shortfall of 2.812.000 denars in the Ministry's budget. In 2023, the Ministry issued retroactive decisions for all 17 legal entities for 2018, 2019, 2020, 2021, and 2022, after which five legal entities paid an amount of 1.197.000 denars into the Ministry's account.

We reported on shortcomings affecting the operations of the Ministry, specifically highlighting the need to adhere to the prescribed deadlines when monitoring the progress of realization of planning documents and fully executing the agreed activities for maintenance of equipment at the wastewater treatment plant in the village of Jegunovce.

Additionally, we reported on the status of fund disbursements based on concluded restitution

agreements, according to which in 2022, funds amounting to 67.254.000 denars were disbursed from the Ministry's budget. This amount represents compensation to concessionaires due to the amicable termination of concession agreements for the use of water for electricity production from small hydroelectric power plants located in protected areas within the territory of Sara Mountain National Park and for the small HPP Dvorca, located in the first wider protection zone of Rašče spring.

In the section Other Matter, we reported on:

- ▲ absence of provisions regulating the salary of special advisors in various institutions, including the Ministry of Environment and Physical Planning,
- ▲ the need to strengthen institutional cooperation through data exchange related to continuous upgrading of existing systems for monitoring and reporting on climate change, in which the Ministry plays a significant role,
- ▲ the necessity to prescribe Methodology for determining criteria for distribution of capital subsidies,
- ▲ inadequately established system for collecting fees for holding an A-integrated environmental permit, which has led to the need for development and adoption of a Methodology for calculating the fee for holding integrated environmental permit, which will be the sole basis for such calculations.



5.9. TRAFFIC, TRANSPORT AND COMMUNICATIONS

5.9.1. MINISTRY OF TRANSPORT AND COMMUNICATIONS

We conducted audit of the financial statements of the Ministry of Transport and Communications for the core budget account along with compliance audit for 2022. We identified the following shortcomings:

- ▲ Intangible assets for conceptual solutions and feasibility studies were recorded without proper and reliable documents as a basis for their recording in the business books.
- ▲ Material assets were not recorded in the business books, specifically: office space/premises allocated by decisions of the Government of the Republic of North Macedonia, for which no value assessment was made, and the office space of the Captaincy of the Port of Ohrid, for which the procedure for registering ownership rights is ongoing.
- ▲ In the business books, under the account for material assets in preparation, were recorded constructions financed through programs for the construction of pedestrian paths and beaches and other programs. These constructions have been completed and in use for several years, but handover to the municipalities where they were built has not been performed.

To address these findings, the audit provided recommendations for measures and activities to be undertaken.

In addition, under the section Emphasis of Matter, we highlighted issues affecting the Ministry's operations as follows:

- ▲ Ministry of Transport and Communications, based on an Agreement dated 29.08.2000 between the Government (through the Ministry of Transport and Communications) and Export - Import Bank AD Skopje, has deposited 100,000,000 denars. During 2018, from the claims from the bankruptcy estate of Export - Import Bank AD Skopje, based on a decision of the Basic Court Skopje II, funds amounting to 2,583,000 denars were allocated and returned to the account of the Ministry of Transport and Communications. However, there is uncertainty regarding the collection of the remaining claims amounting to 62,500,000 denars.

In the section Other Matter, the audit highlighted conditions affecting the Ministry's operations, as follows:

- ▲ In August 2018, with Government decision for transfer of shares to separate ownership of the Electricity Transmis-

sion System Operator (JSC MEPSO) from the Government of the Republic of North Macedonia, the Ministry became the owner of the Electricity Transmission System Operator (JSC MEPSO). This is the first time for a ministry to assume ownership of a state enterprise. The new Energy Law⁹ mandates separation of management between the entity responsible for electricity production and the entity responsible for electricity transmission, previously managed by the same entity (the Government), to ensure effective independence. Article 72 of the Energy Law stipulates that the Ministry of Transport and Communications independently makes decisions regarding the appointment of supervisory and management bodies and must not accept instructions from the Government or other state bodies.

- ▲ The audit notes that the provisions of Article 72¹⁰ of the Energy Law, which make the Ministry the owner of the electricity transmission system operator, conflict with Article 27 of the Law on the Organization and Operation of State Administration Bodies, as the energy sector, according to the same law, falls under the jurisdiction of the Ministry of Economy.

- ▲ The funds allocated in the Budget of the Republic of North Macedonia for subsidizing public passenger rail transport services are insufficient to cover the transportation service costs of the state-owned carrier, thus raising concerns about the provision of quality public interest services in rail transport.

- ▲ According to the Annual Program for financing railway infrastructure adopted by the Government, funds amounting to 320,000,000 denars were allocated in the Ministry's budget for the railway infrastructure investment program. This amount is less than the funds stipulated in Article 118 of the Railway System Law, which mandates that railway infrastructure¹¹ financing, in addition to other sources, should be provided in the state budget in an amount of at least 0.3% of the planned tax revenues in the Central Budget for the current year.

PLANNED TAX REVENUES IN THE CENTRAL BUDGET FOR 2022

Tax revenues 2022	0.3%	Annual program	Less planned funds
195,033,217	405,100	320,000	-85,100
141,677,637 rebalance	425,053	320,000	-105,053

⁹ Law amending and supplementing the law on energy 96/19 and 236/22

¹⁰ The Ministry performs the works related to road traffic and road infrastructure, railway traffic and railway infrastructure, air traffic and aviation infrastructure, inland navigation, postal traffic and postal infrastructure, other types of transport and infrastructure that is necessary for carrying out transport (cable car and ski-lifts, etc.), residential and utility works, appropriate infrastructure, arrangement of area and management of construction land in state ownership and performs other works provided for by law and these provisions.

¹¹ Official Gazette of RMF no. 94/22, 238/22

5.9.2. PE FOR STATE ROADS

We conducted audit of the financial statements of the Public Enterprise for State Roads along with compliance audit for 2022, resulting in adverse opinion on the reality and objectivity of the financial statements for 2022 and on the compliance with legal regulations, guidelines, and policies in place.

For some state roads under construction, reconstruction, or rehabilitation, the audit identified lack of systematic and analytical approach and insufficient preparedness in the planning, design, construction, and reconstruction. This led to increased costs of the concluded contracts and extensions of the construction/reconstruction deadlines for sections. Specifically, due to unforeseen and additional works, modifications and amendments to the basic projects—variations—were made,

ranging from one to 42 changes per project, and the construction deadlines for sections were extended from eight months to six years. The largest number of variations, the longest extensions, and 45% increase in contract value (187 million euros) were noted in the construction of Kičevo - Ohrid road section.

In terms of invested funds and the length of road section being constructed, the largest project is the construction of Kičevo - Ohrid road section, which is 58.7 km long. As of December 2022, the investment amounts to 31,597,364,000 denars (approximately 502 million euros). This equates to 557,273,000 denars (approximately 9 million euros) per kilometre of this road section by the end of 2022. By November 2023, the invested funds reached approximately 575 million euros.



Rehabilitation activities on a landslide on Kičevo - Ohrid road section



Viaduct road section Kičevo - Ohrid

Construction of Kičevo – Ohrid road section began in May 2014. For this purpose, a loan agreement was signed in January 2014 between a bank from the People's Republic of China (the lender) and the Public Enterprise for State Roads (the borrower) amounting to 505 million dollars. In December 2019, additional loan agreement was signed for 180 million dollars, bringing the total borrowing for this project to 685 million dollars. For this project, it was noted that a significant portion of the section has been traced, 25 viaducts have been constructed, and various sections are at different stages of construction.

The main reasons for the delayed construction of Kičevo – Ohrid road section include project deficiencies, delayed expropriation due to unresolved property right issues, need to relocate above-ground and underground infrastructure, approval of new soil disposal sites, and insufficient number of technical staff, machinery, and equipment provided by the contractor (subcontractors).

Other large projects are the upgrade and development of Rankovce – Kriva Palanka Road, with invested funds amounting to 2.774.354.000 denars (approximately 45 million euros) and length of 25.5 km, and Skopje – Blace highway section, with a cost of 362.978.000 denars (approximately 5.9 million euros) per kilometre.

The audit found that 21 projects for construction, rehabilitation, and reconstruction of road sections and installation of electronic toll collection system, amounting to 14.430.650.000 denars (approximately 234 million euros), although put into use and generating income, are not properly recognized as real estate in the enterprise's accounting records. These projects generate revenue without the corresponding expenses being recognized, i.e., depreciation expenses for the previous and current period (2022) have not been calculated and recognized. The reason for this situation is not completed technical acceptance due to unresolved property right issues during land expropriation, local

roads built but not handed over to municipalities, the Demir Kapija-Smokvica highway section built, but not handed over to the Ministry of Finance, and improper allocation of investments by projects.

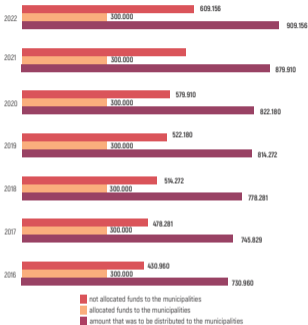
We found that from 2015 to 2022, investments were made in projects and unfinished constructions, interest expenses, one-time fees and commissions for unused funds, expropriations, and other unknown costs, amounting to 1.924.291.000 denars (approximately 31 million euros). Due to insufficient information and/or appropriate documentation, the necessity for their procurement and their use value are unknown, raising questions about justification thereof.

For 98% of the construction projects, amounting to 61.303.043.000 denars, we found that are represent linear infrastructure objects, which, due to difficulties in obtaining usage permits from the Ministry of Transport and Communications, are not recorded in the infrastructure objects cadastre at the Real Estate Cadastre Agency.

During the audit, we found incorrectly calculated tax base and under-calculated and underpaid profit tax for 2022 in the Budget of the Republic of North Macedonia in the amount of 27.525.000 denars. The Public Enterprise for State Roads took corrective actions, and by the end of 2023, the full amount was paid into the treasury account.

The funds paid into the account of the Public Enterprise for State Roads based on road toll from registration of motor vehicles are not fully transferred to the municipalities. Specifically, in the period from 2016 to 2022, 63% less funds were distributed to the municipalities, meaning that 3.580.588.000 denars, or approximately 58 million euros, were not allocated.

in 000 denars



The audit ascertained that the electronic toll collection system was operational throughout the entire year at seven toll stations, and two additional toll stations in the last six months of 2022, while five toll stations did not have electronic toll collection system. The analysis showed that, on average, only 13% of the total toll revenue in 2022 was collected using electronic payment with smart cards and M-tag devices.

Given that the use of electronic cards and M-tag devices for toll collection provides improved and efficient service for toll payment, thus enabling unified and fully interoperable toll system on highways across the country, the audit pointed to need for greater promotion of its usage.

5.9.3. PE FOR MAINTENANCE AND PROTECTION OF MAIN AND REGIONAL ROADS

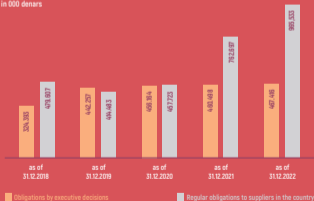
With the audit conducted on the Public Enterprise for Maintenance and Protection of Main and Regional Roads, we expressed qualified opinion on the reality and objectivity of the financial statements for 2022 and adverse opinion on the compliance with legal regulations, guidelines, and policies in place.

Since 2012, the Public Enterprise for the Maintenance and Protection of Main and Regional Roads has been continuously carrying out public activity for which it was established with an account that is blocked by enforcement decisions for collection of unsettled obligations. The PE activities are carried out within monthly limits, i.e., the minimum amount of funds above which enforcement cannot be carried out, as determined by the decisions of the Basic Court Skopje II Skopje. In the latest decision dated 14 June 2021, which is still in effect, the monthly limit for the operation of the public enterprise is set at 231,000,000 denars.

With the audit, we found that the PE obligations to domestic suppliers are increasing over the years due to increased activity for maintenance and protection of state roads, construction of new sections, increased costs for purchase of oil and oil derivatives, as well as rise in prices of goods and services.

Obligations to suppliers in 2018 amounted to 479,607,000 denars, while in 2022 the obligations were 965,533,000 denars, representing an increase of 50.33%. Additionally, there is an increasing trend in obligations by enforcement decisions, which rose from 324,393,000 denars in 2018 to 467,416,000 denars in 2022 (increase of 31%).

in 000 denars



We emphasized that this way of functioning of the public enterprise, which is unable to regularly pay its due obligations, results in increase of obligations by enforcement decisions and the increase in debt due to interest, which adversely affects the financial stability and liquidity of the enterprise.

To reconcile the data, we obtained information from the payment traffic provider, where we found that according to their data, the account of the Public Enterprise is blocked for obligations under enforcement decisions in total amount of 663.175.000 denars, which is 195.699.000 denars more than the obligations recorded in the accounting records of the Public Enterprise (467.476.000 denars). We did not receive an explanation or evidence for the ascertained difference to explain the reasons that led to it, and therefore, the accuracy and objectivity of the recorded amount of obligations under enforcement decisions in the Balance Sheet as of 31 December 2022, are not confirmed.

We found that the enterprise possesses buildings and working assets in the amount of 2.196.489.000 denars, which are exposed to risks due to the nature of the activity. The responsible person has not carried out procedure for insuring the property and assets of the enterprise against fire and other natural disasters, which could cause damage

to the enterprise's property and assets. Regarding the above, we found that between June and December 2021, 15 cargo motor vehicles equipped with special equipment for snow clearing were procured. Already in December 2021, one of the vehicles, after covering 150 km and twenty days from acceptance, was burned. It is important to note that the vehicle was not casco insured, the provided factory warranty was not used, and a period of two years passed from the time of the fire to the filing of a lawsuit for compensation for delivery of defective product and compensation for lost benefits.

During the audit of the inventories, we found that the measuring stick used to measure the fuel level during receipt was not verified. Also, the refueling of vehicles is done with pumps whose meters have not been verified for a long period. Except for two underground tanks, fuel is received in so-called above-ground plastic and metal containers. Employees transfer the fuel into cans and buckets for use. The field inspection conducted during the audit found that this method of receiving, storing, handling, and issuing fuel endangers the safety and health of citizens and adversely affects the environment.

With the inspection of the PE business books and the field visit to the branches, sections, and winter points, we found that the disposed equipment was not segregated; part of it is used for spare parts or destroyed as waste without conducting proper legal procedure. Of the total disposed assets, 90% are vehicles and construction machines located in the branches and sections of the enterprise and are used for spare parts without approval of the Government. At the same time, the use of the equipment for spare parts is not regulated by an internal act, which creates a risk of uncontrolled and inappropriate use of the parts.

The audit also identified other shortcomings, irregularities, and non-compliances of various nature that affect the operations of the Public Enterprise. Recommendations have been made to address

the identified conditions to take measures and activities by the responsible persons and authorities to improve the situation.





7 AFFORDABLE AND CLEAN ENERGY



5.10. ENERGY

5.10.1. DEVELOPMENT OF GASIFICATION SYSTEM IN THE REPUBLIC OF NORTH MACEDONIA

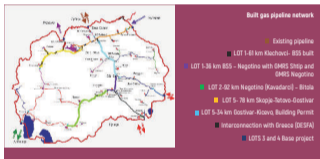
The gasification process in the Republic of North Macedonia is an ongoing effort aimed at improving energy efficiency, protecting the environment, and ensuring economic and energy stability. To meet the objectives of the Energy Development Strategy until 2040, which envisions a transitional state from coal to a fully decarbonized energy sector, natural gas is gaining increasing importance.

The adverse impact of the energy crisis in 2021 and 2022 on citizens and the economy was one of the reasons SAO included the compliance audit on the topic "Development of the Gasification System in the Republic of North Macedonia" in its Annual Work Program. The audit was conducted in joint stock company for performing energy activity natural gas transmission NOMAGAS Skopje in state ownership (NOMAGAS JSC Skopje), as the legal successor of JSC GA-MA Skopje, and Joint Stock Company for Energy Activities National Energy Resources in state ownership. The audit covers the period 2019-September 2023, with certain areas, issues, events, and analyses included from before 2019 and subsequently up to the day of reporting on the audit.

The audit addresses issues related to the legal framework and the development of gas pipeline network and gasification in the country, as well as the merger of the gasification JSCs NER and GA-MA and the organizational setup of the new company - NOMAGAS. The planning process for gasification across the entire country began in 2010 with the preparation of a national feasibility study. Its implementation started five years later, in 2016. Our analysis found that most of the projects outlined in the feasibility study have started, but their construction is progressing slowly, with deviations from planned timeline, location of pipelines, and planned financial resources for construction. There is no long-term plan for development of the natural gas transmission system, which affects future activities for expanding and upgrading the natural gas transmission system and its interconnection with other countries.

With the audit, we found that the functional gas pipeline in the country was built in the 1990s and consists of a single main pipeline located on the eastern border at Deve Bair, extending through Kriva Palanka, Kratovo, and Kumanovo to Skopje, as well as the city gas networks in the mentioned cities. The length of the main gas pipeline is 98 km, and together with its block stations and connection points for distribution pipelines, it totals nearly 130 km. The total length of the city gas networks, from which factories, enterprises, hospitals, schools, municipalities, TIOZs, and other fa-

cilities are supplied with natural gas, is nearly 80 km. The procurement value of the functional gas pipeline network is approximately 71 million euros, of which the largest part, or 48%, are investments in the main and distribution pipeline Deve Bair – Skopje, and 26% pertains to the construction of the city gas network in Skopje.



In the past period, the utilization of the main gas pipeline has been insufficient, and there is no formally established distribution network in the towns. Consumers are directly connected to the transmission network, and natural gas is used only in industry and public buildings, but not in households.

With the audit, we found that after 13 years, the construction of the main gas pipelines is not fully completed, and some pipelines are still not put into operation. Specifically, from 2014 to 2023, contracts and annexes to the contracts, as well as agreements for unforeseen and additional works, were concluded for the construction of the main

gas pipelines: LOT 1-61 km, LOT 1-36 km, LOT 2, and LOT 5, amounting approximately 158.4 million euros. Although most of them are built, they are still not in operation. The reasons for this situation include weaknesses in registering ownership rights of the linear infrastructure facilities and slow resolution of expropriation cases, for which approximately 2 million euros were paid out between 2018 and 2022.

In the report, we highlighted that weaknesses were identified in monitoring the implementation of contracts for the construction and supervision of the main gas pipelines, as well as in the maintenance of the gas pipeline network.



Pipes for construction of the distribution network for natural gas and closing the ring around Skopje



Closed warehouse space in NOMAGAS

For the sections that have not been built, but materials and spare parts have been procured, we found inadequate management of the inventory, posing a risk of irrational spending of public funds. Specifically, auditors found inventory materials and spare parts with a total value of approximately 1.6 million euros, which were procured before 2019 and have not been used, calling into question the necessity of their procurement as well as the possibility that they may be obsolete and unusable. Spare parts and materials were procured for completion of the gas pipeline ring around the City of Skopje, which, due to insufficient coordination with the responsible services of the City of Skopje, has not been completed, and a new road has been constructed at that location. Consequently, in the future, to close the gas pipeline ring around the city, additional activities and expenditures will be required.

The audit highlights issues related to resolving the long-standing dispute between the Government of the Republic of North Macedonia and the Joint Stock Company for Trade of Oil and Oil Derivatives Skopje, through purchase of the shares of the Joint Stock Company in GA-MA, for which a law was enacted, and valuation of GA-MA capital was conducted. It was found that the assessed value of 65.5 million euros is not recorded in GA-MA com-

mercial books nor registered as principal in the Central Securities Depository of the Republic of North Macedonia and the Central Registry of the Republic of North Macedonia.

While not disputing the efforts to resolve the dispute between the country and the Joint Stock Company for Trade of Oil and Oil Derivatives Skopje, we draw attention to the way the transaction for transfer of funds and purchase of shares, amounting to approximately 32.7 million euros, was carried out. Specifically, at the end of 2019, funds for purchase of the shares were transferred from the state budget to a dedicated account of NER in a domestic bank, while the transaction was realized one year and eight months later, at the end of August 2021, which impacts the State Budget and adversely affects some of the fundamental budgetary goals and principles outlined by the Law on budgets.

In the audit report, we also highlight the need to develop natural gas distribution system in the country, fully self-finance the activity - transmission of natural gas and implement future activities for interconnection with neighbouring countries.



5.11. ECONOMY

5.11.1. EFFICIENCY OF PROCEDURES FOR GRANTING THE RIGHT TO EXPLOIT MINERAL RAW MATERIALS AND IMPLEMENTATION OF SIGNED CONTRACTS, WITH SPECIAL FOCUS ON MARBLE

We conducted performance audit on the topic "Efficiency of procedures for granting the right to exploit mineral raw materials and implementation of signed contracts, with a special focus on marble" to answer the question "Do policies, measures and activities taken by the competent authorities ensure reliability for efficient granting of concessions and supervision over the realization of signed contracts for exploitation of mineral raw materials to ensure their optimal utilization?"

Mineral raw materials are goods of general interest and as the main resource for overall economic and social development, their optimal utilization is necessary in accordance with the principles of sustainable development and environmental protection.



Exploitation of mineral raw materials is acquired (concessionaire) by obtaining a concession granted by the Government (grantor) in accordance with established procedures. As of 2022, 348 concessions have been granted to 257 concessionaires for exploitation of mineral raw materials on a total area of 333.73 km², which is 1.3% of the total territory of the country. Of these, 29 concessions are for exploitation of marble.

The institutional framework for establishing and implementing policies and procedures for granting concessions for exploitation, supervision and control of mineral raw materials, as well as collection of concession fees, comprises of the following:



For the exploitation of mineral raw materials, the concessionaire is required to pay annual fee for use of space and for exploited (sold) quantity of mineral resources.

For the period 2018 - 2022, a total of 2.781.024.000 denars, or 45 million euros in concession fees were collected, including 287.307.000 thousand denars for the use of space, 2.487.581.000 denars for the exploited quantity of mineral raw materials, and 6.138.000 denars based on interest on both grounds.

Through the conducted audit and the evidence obtained, we acquired reasonable assurance that the measures and activities undertaken by the competent institutions do not ensure complete preparedness and assurance for achieving optimal utilization of mineral raw materials, comprehensive and timely collection of concession fees, and effective system for supervising implementation of signed contracts.

Our audit activities were focused on several areas, where we identified the following shortcomings.

Management system for the process of granting and revoking the right to exploit mineral raw materials:

- ▲ At national level, long-term strategy for optimal use and management of mineral raw materials has not been adopted for more than 11 years, and activities for its preparation commenced in 2022, with a deadline for adoption by April 2024.
- ▲ Legal regulations governing this area are subject to frequent amendments and additions, with certain provisions not being sufficiently clear and precise, leading to uncertainty in their application.
- ▲ Databases of the Ministry of Environment and the mineral raw materials cadastre maintained by the Geological Institute do not provide clear and comprehensive overview of the status of mineral raw materials, which is necessary for conducting analyses aimed at guiding active policy regarding the optimal use of mineral raw materials.

Concession fees:

- ▲ The system for paying concession fees is implemented without regulated method of mutual communication and data exchange between relevant institutions and without

clearly defined mutual relations and responsibilities. This creates weaknesses for unimpeded and complete tracking of payments and in taking timely measures and activities for collection of unpaid fees by concessionaires.

- ▲ The amount of fees for land use determined by the country is set at a low level, and the established method of calculating fees for exploited quantities does not reflect the real market/sales prices achieved by concessionaires, contributing to unfair and unequal burdening of concessionaires.
- ▲ The fees accrued to the country from the exploitation of the highest quality marble amount to 103,248,000 denars or 1.7 million euros for the period from 2018-2022, representing 1% of the concessionaire's sales revenue.
- ▲ For the period 2018-2022, fewer concession fees were collected amounting to 21,050,000 denars or 341,000 euros, including: 9,804,000 denars based on land use, 5,421,000 denars based on exploited mineral raw materials, and 5,825,000 denars based on calculated, but unpaid, interest and unpaid fees according to records from the Public Revenue Office.

**FEES FOR USE OF SPACE
(WITHOUT INTEREST)
FOR THE PERIOD 2018-2022**

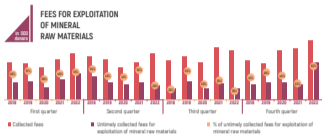
in 1000 denars

Concession fee for space	2018	2019	2020	2021	2022	Total
Calculated concession fee	34,232	34,803	48,837	62,383	71,221	248,896
Total fees charged	34,518	33,774	48,837	62,836	67,332	287,307
Fees collected after deadline	24,704	22,934	11,833	32,488	33,036	124,995
Percentage of fees collected after deadline	4490%	4052%	24,30%	52,07%	46,45%	42,80%
Uncollected fees	898	1164	750	23	704	3,894
Percentage of uncollected fees	127%	23%	15%	0,04%	10,00%	1,58%
Overcharged fee from concessionaires	266	263	783	290	3,825	5,215

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OFFICE**
2023

For the same period, 1,074,809,000 denars, i.e. 19 million euros, were collected untimely, i.e. after the expiration of the legal deadline, based on con-

cession fee for space and exploited quantity of mineral raw materials.



▲ In the audit reporting period, 8,392,000 denars were paid for concession fees and interest from the total amount of unpaid fees. Based on the recommendations from the previous audit, interest amounting to 6,136,000 denars was charged for the period 2016- 2022, which represents added value in the realization of budget revenue.

▲ Used mining techniques for obtaining useful mass and absence of measures for reuse of marble waste have an impact on the degree of utilization of mineral raw materials and increase the production of waste that has negative effect on the environment.

▲ With an aerial photogrammetric survey performed by an expert/surveyor of the defined area of the concession, in 2 concessions we determined the mining of mineral raw materials outside the exploitation permit owned by the concessionaires in an area of 9,989 m², which creates a risk that the concessionaires do not calculate and pay the compensation for the exploited quantities outside the exploitation field.

Supervision over the exploitation of mineral raw materials in line with signed agreements and issued permits:

▲ Planning of supervision and selection of concessionaires by the State Technical Inspectorate are carried out without comprehensive assessment and measurement of the level of risks among the subjects of supervision. This affects the effective and rational planning of scope and frequency of supervision, hindering the achievement of maximum effects in preventing irregularities.

▲ Lack of inspection supervision over adopted waste management plans, due to imprecise legal provisions on the authority for supervising, poses a risk of reducing negative effects and harmful impacts on the environment.

To address the identified issues, we provided recommendations to the relevant institutions to ensure improvement in the area of legal and strategic frameworks; management of the process of granting and revoking the right to exploit mineral raw materials; functionality and effectiveness of procedures for granting/revoking concessions for mineral raw materials; collection of concession fees; supervision over the implementation of signed agreements, and control over the operations of concessionaires to optimally preserve mineral raw materials in line with the principles of sustainable development.



5.12. PUBLIC UTILITY ACTIVITIES

5.12.1. PUBLIC ENTERPRISES AT LOCAL LEVEL

We conducted audit of the financial statements along with compliance audit for 2022 in:

- ▲ PUC "Komunalec" and PUC "Vodovod i kanalizacija", founded by the Municipality of Prilep,
- ▲ PUC "Standard" founded by the Municipality of Debar,
- ▲ PUC "Komunalec" founded by the Municipality of Strumica,
- ▲ PUC "Vodovod" founded by the Municipality of Bitola, and
- ▲ PE "Ulici i patista" founded by the City of Skopje.

With the audit of the financial statements and compliance audit of the public enterprises, we identified the following shortcomings.

Weaknesses in the accounting, specifically, at PUC "Komunalec" Prilep, the effects of transactions/events are not recognized when they occur, but when liabilities are paid. PUC "Standard" Debar applies inappropriate accounting for assets received for permanent use without compensation.

PUC "Vodovod" Bitola and PUC "Standard" Debar do not prepare biannual report on the operations of the public enterprise, which reduces transparency in informing about the type and scope of activities performed, as well as their financial operations.

In the audited public enterprises, irregularities have been identified regarding the valuation of balance sheet items in the financial statements, specifically the unrealistic valuation of intangible assets. Additionally, ownership rights for some recorded construction objects and land are not regulated.

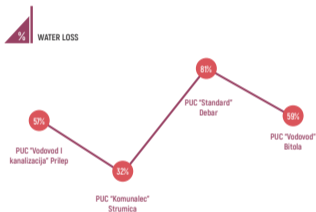
The legal obligation to sign contracts with users of drinking water services and with the service provider for the delivered water has not been fully respected by PUC "Vodovod i Kanalizacija" Prilep, PUC "Standard" Debar, and PUC "Vodovod" Bitola.

For collection and transportation of commercial waste, contracts with PUC "Komunalec" Prilep have been signed by 58% of active users who are individuals, but only 6% of legal entities, which complicates the collection of fees for performed services.

At PUC "Vodovod i Kanalizacija" Prilep, PUC "Komunalec" Strumica, PUC "Vodovod" Bitola, and PE "Ulici i Patista" Skopje, the method of calculation and payment of salaries is not aligned with current legal regulations, and at PUC "Standard" Debar, net salary of employees is paid in cash through the cash register.

Irregularities in the engagement of individuals under contract-to-hire basis have been identified at PUC "Standard" Debar and PE "Ulici i Patista" Skopje.

There is water loss in the water supply system of 57% at PUC "Vodovod i kanalizacija" Prilep, 32% at PUC "Komunalec" Strumica, 81% at PUC "Standard" Debar, and 59% at PUC "Vodovod" Bitola, because of old and dilapidated water supply network, reservoir permeability, illegal connection and consumption, inaccuracy of water meters, not invoiced consumption, watering of public green areas for which no meters have been installed etc. PUC "Standard" Debar has not invoiced 502460 m3 of drinking water supplied to the Municipality of Ce



Due to untimely settlement of the obligations for compensation of water use and discharge by PUC "Vodovod i kanalizacija" Prilep (15,925,000 denars), PUC "Komunalec" Strumica (11,105,000 denars) and PUC "Vodovod" Bitola (2,296,000 denars), 29,326,000 denars less revenue was realized in the Budget of the Republic of North Macedonia. PUC "Komunalec" Strumica does not settle its obligations to JSC Vodostopanstvo for the delivered amount for water supply, which at the end of 2022, amounted to 43,546,000 denars.

As a result of the untimely settlement of obliga-

tions for maintenance fees for public cleanliness by PUC "Standard" Debar and PUC "Komunalec" Prilep, the budgets of Municipality of Debar and Municipality of Prilep have realized less revenue (2,830,000 denars and 21,902,000 denars correspondingly).

PUC "Standard" Debar performs waste and garbage removal, processing and disposal of municipal and solid waste, and disposal of industrial waste without permit for waste management.

In PUC "Vodovod i Kanalizacija" Prilep and PE "Ulci

i Patista" Skopje, the reconstruction and construction of local water supply and sewer installations, as well as roadways, is carried out without project documentation or outside of the project documentation and without building permit.

The principal of PUC "Komunalec" Strumica, PUC "Standard" Debar, PUC "Vodovod" Bitola, and PE "Ulici i Patista" Skopje is not registered in the single trade register and register of other legal entities at the Central Registry of the Republic of North Macedonia. Additionally, in PUC "Komunalec" Prilep, there is a discrepancy between the accounting value of the principal and the registered value in the Central Registry.

The audited public enterprises do not take timely measures to collect receivables and do not assess the degree of collectability for their proper evaluation in the balance sheet positions in accordance with international accounting standards.

At PUC "Komunalec" Strumica, PUC "Standard" Debar, PUC "Vodovod" Bitola, and PUC "Komunalec" Prilep, there are inconsistencies in the inventory of assets and liabilities, a situation that has persisted for years and does not allow reconciliation between the accounting records and the actual situation.

At PUC "Vodovod i Kanalizacija" Prilep, PUC "Komunalec" Strumica, PUC "Standard" Debar, and PUC "Vodovod" Bitola, weaknesses were identified in the application of the Law on Public Procurement and irrational spending of public funds in relation to: the technical specification, completeness and credibility of the documentation proving the abilities of the bidders/subcontractors, execution of framework agreements without signing individual contracts, and unperformed public procurement procedures.

In the annual programs and concluded contracts of PE "Ulici i Patista" Skopje, the commitments undertaken from previous year are not planned, so the founder, that is, the customer does not accept the realized activities, which for 2021 and 2022 amount to 68.213.000 denars, which affects the liquidity of the enterprise.

At PUC "Vodovod i Kanalizacija" Prilep, PUC "Komunalec" Strumica, PUC "Vodovod" Bitola, PUC "Komunalec" Prilep and PE "Ulici i Patista" Skopje, the internal audit unit is absent/does not func-

tion as a mechanism for improving the operation of the entity, and PUC "Standard" Debar and PUC "Vodovod" Bitola have not adopted written procedures for the flow of documentation, division of duties and responsibilities of the persons involved in the processes and system for monitoring and control of receipt and issuance of accounting documentation, its approval and payment. There are no information security policies in PUC "Vodovod" Bitola, and shortcomings have been identified in the functionality of the application software for financial accounting records and in the billing system.

In the section Emphasis of Matter, we pointed to shortcomings related to investment activities of PUC "Vodovod" Bitola for rehabilitation and expansion of the water supply and sewerage system with funds from the Credit Bank for Reconstruction and Development, because at the end of 2022, the obligations for principal debt amount to 88.917.000 denars, and 11.074.000 denars for interest.

There is a need for greater engagement of PUC "Vodovod i Kanalizacija" Prilep and the founder Municipality of Prilep for commercialization of technological waste and produced methane in the process of purification of urban wastewater, which would improve the profitability of the enterprise.





Dry mills



Methane storage tank

PUC "Standard" Debar has permanently blocked account since 2010 and due to set monthly minimum of 2.282.000 denars, its liquidity and solvency have been reduced that affects the overall processes, with obligations to suppliers and unlikelihood for timely settlement.

PUC "Komunalec" Prilep, based on execution order, has an obligation to pay the principal debt and interest in the amount of 5.972.000 denars for the purchase of second-hand vehicles - sweepers that have never been put into operation, which will further affect its operation.



5.13. LABOR AND SOCIAL POLICY

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

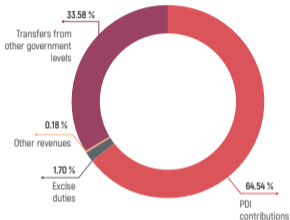
We carried out audit of the financial statements together with compliance audit for 2022 of the Pension and Disability Insurance Fund of North Macedonia, whereby the following shortcomings were ascertained:

- ▲ shortcomings regarding undistributed funds in the payment account from collected contributions for PDI (pension and disability insurance) have not been overcome, and the Fund cannot use, and the insured cannot realize their rights from PDI,
- ▲ lack of electronic connectivity between the archive of the Commission for Work Ability Assessment in the Fund and the Revision Commission in the Ministry of Labor and Social Policy, while filling vacant positions with specialist doctors is difficult, which does not ensure timely and competent execution of the Commission's responsibilities,
- ▲ shortage of skilled and trained staff for actuarial work, and continuous outflow of employees from the IT sector and internal audit, which affects the development of actuarial and pension forecasting capacities, the functioning of the information system, the timeliness of all established systems, and the effectiveness of the internal control system,
- ▲ the internal control system in the process of realizing PDI rights and the process of paying pension benefits is regulated by several internal acts and procedures, some of which are not fully updated according to the electronic system in use,
- ▲ absence of complete division of responsibilities and duties among the employees involved in the processes, which poses a risk of irregularities in the procedure for recognizing PDI rights, as well as a risk of pension payments continuing after the legal right has expired.



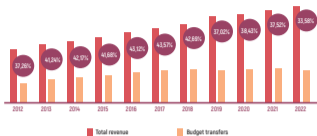
In the section Emphasis of Matter, the audit also discloses the following:

▲ The structure and level of realized revenues in the reporting period, the deficit in the payment of pension benefits, and the uncertainties in the Fund's operations related to inflationary movements and unfavourable demographic trends, are as follows:



The source income i.e. revenues from collected contributions for PDI in 2022 have increased by 11.83% compared to 2021 and in 2022 amount to 54.943.420.000 denars - 64.54% of the total revenue. Expenses for social benefits (payment of pension together with pensioners' health insurance contribution, transfers to the second pension pillar and disability benefits) in 2022 amount to 87.607.370.000 denars for 335.743 beneficiaries of pension, i.e. as of December 2022, the payments are 9.8% higher compared to 2021.

The Fund, despite the increase in revenue based on PDI contributions, lacks funds for payment of social benefits. For this reason, 31.022.110.000 denars from the Budget of the Republic of North Macedonia were transferred to the Fund in 2022. The participation of these funds in the total revenue of the Fund in the last three years show a decrease compared to 2021 of 33.58%, of which 22% is for covering the current deficit for payment of pensions, as shown in the following chart:



▲ the insufficient mechanisms for forced collection of damages due to unfounded payment of pensions originating from previous years, for which claims from citizens are recorded, and the low percentage of return of overpaid funds points to uncertainty about the collection of the same in the coming period, and

▲ unjustifiably withdrawn funds from the Fund's account by executors based on enforcement orders, in which pension beneficiaries appear as debtors, and the activities taken by the Fund related to the implementation of enforcement orders.



5.13.2. EMPLOYMENT AGENCY OF THE REPUBLIC OF NORTH MACEDONIA

We performed audit of the financial statements together with compliance audit of the Employment Agency of the Republic of North Macedonia for 2022. The authorized state auditor has ascertained the following shortcomings.

Regarding monetary compensation in case of unemployment, we found that 1.407.710.000 denars were paid in 2022, which is 42.62% of the total ex-

penditure of the Agency, and compared to 2021, the amount paid has decreased by 116.247.000 denars.

The funds paid for monetary compensation for the period 2019-2022 based on the acquired right are presented in the following graph.



Given the significant share of these expenses in the operations of the Employment Agency, we reviewed the functioning of the procedure for exercising the right to monetary compensation on an audit sample for 2022. We found that in some of the analysed cases, the documentation is incomplete, parts of required documentation are missing, and some documentation is provided or prepared after the legal deadline.

Regarding active employment measures, 14 programs and employment measures were implemented as planned in the Operational Plan for 2022, with a total expenditure of 1,420,003,000 denars, representing 43% of Agency's total expenditure. This amount shows an increase compared to 2020 and 2021, specifically by 148,902,000 denars compared to 2020, which is 4% increase in Agency's total expenditure for this period.

The distribution of expenditures by programs and measures is shown by the following chart:



By analysing individual measures, we found that for three measures - Subsidizing salaries, Employment and growth of legal entities and Internship, for which 468,126,000 denars were paid under OG¹¹ and OP¹², there are no provisions for ranking individuals that will be granted funds and individuals that will be rejected in case of a larger number of registered candidates, while the practice of approving applications on a first-come first-served basis is adopted. The principle of balanced regional development of the eight planning regions was not applied in the manner defined in OG and OP. In addition, we found that some planning regions

received more funds in relation to the established percentages for participation according to the Decision for classification of planning regions in line with the degree of development. Usually, the amount paid for the planning regions of the central and eastern part of the country is lower than the established amount due to insufficient number of applications, while the amount paid for Skopje planning region and the planning regions in the western part of the country is higher than the established one, and in some cases the overrun is twice the quota set by the Decision.

¹¹ Operational guidelines
¹² Operational plan

Regarding the administrative work of the Agency, we ascertained the following:

- ▲ weaknesses in the inventory of equipment and reconciliation of data in the accounting records with the actual situation regarding the stock of materials,
- ▲ not established control mechanism for monitoring claims based on realized income from unpaid employment contribution and no established inter-institutional communication for recording calculated obligation for payment of all obligors,
- ▲ payment of salary supplement due to increased volume of work for which there is no appropriate legal basis and without established criteria for selection of employees who receive this supplement,
- ▲ engagement of persons with fixed term contract to perform regular work tasks, and exceeding the time limit for their engagement,
- ▲ internal controls for earmarked and legal use of funds allocated for active employment measures are weak, and inspection and approval by responsible persons is not done on submitted pro forma invoices and invoices related to procurement of material/equipment services and construction.

With the audit, we found that part of the funds was spent on purchases that are not related to the business plans submitted by the users of the funds.

In the section Emphasis of Matter, we report non-compliance with the provision of the Law on employment of disabled persons for disbursement of funds from the State Budget to the account of the Special Fund, based on paid VAT and customs duties by the protective societies. Thus, the Agency does not fully provide the financial means legally required for improvement of the conditions for employment and work of disabled persons.

In the section Other Matter, inter alia, we point to inaccuracies in the legal framework that provide conditions for exercising the rights for monetary compensation and uneven application in practice regarding the calculation of the amount of monetary compensation for part-time work and the conditions for termination of the right to monetary compensation.





5.14. EDUCATION

5.14.1. EFFECTIVENESS OF MEASURES FOR PREVENTION OF BRAIN DRAIN OF HIGHLY EDUCATED AND PROFESSIONAL PERSONNEL

4

QUALITY EDUCATION



8

DECENT WORK AND ECONOMIC GROWTH



9

INDUSTRIAL INNOVATION AND INFRASTRUCTURE



We conducted performance audit on the topic "Effectiveness of measures for prevention of outflow of highly educated and professional personnel" to answer the question "Did the Government of the Republic of North Macedonia plan, implement and monitor the measures and activities of the National Strategy for Networking, Cooperation, and Prevention of the Brain Drain of Highly Educated and Skilled Personnel 2013-2020 to contribute to preventing outflow of highly educated personnel?"

With the audit conducted and audit methodology applied, the audit evidence provides for reasonable assurance that the activities of the Government as the holder of migration management policies are not effective enough to reduce the outflow of higher education personnel from the country.

In the last few decades, international migrations around the world have seen continuous increase, and today their volume is greater than ever. The tendency towards an increase in the emigration

of highly skilled personnel, as well as young scientists from certain faculties, implies changes in the quality of the labour force and a decrease in the level of human capital, and creates negative effects in the field of economic development of the country and scientific research activity.



According to State Statistical Office data, the number of Macedonian citizens who moved out of the country in the period 2013-2022 is 7,861 people, and the number by years is shown in the following chart.



**DISPLACED
CITIZENS
FROM THE COUNTRY**

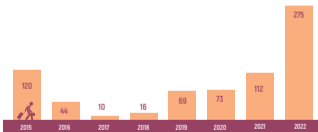


The State Statistical Office data on the educational structure of people who left the country show that 79 highly educated people emigrated from

the country in the period 2015-2022, shown by year in Graph 2.

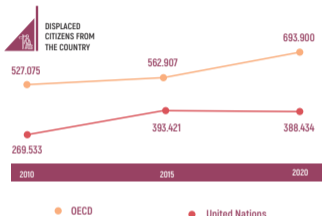


**DISPLACED
HIGHLY EDUCATED
CITIZENS**



Data obtained from international organizations/institutions and from the countries of reception of the mentioned persons provide more realistic assessment of the volume and structure of the outflow from the Republic of North Macedonia³. As more comprehensive data on the number of displaced persons in individual countries of re-

ception/origin, those of the United Nations and the World Bank (whose numerical values usually coincide) can be singled out. They show that the total number of Macedonian citizens residing in countries around the world has seen a continuous increase in the last decade.



IOM Report for 2020 shows that according to the rate of emigration in 2019, the Republic of North Macedonia is in the group of top twenty countries in the world with the largest emigration abroad⁴.

According to the estimates of the World Bank, almost 40% of the highly educated staff from the Republic of North Macedonia⁵ has left the country, and the Global Economy Brain Drain Index shows that the Republic of North Macedonia is in the high fifth place (out of 41 European countries⁶).

Despite these facts, the country does not have an active Strategy, i.e., there is no new strategic document adopted following the expiration of the

validity of the National Strategy for Networking, Cooperation, and Prevention of the Brain Drain of Highly Educated and Skilled Personnel 2013-2020.

The Government has adopted a Resolution on migration policy, with a special strategic goal aimed at reducing intensity of permanent emigration abroad, and a special focus on people with high level of education. However, there is no monitoring of the implementation of measures and activities thereof and adoption of new strategic documents is without assessment and evaluation of the results of previous ones.

The National Strategy for Networking, Cooperation,

³ Migrations in RMH – Country Profile 2021

⁴ IOM, Migration Report 2020, UN Migration, Geneva, 2019, p. 27.

⁵ <https://documents.worldbank.org/curated/en/657051570602095211/pdf/Migration-and-Brain-Drain.pdf>, pg62

⁶ https://www.theglobaleconomy.com/rankings/human_flight_brain_drain_index/Europe/

and Prevention of the Brain Drain of Highly Educated and Skilled Personnel 2013-2020 is the only strategic document for public policies directly addressing the issue of brain drain. However, it has not been published in the Official Gazette or on the website of the Ministry of Education and Science, and the absence of supporting documentation on the planning and development process of the Strategy does not provide credible information on the involvement of all relevant institutions in the creation of the strategic document.

The Strategy defines priority goals and measures aimed at reducing the brain drain of highly educated personnel. However, for the implementation of measures, only one Action Plan for 2013/2014 was adopted, with activities, deadlines for execution, financial resources, sources of funding, responsible bodies for achieving the goals, and performance indicators.

We found low level of implementation of measures and activities from the Action Plan due to insufficient coordination among institutions/responsible bodies implementing the measures and activities and there is no working group (project unit) formed within the Ministry of Education and Science, which is supposed to establish a national system for easier monitoring and management of the movement of highly educated individuals from the country.

A functional system for monitoring and managing intellectual emigration in the Republic of North Macedonia has not been established due to lack of network or database of Macedonian highly educated individuals living and working abroad and there is no analysis of the migration status of highly educated personnel, including the number of emigrated individuals, educational profile, age profile, and the reasons for emigration.

Scholarships for the second and third cycles of studies abroad are awarded without analysis which study programs are of public interest to the country to be subject to scholarships. The Ministry of Education and Science has not established an efficient system for monitoring whether students have fulfilled their obligations according to the announced competition and signed agreements.

Based on the conducted analysis, the audit found significant differences between the number of approved quotas and the number of enrolled students, indicating lack of analysis for realistically creation of enrolment policies aimed at balancing supply and demand in correlation with the country's economic development policies.

The web portals nauka.mk and patent.mk are not functional and cannot be used as a means of providing information on the results of scientific research activities, innovations, transfer of university know-how to the market in companies, and registered patents (innovative inventions).

Monitoring of implementation of measures and activities of the Strategy has not been established, nor has an assessment of the effects of the implementation of the measures been conducted.

Estimates from the analysis performed by the engaged expert for the needs of the audit show that on average, around 2,500 highly educated personnel migrate annually from the country in the period 2013-2021, for which the country has invested around 5 billion denars annually or 44.7 billion denars for the analysed period. The brain drain of highly educated personnel costs the state 0.8% of the annual GDP.

The total effect of the opportunity cost in terms of lost GDP, which was not generated due to the annual emigration of the total population from the country, is estimated at 5.1% of the GDP annually. If we add the realistically lost investment in the education of these individuals, which on average amounts to 3.1% of the GDP annually, the total negative economic effect reflects a total loss of 8.34% of the GDP annually.

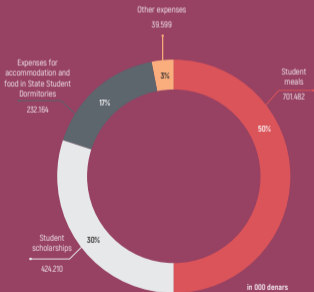
The recommendations given in this report refer to the activities that the Ministry of Education and Science and the Government should undertake to eliminate the causes of the identified irregularities, shortcomings or potential risks presented in this report through timely measures for creating policies to reduce the brain drain of highly educated personnel from the country, implementing measures, monitoring implementation, and reporting on the degree of realization of measures.

The Office of the Prime Minister of the Republic of North Macedonia submitted an Opinion in writing to the State Audit Office regarding the Draft Report of the authorized state auditor, informing that they have no objections to the Draft Report and confirming the findings, conclusions, and recommendations. They also informed us that the Report will be seriously considered when creating policies to prevent brain drain of highly educated personnel.

5.14.2. EFFICIENCY OF MEASURES, POLICIES AND PROJECTS FOR FULFILLING CONDITIONS OF STATE STUDENT DORMITORIES IN THE REPUBLIC OF NORTH MACEDONIA AND DEVELOPMENT OF THE STUDENT STANDARD

The State Audit Office conducted performance audit on the topic "Efficiency of measures, policies and projects for fulfilling conditions of state student dormitories in the Republic of North Macedonia and development of the student standard" to answer the question "Do competent institutions in the Republic of North Macedonia take measures and activities for continuous improvement of the student standard?"

The total funds realized for the Program for financing, realization and development of the student standard activity for 2022 amount to 1,397,455,000 denars (about 22.6 million euros) as follows:



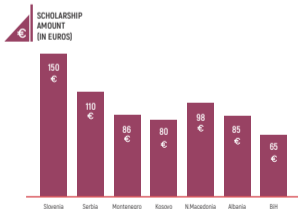
Legal framework for realization of the student standard activity

Студентскиот стандард во РСМ во рамки на салие student standard in the country, within the legal framework governing this area, is directly linked to the Law on Student Standard, the Law on Subsidized Meals, the Law on Higher Education and the Law on Educational Inspection. The Ministry of Education and Science has not established a Register of student dormitories, that is, no verification of student dormitories has been carried out as provided for by the Law on Student standard, and the by-laws are partially or not at all applied in the work of the Ministry of Education and Science and State Student Dormitories. A decree on measures and criteria for stimulating talented students and providing scholarships to students who achieve above-average results in studies has not been adopted. Inspection supervision is not carried out in the period from 2020-2022, although the State Market Inspectorate has the authority to supervise and inspect, at least once a year, the execution of laws, other regulations and general acts in the student dormitories, and especially in the process of placing students in dormitories. The established method of subsidizing the student meal by the Ministry of Education and Science through payments on students' transaction accounts does not confirm that the funds paid in 2022 amounting

to 701.482.000 denars [about 11.37 million euros] or 50.2% of the total funds for the student standard are used exclusively for the purpose. During 2023, the Ministry of Education and Science has adopted changes to the Law on Student Standard to reduce the possibility of such actions by the funds' users. Frequent changes and incomplete strategic documents related to the student standard result in the country's lack of concise and outlined policy direction to achieve visible and sustainable results. The above imposes the need of additional activities for preparation of a separate strategic document for the student standard.

Student scholarships

The Ministry of Education and Science has established several measures for student scholarships, according to which 3.105 scholarships are provided in the competition for 2022/23. Of this number, 2.509 scholarships have been approved during 2022, while, given the possibility for extending a once-approved scholarship, the total number of students with scholarship is 6.179, that is, one out of 7.7 students in the country have been granted a scholarship. On this basis, during 2022, the Ministry of Education and Science has paid 235.849.000 denars. The comparison of the amount of scholarships paid per student in our country in relation to the neighbouring countries are shown in the following table:



We assessed the measures for student scholarships as adequate, but there is room for improvement in matching the scholarship with the interest in study programs, i.e. some study programs with large number of enrolled students are unjustifiably represented in more than one group of schol-

arships, which reduces the possibility of scholarships for students enrolled in study programs for which there is evident low interest in studying.

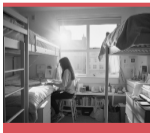
The number of students who applied for a scholarship and were granted one is shown in the following table:

	2019/20	2020/21	2021/22	2022/23
Scholarships announced by competition	3,075	3,075	3,075	3,105
Applied students by competition	4,480	4,331	4,704	5,451
Scholarships approved	2,697	3,026	1,907	2,942
Unapproved scholarships	1,783	1,305	1,907	2,942

For studying at one of the first 100 Universities in the world in 2022, an amount of 188.361.000 denars have been paid, which make 44.4% of the total funds for scholarships. At the same time, the maximum amount paid by the Ministry of Education and Science for one student is up to 40.000 USD per year and additional funds for residence in the amount of about 45.000 denars per month for 10 months. We found that many scholarship students do not respect the contractual conditions and do not return to the country after completing their studies. However, there is no system in place for engaging these people in the country.

Accommodation, operation, financing and investments in student dormitories

Full-time students studying outside their place of residence have the right to accommodation and food in a state dormitory. Enrolment and admission to SSD is done through a competition announced by the Ministry of Education and Science, and the ranking and selection of students from the list of applicants is made according to several criteria that refer to the financial situation of the student and his immediate family, success in studies and the year of studies. At the competition, all available facilities are announced, divided by dormitories, and applicants can choose their preferred dorm. The capacity and occupancy of SSD is shown in the table below.

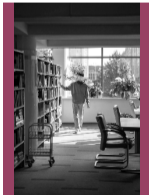




CAPACITY AND OCCUPANCY BY SSD FOR ACADEMIC YEAR 2022/2023

STATE STUDENT DORMITORIES	Available/ announced Capacities	Occupancy for students	Occupancy for pupils	% of occupancy
SSD "Georgi Delchev"	1385	1383	/	98.2%
SSD "Siv Neumov" - building 1 and 2	620	/	/	/
SSD "Siv Neumov" - building 2	621	454	/	73.2%
SSD "Siv Neumov" - new bungalows	358	358	/	100%
SSD "Kuzman Josifovski Pitu"	480	/	/	/
Total SSD Skopje	3,023/3,625	1,735	/	57.4%
SSD "Kicho Racin"	385	294	/	76.4%
SSD "Nikola Karev"	242	178	31	73.6%
SSD "H. H. Orde Chopelia"	335	30	305	90.2%
SSD "Toma Stefanovski Senic"	370	229	48	61.9%
SSD "Pelagonia"	997	997	/	100%
SSD "Breska Mladost"	235	68	105	29.4%
TOTAL	5,681/4,480	3,470	469	61.1%/106.3%

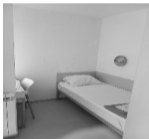
The decrease in the accommodation capacity of student dormitories is the result of the closure of building 1 and 2 of SSD Siv Neumov in 2019/2020, due to inadequate living conditions and planned renovation, as well as the closure of SSD Kuzman Josifovski Pitu, which has been put out of operation in May 2022.



Conditions in student dormitories

The buildings of SSD are mostly old and do not meet the needs of modern living, and the reduced accommodation capacities and uneven conditions offered by the student dormitories are crucial for the degree of utilization and the interest of students in accommodation in certain SSD. In addition, dissatisfaction of students in terms of the

food provided in the student dormitories, imposes the need for action aimed at improving the conditions in student dormitories and ensuring higher standard of living and studying for the students in the country.



SSD Skopje - SSD Goce Delchev



SSD Stiv Naumov - 3rd building

In this regard, an independent expert performed analysis of the appropriateness of the price for accommodation, which as the basic source of income of SSD has not changed since 2008 and amounts to 6.820a denars per month for 10 months, of which MoES participates with 50% and the rest is paid by students. With the performed analysis, we found that the price does not provide satisfactory level of financial sustainability for dormitories that are not able to service their obligations timely and increases the debt of SSDs, which points to the need for more realistic calculation of the economic price for accommodation and food for students in SSDs.

The audit, in cooperation with an engaged independent expert, also conducted a survey of students' satisfaction with the conditions in dormitories. 286 students responded to the survey, i.e. about 8.25% of the total number of students accommodated in the dormitories, and they answered the questions with grades from 1 to 5. The results of the survey are shown in the following table:

How satisfied are you with the following conditions in the dormitory you are staying in?	average rating
Nutrition (quality, variety, quantity)	2.94
Hygiene (sanitation, cleanliness, availability of hot water)	2.41
Furniture (physical condition, functionality)	3.33
Housing rooms (square footage, equipment, other physical conditions)	2.98
Technical equipment (printer, photocopier, computer, TV)	1.67
Internet (stability, speed, signal strength)	1.81
Learning conditions/atmosphere (sound insulation, house rules, adequate space)	2.53
Common areas (canteen, reading room/library, courtyard area)	3.07
Sports and recreational facilities (props and space for sports and recreation)	2.12
Cultural and entertainment activities in the student dormitory	2.46
Space heating and cooling	2.58
Facility and student safety	2.80

Concerning investments, we emphasize that the Energy Efficiency Project, which plans a thorough reconstruction of all SSDs in the country, has been launched by the Ministry of Education and Science. Loan and grant amounting to 24,785,067 euros have been provided for this project, but there is uncertainty regarding the sufficiency of the funds for full implementation of this project as planned. In relation to the expansion of SSD facilities, during the audit, the construction of SSD Tetovo with a capacity for 300 students was completed, but the technical admission is not yet drawn up, which is why we indicate that the admission of students should be carried out after full completion of the procedure for putting this facility in use in a manner that is prescribed in the legal regulations.

From the performed audit, we concluded that the measures and activities for development of the student standard that are undertaken by the competent authorities are not efficient and economical enough to achieve sustainable level of financial independence of SSDs, adequate accommodation and nutrition, as well as the realization of projects

for reconstruction and expansion of SSD capacities.

Concerning student scholarships, several measures in place are appropriate, but they are not aligned with the interest in study programs, and due to applying to more than one scholarship, the extensive documentation and the inconsistencies in identifying fulfilment of conditions, part of the scholarships are not awarded. In addition, a method for obtaining scholarship for studying abroad has been established, but it does not ensure efficient use of the funds paid and benefits for the country.

Recommendations have been given to the competent institutions to eliminate effects of identified irregularities or potential risks by taking timely measures and activities for development of the student standard, improving the conditions in SSDs, adequate accommodation and nutrition for students, reconstruction and expansion of facilities in SSDs, as well as in scholarships and support for talented students.

5.14.3. UNIVERSITY "ST. CYRIL AND METHODIUS" SKOPJE



In 2023, the State Audit Office conducted audit on the financial statements for the core budget account and the self-financing activities account (own account, Congress Centre, integrative functions and Interuniversity Conference) along with compliance audit for 2022 of the University «St. Cyril and Methodius» Skopje - Rector's Office.



With the audit we identified the following shortcomings:

- ▲ unrecorded land in the Rectorate's business books,
- ▲ no tracking of the collection of income from the rental of apartments for PhD students, costs for third cycle studies - doctoral studies, and sale of forms,
- ▲ irregularities in the preparation of some invoices for boarding and restaurant services and cash payments, as well as discrepancies in data on the presence of engaged personnel by the economic operator in the Congress Centre,
- ▲ realized income based on integrative functions is incomplete due to lack of notification on realized income by the organizational units of the University «St. Cyril and Methodius» in Skopje.
- ▲ unpaid membership fees by members of the Interuniversity Conference of the Republic of North Macedonia.

In the section Emphasis of Matter, we disclosed the following:

- ▲ uncertainty of completion and putting into use the started construction of buildings within the campus of the University «St. Cyril and Methodius» in Skopje, intended for the Faculty of Physical Education, Sports and Health and the Faculty of Information Sciences and Computer Engineering, as well as the construction of a sports hall by the Agency for Youth and Sport,
- ▲ the realization of the agreement concluded between the Fund for Innovation and Technological Development and the University Accelerator for financing project proposals through IPA co-financed grants for establishment, operation, and investments for business - technological accelerators.





5.15. LOCAL SELF-GOVERNMENT AND BALANCED REGIONAL DEVELOPMENT

5.15.1. LOCAL SELF-GOVERNMENT UNITS (LSGUs)



In 2023, we carried out audit of the financial statements together with compliance audit for 2022, on eight LSGUs: Strumica, Prilep, Debar, Vrapčište, Novaci, Rosoman, Želino and Shuto Orizari, where we ascertained the following shortcomings.

In the audited municipalities of Debar, Želino, and Shuto Orizari, weaknesses were identified in the budgeting process and significant discrepancies between planned and realized revenues and expenditures due to unexecuted or improperly executed budget amendments/rebalances. In the municipalities of Prilep, Debar, and Vrapčište, programs for activities within the municipality's jurisdiction were not adopted, citizen participation in budget creation was absent, and transparency in public information was lacking. The municipality of Želino operated with a blocked account during

2022, used offset payments for the collection of receivables and payment of obligations, which led to payment transactions being conducted outside the treasury system, contrary to legal regulations.

In the audited municipalities of Prilep, Strumica, Debar, and Rosoman, weaknesses were identified in the administration of communal fees and charges. The municipality of Strumica does not generate revenue from communal fees for advertisements, announcements, and notices in public places.

In the municipalities of Prilep and Debar, weaknesses were identified in the method and procedure for leasing municipal property.

Weaknesses in the administration of property taxes and inheritance and gift taxes are present in the municipalities of Debar, Vrapčište, Novaci, Rosoman, and Želino, concerning unrealistic calculation of the market value of real estate.

In 2022 budget of the municipality of Prilep, less funds in the amount of 10,100,000 denars were paid for maintenance of public cleanliness, and the municipalities of Debar, Novaci, Rosoman, and Želino did not generate any revenue on this basis.

In the municipalities of Debar, Prilep, and Strumica, irregularities were found in relation to the management of greenery, specifically the lack of strategy for development of greenery and annual program for cultivation and maintenance of greenery, as well as unrealized revenue from fees for maintenance of public urban greenery.

In the audited municipalities, weaknesses were found in the procedures for determining the legal status of illegally constructed buildings regarding the non-compliance with legally prescribed deadlines and the failure to submit annual reports to the Ministry of Transport and Communications on the use of funds obtained from fees on this basis, which should be specifically used for the adoption of urban planning documentation that integrates illegal buildings and for the infrastructural arrangement of the areas where they are located.

The municipalities of Prilep, Strumica, Debar, Šuto Orizari, Vrapštitë, and Novaci do not comply with legal provisions when engaging persons through private employment agencies, copyright contracts, and work contracts, and in the municipalities of Debar and Šuto Orizari, irregularities were also identified in the payment of fees for participation in council sessions.

In the municipalities of Prilep, Strumica, Debar, Želino, Rosoman, Vrapštitë, and Novaci, inconsistencies were found in the manner of disbursing funds to sports clubs, citizen associations, foundations, talented students, and social benefits, without adopted programs and precisely defined criteria for the allocation of funds for social protection, sports, education, and support of civil organizations, in the total amount of 55,268,000 denars.

The municipalities of Prilep and Rosoman subsidized the public utility company based on incomplete requests and documentation for the volume of activities carried out, amounting to 64,619,000 denars.

Non-compliance with the provisions of public-private partnership contracts for the reconstruction, modernization, and maintenance of public lighting was identified in the municipalities of Debar (88,800,000 denars), Novaci (45,578,000

denars), Želino (72,951,000 denars), and Vrapštitë (94,798,000 denars) by the private partner for providing documentation for public lighting installation, bank guarantees, and by the municipalities for not conducting control activities and determining the effect of energy savings.

During construction/reconstruction activities of streets and roads, water and sewerage networks, the audited municipalities do not comply with the provisions of the Construction Law regarding the provision of a construction permit for facilities falling into the second category of buildings; construction activities are carried out without prepared design and design documentation, only based on technical specifications/quantitative calculations; and no handover of constructed buildings is carried out.

Irregularities were also found in the recording of receivables, their age structure. For tax receivables that are not collected within the prescribed period, no interest is calculated and collected, and no measures are taken for collection thereof.

In the audited municipalities, inconsistencies are present in conducting inventory of assets and liabilities, a situation that has been ongoing for years and does not allow for alignment of assets and liabilities of the actual state identified with the inventory and the accounting records. The property owned by the municipalities is not fully recorded in the business books, and for most of the real estate, no ownership proof is provided for the municipalities.



Without appropriate supporting documentation for repairs and maintenance of public lighting, reconstruction, and construction of streets and roads, and construction of a kindergarten, the municipality of Prilep has paid 51,313,000 denars. Expenditures were made without supporting documentation for fuel consumption, travel allowances, restaurant services, repair and servicing of passenger vehicles, and transportation of people by the municipality of Debar (1,266,000 denars) and the municipality of Vrapčište (3,831,000 denars).

In the audited municipalities, weaknesses were found in public procurement procedures in technical specifications and quantitative calculations, not calculated quantities for individual items (municipalities of Prilep and Želino), tender documentation and criteria for selecting the most favourable offer (municipality of Novaci), inconsistencies in contract realization (municipalities of Prilep, Strumica, Želino, and Rosoman) and unreported procurements below the value threshold in quarterly reports (Strumica).

Goods and services were procured, and works were carried out without public procurement procedure, for which funds amounting to 10,122,000 denars were paid (municipalities of Rosoman, Strumica, Vrapčište, and Šuto Orizari).

In the audited municipalities of Prilep, Strumica, Debar, Želino, Vrapčište, and Novaci, weaknesses were identified in the financial management and control system, regarding written procedures,

division of duties, and established control mechanisms in business processes, and internal audit was not established/functional in the municipalities of Prilep, Šuto Orizari, and Rosoman.

In the municipalities of Šuto Orizari, Vrapčište, and Rosoman, no responsible accountant was appointed, in the municipality of Želino inconsistencies were identified in the preparation of the annual report and transparency in reporting, and in the municipality of Vrapčište accounting records are not maintained, and business books are not kept.

In the section Emphasis of Matter, we point to the following shortcomings:

Under the Loan Agreement between the International Bank for Reconstruction and Development and the Republic of North Macedonia, in 2016 the Ministry of Finance and the municipality of Želino signed sub-loan agreements No.02 for the reconstruction of local roads, school facilities, and No. MSIP/41 for reconstruction of a street and construction of a storm sewer, for which instalments amounting to 4,401,000 denars were due in 2022 and 2023, which will further affect the liquidity of the municipality's budget.

During 2022, the municipality of Novaci did not generate revenue from concession fees amounting to 48,348,000 denars due to late payment, which impacts the realization of planned revenues in the municipality's budget (65% for 2022).



5.15.2. GENDER EQUALITY OF RURAL WOMEN THROUGH THEIR INCLUSION IN THE LABOR MARKET

5 GENDER EQUALITY



In accordance with the Annual Work Program for 2023, SAO conducted performance audit on the topic "Gender equality of rural women through their inclusion in the labour market". The audit objective was to determine whether measures and policies have been developed for inclusion of women from rural areas in the labour market.

The audit was conducted as a cooperative audit with SAI Albania and SAI Kosovo, with the support of UN Women.

Following the audit activities and the audit evidence provided we expressed the following conclusion: Measures and activities for gender equality of women from rural areas through their inclusion in the labour market, undertaken by the competent state institutions, are not sufficiently efficient and effective to include women from rural areas in the labour market and to retain the women in the rural areas.

The National Employment Strategies and action plans do not include specific goals, indicators, measures, and activities tailored to the needs of women from rural areas for their inclusion in the labour market. Women from rural areas and their inclusion in the labour market are not part of the Government's strategic priorities and goals.

Data on the implementation of Operational Plans for active employment programs and measures and labour market services do not contain data on beneficiaries of measures separated by rural and urban areas, making it impossible to determine the participation of women from rural areas in these programs and measures.

The employment measures and trainings implemented during the period are general and intended for all men and women in the country, but they do not include a gender perspective and are not adapted to the needs and specifics of women in rural areas.

The measure "Investments in rural public infrastructure" from the IPARD Program, which should contribute to improving infrastructure in rural areas and conditions for including women and girls in education and the labour market, as well as healthcare services, is not accredited due to lack of capacity in the Agency for Financial Support in Agriculture and Rural Development.



Infrastructure in rural area, village Furka, near Dojran



Procured equipment for production of buttermilk, measure 115 - Support for active female member in agricultural household in the village Ržaničino - Municipality of Petrovec

In 2019, gender-responsive measure 115 - Support for active female member in agricultural household, was introduced for the first time, and in 2022, a second public call was announced. We found that in 2022, 86% fewer applications for financial support were submitted compared to 2019, and the attitude and perception of women is that the delayed payments of funds for the measure from the first call influenced the decrease in the number of women who did not apply in the second call.

The Ministry of Agriculture, Forestry and Water Economy has not conducted analysis of the effect of implementing Measure 112 - Assistance to young farmers for starting agricultural activities, nor its impact on strengthening and increasing the number of young farmers who have started agricultural activities and their status from a gender perspective.

No specific legal solutions have been adopted to support almost entirely abandoned areas or areas in a phase of serious depopulation in the Republic of North Macedonia, which form a geographical territory of significant size from the total territory of the country (up to 4%). According to data from the State Statistical Office, out of 1781 settlements in the country, 12% or 205 settlements are without any inhabitants, 12% or 218 settlements have up to 10 inhabitants, and 38% or 684 settlements have up to 100 inhabitants.

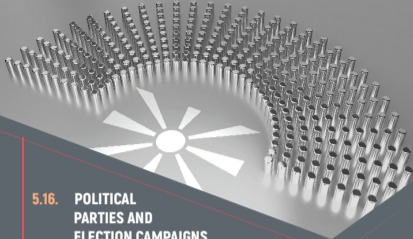
In 2023, a program was adopted for using non-refundable financial support for women engaged in agricultural activities who have the status of insured individual farmers, which provides the right to maternity compensation while not being able to perform agricultural activities due to childbirth, thus contributing to the social security of women engaged in agricultural activities.

Investing in childcare facilities for preschool-aged children in rural areas is a good basis for retaining the young population in rural areas, but we found that no comprehensive analysis has been made for this need by rural areas, timelines, responsible institutions, and necessary financial resources.

There are five public institutions for accommodation of elderly people in the country, all located in urban areas. The Gender Equality Strategy 2021-2027, in its goal for improving the quality of work for women, includes an indicator for building homes for the elderly in rural areas, but no activities are planned to achieve the goal, nor it is determined in how many and in which rural areas homes will be built.

To overcome identified shortcomings, we made recommendations to the responsible persons in the institutions. The implementation of these recommendations is expected to improve and eliminate the deficiencies in the organization and functioning of the competent institutions and in the process of including women from rural areas in the labour market.

«Stereotypes and discrimination must be eliminated, the executive and legislative authorities must provide conditions for smooth inclusion of rural women in the labour market. She wants, she can, and she knows how to secure her future, become a successful entrepreneur, build a better tomorrow for herself, her family and overall social progress.»



5.16. POLITICAL PARTIES AND ELECTION CAMPAIGNS

5.16.1. POLITICAL PARTIES - REGULAR OPERATION

The State Audit, in accordance with the State Audit Law, provides an assessment of measures taken by entities subject to audit, concerning ascertained shortcomings and given recommendations in final audit reports.

In accordance with SAO Annual Work Program for 2023, we conducted follow up audit of the implementation of recommendations contained in the final audit reports on the financial statements for the regular operations accounts along with compliance audit of the political parties SDSM, DUI, VMRO-DPMNE, and Alternativa.

We found that 50% of the audit recommendations are not yet implemented, 33% are implemented, and for 17% of the given recommendations the implementation is ongoing.

The status of the implementation of audit recommendations and the performed assessment of the adequacy of the measures taken indicate that the entities have undertaken activities and measures for part of the recommendations, but there is a need for additional activities for full implementation for which directions for action have been given for the upcoming period.



СДСМ



5.16.2. ELECTION CAMPAIGN - LOCAL ELECTIONS 2022

The State Audit Office is responsible for monitoring the financing of election campaigns through the financial reporting system established by the Electoral Code and subordinate acts. According to the methodology prescribed based on the State Audit Law and international auditing standards, SAO conducts regularly audit (financial audit together with compliance audit) of the Total Financial Report with a specification of revenue and expenditure in the election campaign (financial report for the election campaign).

Participants in the election process have an obligation to conduct activities that, *inter alia*, relate to:

- ▲ register in competent authorities,
- ▲ register transaction accounts,
- ▲ adhere to deadlines for opening and closing transaction account and prepare and submit reports to the competent authorities on the revenue and expenditure incurred in the election process.

In the final audit reports, the authorized state auditor reports on identified shortcomings, inconsistencies, and illegalities in the functioning, financing, and realization of expenses; shortcomings that affect operations in the coming period, and systemic weaknesses of the legal regulation.

In line with SAO Annual Work Program for 2023, we conducted audits of the financial statements of revenue and expenditure of 18 election campaign participants in 2022 local elections for the election of mayor of the Municipality of Mavrovo and Rostusha and the Municipality of Centar Zhupa, and for election of members of the council of the Municipality of Tetovo, covering 14 political parties²⁴, 2 coalitions²⁵ and 2 independent candidates supported by a "group of voters"²⁶.

We identified shortcomings in line with the provisions of the Electoral Code for some of the participants in the election campaign, as follows:

- ▲ PCER from RM Tetovo did not prepare and submit legally prescribed reports to the competent authorities: the Report with specification of revenue and expenditure in the election campaign transaction account from the day of opening of the account until the end of the election round, the financial report for the election campaign, as well as two reports with the template for received donations on the transaction account for the election campaign financing.
- ▲ The group of voters supporting Agon Zaimi did not prepare and submit to the competent authorities the Report with specification of revenue and expenditure in the election campaign transaction account from the day of opening of the account until the end of the election round, and the financial report for the election campaign.
- ▲ Democratic Party of Turks of Macedonia, in 2022 election campaign for election of Mayor of the Municipality of Centar Zhupa, in the Total Financial Report did not report on the revenue and expenditure for paid political advertising based on assignment contracts paid by the State Election Commission. They also did not prepare and submit to the competent authorities the Report with specification of revenue and expenditure in the election campaign transaction account from the day of opening of the account until the end of the election round.

²⁴ Alliance of Albanians, Besa Movement, Democratic Party of Albanians DPA, Democratic Party of Turks of Macedonia-DPTM, VMRO - DPMKE, Movement for National Unity of Turks - DNKT, DUJ, Alternative, Integra Macedonian Conservative Party, Levica, PCER from RM Tetovo

²⁵ "The best for my municipality" for local elections 2022 for the municipalities of Mavrovo and Rostusha and Centar Zhupa and "The best for my municipality" for elections of council members of the Municipality of Tetovo

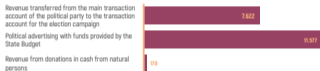
²⁶ Ejupovina Abdulahi for members of the Council in the Municipality of Tetovo and Agon Zaimi for members of the Council in the Municipality of Tetovo

The election campaign may be financed from the regular account of the political party, membership fees of the political party, donations to the political party, donations from individuals up to 3,000 euros in denar equivalent, legal entities up to 30,000 euros in denar equivalent, and loans intended for the election campaign. For fulfilling the legal obligations of broadcasters, printed media, and electronic media (portals) for publishing paid political advertising in the election process, financial resources are provided from the Budget of the Republic of North Macedonia and are paid by the State Election Commission.

The analysis of the total sources of financing for the election campaign showed that it was financed with 19,377,000 denars. With the analysis of the revenue by type of funding source, we concluded that 60% of the funds for financing the election campaign were provided from the Budget of the Republic of North Macedonia and paid by the State Election Commission, while 40% were provided from other financing sources.

SOURCES OF FINANCING THE ELECTION CAMPAIGN LOCAL ELECTIONS 2022

in 000
denars

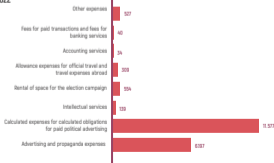


Of the total expenditure of 19,377,000 denars in the election campaign, 17,774,000 denars, or 92%, were spent on advertising for the participants. Funds provided by the Budget of the Republic of North Macedonia, i.e. calculated expenses in relation to

calculated obligations for paid political advertising account for 65% of advertising expenses, while 35% of advertising funds are provided by other sources.

EXPENSES FOR ELECTION CAMPAIGN LOCAL ELECTIONS 2022

in 000
denars



6

**SYSTEMIC
WEAKNESSES**



6. SYSTEMIC WEAKNESSES

The State Audit Office evaluates the degree of compliance of laws and by-laws and provides recommendations for amendments and harmonization thereof.

In this section, we highlight some of the key identified systemic weaknesses that require action by the competent authorities from the executive/legislative power.

BUDGET AND FINANCIAL SYSTEM

▲ Law on Budgets

Harmonization of certain articles in the Law on Budgets, the implementation of which will begin on 1 January 2025, except for the provisions of Article 121 which specifies the exceptions, as follows:

- ▲ in Article 35, paragraph 3 should be supplemented, defining the budget documentation towards the Draft Budget of the municipalities,
- ▲ in Article 76, paragraph 3 should be supplemented, according to which the primary budget users will need to regularly submit all concession agreements under their jurisdiction to the municipality where the concession is located, as well as paragraph 5 stating that the Ministry of Economy will need to regularly submit all public-private partnership agreements to the municipality where the concession is located,
- ▲ in Article 94, the following should be amended and supplemented:
 - △ paragraph 3, which should regulate that the Draft Final Account of the State Budget is submitted only to the Fiscal Council, and not to the State Audit Office,
 - △ paragraph 4, which will regulate that the State Audit Office conducts audit of the Final Account of the Budget, while the part regarding acting upon given recommendations should be deleted,
 - △ paragraph 6, the part regarding possible dismissals of individual audit recommendations should be deleted,
 - △ paragraph 7 needs to be amended and regulated that the Assembly reviews the Final Report of the authorized

state auditor for the conducted audit of the Final Account of the Budget, setting a deadline for the same,

- △ paragraph 8, according to which the Draft Final Account of the municipal budget should be submitted to the Municipal Council for adoption, and not

to the Ministry of Finance,

- △ harmonization of paragraphs 9, 10 and 11 of the mentioned law with the provisions of Article 33 of the Law on Financing Local Self-Government Units.

▲ Law on Public Sector Employees and Law on Budgets

According to Article 30 of the Law on Budgets, the Government submits the draft Budget to the Assembly no later than 15 November of the current year, and the Assembly must adopt the draft Budget no later than 31 December. On the other hand, according to Article 20-b of the Law on Public Sector Employees, the official who heads the institution is required to prepare draft employment plan for the upcoming year by 1 September of the current year and submit it for approval along with the draft budget request to the Ministry of Finance and the relevant ministries.

Given the set deadlines, the audit points to the need to reconsider the deadlines for planning, approving and adopting employment plans in the Law on Public Sector Employees. This is necessary because, at the time of employment planning, the State Budget is not yet adopted. Adjustments are needed to ensure realistic planning and implementation of employment in public sector institutions in accordance with the provided financial resources.

POLITICAL PARTIES AND ELECTORAL SYSTEMS

▲ Law on Financing Political Parties

In the Law on Financing Political Parties, it is necessary to:

- ▲ further regulate Article 14 of the Law on Financing Political Parties, concerning the adoption of more specific guidelines for regulating the manner of payment, deposit and recording of membership fees as a source of financing for political parties. This is to ensure uniformity in their accounting records and confirmation of the

legally established limit for each member individually, considering the financing of the election campaign for a specific process,

- ▲ clarify Article 15 of the Law on Financing Political Parties, regarding regulation of conditions and limitations when a political party receives donations in the form of real estate as a type of material asset.

▲ Electoral Code

To reconsider and clarify the provisions of Article 83, paragraph 2 of the Electoral Code regarding financing of election campaign with funds from the regular account of the political party.

ing and distributing funds from the Budget of the Republic of North Macedonia intended for paid political advertising.

To further regulate Article 76-d of the Electoral Code by prescribing measurable criteria in secur-

There is a need to prescribe provisions that will regulate whether a coalition or political party can support an independent candidate - group of vot-

ers and use the allocated funds for paid political advertising for the independent candidate - group of voters. If they can, under what conditions and in what manner, and whether with the support, the independent candidate has the right to use the funds that he/she is entitled to as an independent candidate.

To regulate the way donors will prove/confirm that they are not "related persons" to broadcasters, print media, and electronic media (internet portals) when financing or donating to political parties.

There is a need for legal regulation of the provisions of Article 85 of the Electoral Code, regarding the manner of action in cases where the total financial report shows an excess of secured funds in the election campaign account, as well as unpaid obligations.

To prescribe an obligation to submit report on used advertising panels and billboards by the municipalities in the Republic of North Macedonia and the City of Skopje.

To further regulate the conditions and criteria that electronic media must meet to be eligible to apply for political advertising in the State Election Commission (SEC).

To take actions to further regulate the part for determining competent body for monitoring and reporting on the electoral media representation of electronic media (internet portals).

To reconsider the need for amending Article 76-d, paragraph 11 of the Electoral Code to provide for establishment of an interoperable system for exchange and control of data on banner activity, which will include all interested parties.

There is a need to regulate the manner of organizing, paying, monitoring, and reporting to the competent authorities on the internet representation carried out by participants in the election campaign through social networks.

To prescribe clear and precise criteria for distribution of budget funds intended for paid political advertising on electronic media (internet portals).

To reconsider the established deadline for payment of donations, i.e., it is necessary to determine that donations are paid no later than the day of the end of the election campaign.

To further regulate the Electoral Code in the part of Fines and Misdemeanour Provisions, to include fines for electronic media (internet portals) in case of non-submission of the Report on the advertising space used by each participant in the election campaign and the funds that have been paid and are claimed on that basis.

LOCAL SELF-GOVERNMENT UNITS

▲ Law on Communal Fees

▲ Communal Fee for using streets and roads with motor vehicles is collected by legal entities authorized to register vehicles and is deposited into the appropriate treasury account of the municipality. The current legal framework does not specify the deadline by which legal entities must deposit the collected fee into the municipality's account. Additionally, there is no obligation for these entities to inform the municipalities, the municipalities within the City of Skopje, and the City of Skopje about the number of registered vehicles based on engine displacement and the monthly amount of collected funds individually and cumulatively.

▲ Communal Fee for using and maintaining public lighting is collected by the company responsible for electricity distribution and must be deposited into the appropriate treasury account of the municipality. The current legal framework does not specify the deadline for this payment. Moreover, there is no obligation for the company collecting the fee from meter holders to inform the municipalities, the municipalities within the City of Skopje, and the City of Skopje about the number of obligors by category (number of meters) according to the tariff number, as well as the collected revenues and outstanding receivables on this basis.

▲ Law on Financing Local Self-Government Units

▲ The Law on Financing Local Self-Government Units introduces block grants for financing transferred competencies in education, culture, early childhood protection, and elderly care. The Government of the Republic of North Macedonia adopts Regulation on the methodology for determining criteria for distribution of block grants, based on proposal from the relevant ministry. This methodology uses a formula that includes appropriate indicators of needs for each program. However, these regulations are identical every year and do not

reflect the actual needs and standards, which jeopardizes quality of services for the transferred competencies and regular servicing of obligations. Therefore, it is necessary to redefine the method and criteria for block grants to municipalities with a clear, transparent, efficient, and functional formula that includes all types of costs with real values and amounts, aiming to establish optimal, economical and efficient system for financing transferred competencies of municipalities.

▲ Law on Property Taxes

The audit highlights the uncertainty in the application of Article 39 of the Law on Property taxes since its enactment in 2004. This concerns the obligation to harmonize the real estate registry maintained by the municipalities, the municipalities within the City of Skopje, and the City of Skopje with the registry maintained by the Agency for Real Estate Cadastre. By 31 December each year, data from the registers' status should be submitted to the Central Registry and the Public Revenue Office. To implement this legal provision, certain clarifications in the Law are necessary, as well as software integration of the relevant authorities.

The Law on Property Taxes provides for the responsibilities of the Public Revenue Office (PRO) for overseeing the work of municipal bodies, the bodies of the municipalities within the City of Skopje, and the bodies of the City of Skopje. However, there is no clear definition of how the PRO will carry out activities related to the responsibilities taken over from the municipalities. Additionally, the Law does not foresee further regulation through adoption of a by-law for the same.

▲ Law on Firefighting

According to Article 49, for financing activities of the Territorial Firefighting Units, the City of Skopje and the municipalities may generate additional revenue from collected fines for offenses in the field of fire and explosion protection, voluntary contributions, and other funds from insurance companies, foundations, legal and natural persons intended for improving protection, as well as revenues from own sources for provided services. The City of Skopje and the municipalities do not gen-

erate income from these sources except for the revenue from insurance companies amounting to 2% of collected premiums for motor vehicle insurance and liability insurance for motor vehicle use. However, they do not have information about the amount of funds to be paid, nor a legal obligation to verify the completeness and accuracy of the paid funds.

▲ Law on Treatment of Illegally Constructed Buildings

After issuing urban planning consent, the local self-government unit is obligated to prepare conclusion for payment of fee for establishing legal status of illegally constructed building within five working days. The obligation to pay the fee arises within ten working days from the receipt of the conclusion or is deferred to twelve monthly instalments by entering into a deferred payment

agreement. The current legal framework does not specify the deadline for collecting the conclusion after its preparation and monitoring the deadline for its payment. This affects the collection of the fee for determining the legal status of illegally constructed buildings, which constitutes revenue for the municipality.



▲ Law on Waters

Article 214 of the Law on Waters stipulates calculation of a variable fee for water discharge, which should be determined in the water discharge permit based on the "unit of harmfulness," calculated by the person discharging untreated wastewater into the recipient. The Government, upon proposal of the Minister of Environment and Physical Planning, is required to determine the method for calculating the "unit of harmfulness" based on the quantity of discharged water into surface and groundwater, as well as the method for paying the variable fee for water discharge.

Since the relevant bylaw has not been adopted, the variable fee for water discharge is not determined in the discharge permits and, consequently, is neither calculated nor collected. Therefore, there is a need to propose and adopt a bylaw to regulate the method for calculating the variable fee for water discharge, creating conditions for its implementation by including it in the permits and ensuring its collection.



▲ Law on Public Sector Employees

Article 2 of the Law on Employees in the Public Sector lists the institutions that are included in the group of employers in the public sector and defines what is meant by employees in the public

sector, while the provision does not apply to employees of Commercial Companies established by the Government.

▲ Law on Commercial Companies

The rights and obligations of the Executive Member of the Board of Directors are regulated in Article 350, 365 and 366 of this Law, Article 54 and 55 of the Law on Labor Relations for signing a management agreement for the relations between the company and the Executive Member.

The remuneration of the executive director is regulated in article 365 paragraph 2 of this Law, which provides for executive members to have the right to a salary, that is, a monthly allowance, right to life insurance and other types of insurance, travel and other expenses and other rights.

Paragraph 3 of Article 365 also provides the following: "For the work of the executive members of the board of directors, the members of the manage-

ment board, that is, the manager, the Assembly may by decision approve their participation in the profit. Participation, as a rule, consists of participation with part of the annual profit of the company (payment in money, shares, bonus or another way)". The above-mentioned way of determining the salary, i.e. participation in distribution of the profit of the Executive members in JSCs, which are fully owned by the state, without established and prescribed special criteria, leaves room for subjective action. Thus, we point to the need to reconsider Article 365 of the Law on Commercial Companies and limit its application in state-owned companies.



LABOUR AND SOCIAL POLICY

▲ Law on Pension and Disability Insurance

The legal solutions from Article 130 paragraph 6 do not regulate the suspension of the employment in conditions when temporary disability pension is granted, and thus the insured persons whose temporary pension is cancelled remain unprotect-

ed in terms of the rights and obligations of the employment. The Fund has submitted initiatives for amendments to the Law on PDI on several occasions for the legal provisions governing the right to temporary pension.

▲ Law on Mandatory Social Insurance Contributions

The system for determining, controlling and collecting contributions is not based on up-to-date and complete integration and exchange of data between the Public Revenue Office and the institutions in the mandatory social insurance system, the Pension and Disability Insurance Fund, the Health Insurance Fund and the Employment Agency, as provided for in section 21 and 23 of the Law. The Public Revenue Office has the obligation to submit the legally provided information to the

institutions of the signed joint agreement. However, Public Revenue Office submits information only about collected contributions and the amount of unpaid contribution from taxpayers that submitted the calculation and have the obligation to pay thereof, and not about the calculated obligation for payment of all taxpayers as prescribed by this

▲ Law on Employment and Unemployment Insurance

We identified inaccuracies in this Law and in other laws, as follows:

- ▲ Article 67 of the Law provides for the conditions when unemployed persons cannot receive monetary compensation based on termination of employment, which are not fully compliant with the Law on Labor Relations in the part of termination of employment contract
- ▲ Article 68 of the Law does not precisely regulate the method of calculating the amount of monetary compensation when working part-time calculated for full-time as provided for in Article 68 paragraph 2 of the same Law, which causes different action
- ▲ Article 77 of the Law regulates termination of the right to monetary compensation of an unemployed person if he/she is referred to by the Agency for employment, but the conditions are not specified if the person:
 - △ «refuses to contact the employer», if the person is assigned to a job with appropriate professional training or has declared that he/she accepts employment at a lower level of professional training,
 - △ «refuses to be employed by the employer» when the employer agrees and meets the employment conditions, and when employment conditions are suitable for the unemployed person,
 - △ is employed to perform works under contract;
- ▲ the Law does not precisely regulate whether individual farmers and other categories of persons who are not liable to pay contributions for compulsory insurance in case of unemployment have the right to monetary compensation; according to the Law on Mandatory Social Insurance Contribution, these persons are liable for contributions to PDIF
- ▲ the Law does not contain provisions for regulating Agency's rights to request return of monetary compensation [for exp. Retroactively, when unemployed person returns to work after a court decision], as well as for determining deadline for return of funds to the Budget of the Republic of North Macedonia /Agency subaccount.



EDUCATION

▲ Law on Higher Education

The provisions of the law (Article 97 paragraph 14) do not regulate the working relations of the rector and the scope of his/her engagement if he/she is chosen from among the professors of the Faculty of Medicine and Dentistry Skopje, who, according to the Law on Health Care, have established a dual employment with the Faculty and the Clinic. Namely, this provision does not consider article 174 paragraphs 3, 4, 5 and 6 of the Law on Health Care, where it is foreseen that the higher education, scientific research and healthcare activity are carried out as an indivisible functional unit governed by an agreement between the public higher education and the public healthcare institution²¹.

The law does not regulate the authority for adoption of an act for establishing the right and the amount of compensation - a functional allowance

for performing managerial function. Namely, the payment of the functional salary supplement, i.e. supplement to the basic net salary for performance of managerial position, which is carried out based on Article 75 of the Collective Agreement for Higher Education, provides for establishing the right and the amount of compensation by a general act of the institution. In conditions where neither a collective agreement nor a law regulates who will pass the act for establishing the right and the amount of the compensation, it is necessary to regulate the authority for carrying the said act and identify the body that will establish the amount of the compensation - a functional allowance for performing a managerial function in the Law on Higher Education.



HEALTHCARE

▲ Law on Healthcare

It is necessary for the Ministry of Health to undertake activities to prescribe and establish long-term waiting list, i.e. ensure systematic monitoring of the real need for diagnostic healthcare services, prescribing deadline for issuing results of performed recordings, as well as prescribing professional instructions for performing radiological magnetic resonance diagnostics.

It is also necessary to adopt the foreseen by-law for certification of the software used by healthcare institutions for connection and integration with the "My Appointment" system.

It is necessary to adopt the prescribed act in accordance with Article 221 for determining the types of costs that can be included in the compensation determined by an agreement for uninterrupted performance of healthcare activity and regulating the method of uniform calculation of the amount of compensation for healthcare workers engaged with a fixed contract.

²¹ Agreement between PH University Clinic for Digestive Surgery and Faculty of Medicine 794/11 dated 21.04.2009

A large, stylized number '7' is the central graphic. It is composed of two colors: a light orange for the top horizontal bar and the right vertical stem, and a darker red for the bottom-left diagonal stem. The text 'SAO FINANCIAL STATEMENTS' is positioned in the dark red area of the '7'.

**SAO
FINANCIAL
STATEMENTS**

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 2023 година.

Скопје, 03.06.2024

Овластен ревизор

Љубица Ефтимовска Костовска



Друштво за ревизија

PCM МАКЕДОНИЈА ДООЕЛ Скопје

Јелпка Јорданска Андријеска



THE POWER OF BEING UNDERSTOOD

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PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на РСМ Македонија и член на РСМ Република Северна Македонија. РСМ Република Северна Македонија е независна од страна на РСМ Македонија. Сепак, иако не е член на РСМ Македонија, РСМ Македонија е член на РСМ Република Северна Македонија. РСМ Република Северна Македонија е независна од страна на РСМ Македонија.

БИЛАНС НА ПРИХОДИ И РАСКОДИ

Опис на позицијата	Образложение	во денари		
		Буџет 2023	Реализирано 2023	Реализирано 2022
Приходи				
Трансфери и донации	3.1.	148.530.000	145.204.883	133.663.705
Вкупно приходи		148.530.000	145.204.883	133.663.705
Расходи				
Тековни расходи				
Плати, наемнини и надоместоци	3.2.1.	118.700.000	116.449.165	100.721.812
Стоки и услуги	3.2.2.	21.880.000	21.259.202	23.526.749
Разни трансфери	3.2.3.	700.000	522.911	1.303.105
Вкупно тековни расходи		141.280.000	138.231.278	125.551.666
Капитални расходи				
Капитални расходи	3.3.	7.250.000	6.973.605	8.112.039
Вкупно капитални расходи		7.250.000	6.973.605	8.112.039
Вкупно расходи		148.530.000	145.204.883	133.663.705
Нето вишок на приходи - добивка по оданочување				

Скопје, 21.02.2024

Данче Ангеловска

Рководител на сектор за
финансиски прашања
Данче Ангеловска



Максим Ацевски

Главен државен ревизор

Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2023	2022
Актива			
Тековни средства	4.1.		
Поборувања од купувачи	4.1.1.	-	218.497
Поборувања од вработените	4.1.2.	202.994	223.301
Активни временски разграничувања	4.1.3.	16.057.413	14.219.873
Залихи	4.1.4.	1.772.431	1.694.777
Вкупно тековни средства		18.032.838	16.356.448
Постојани средства	4.2.		
Нематеријални средства	4.2.1.	8.312.459	9.054.927
Материјални средства	4.2.2.	432.251.403	440.110.900
Вкупно постојани средства		440.563.862	449.165.827
Вкупна актива		458.596.700	465.522.275
Вонбилансна актива		-	-
Пасива			
Тековни обврси	4.3.		
Кратгорочни обврси спрема добавувачи	4.3.1.	2.494.067	1.301.646
Кратгорочни обврси за плати и други обврси спрема вработените	4.3.2.	11.067.646	9.054.967
Пасивни временски разграничувања	4.3.3.	202.994	441.796
Вкупно тековни обврси		13.764.737	10.798.410
Долгорочни обврси	4.4.	2.495.670	3.863.261
Извори на средства	4.5.		
Извори на капитални средства		367.583.294	376.107.606
Резервационна резерва		74.752.699	74.752.699
Вкупно извори на капитални средства		442.335.993	450.860.304
Вкупна пасива		458.596.700	465.522.275
Вонбилансна пасива		-	-

Скопје, 21.02.2024

Данче Ангеловски

Раководител на сектор за
финансиски прашања
Данче Ангеловски



Максим Ацевски

Главен државен ревизор
Максим Ацевски

ПРЕГЛЕД НА ПРОМЕНИ НА ИЗВОРИ НА СРЕДСТВА

О П И С	Државен јавен капитал	Останат капитал (заплати на материјали, резерви делови и ситен инвентар и хартии од вредност)	во денари
			Вкупно
Состојба 01.01.2023 година	449.165.827	1.694.777	450.860.604
Зголемување по основ на:	9.335.661	1.465.961	10.801.642
Зголемување на вредноста (капитализација)	9.335.661	1.465.961	10.801.642
По полис 2023	-	-	-
Ревалоризација	-	-	-
Намалување по основ на:	17.937.647	1.388.306	19.325.953
Амортизација	17.879.671	-	17.879.671
Издатници	-	1.386.182	1.386.182
По полис 2023	57.976	2.124	60.100
Ревалоризација	-	-	-
Состојба 31.12.2023 година	440.563.861	1.772.432	442.336.293



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 кришто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2023, како и билансот на состојба заклучно со таа дата, и прилагодот 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 етичните барања и да ја планираме и извршиме ревизијата за да добијеме разумно уверување за тоа дали финансиските извештаи се ослободени од материјално погрешно прикажување.

THE POWER OF BEING UNDERSTOOD

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PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на PCM групата и е лиценциран РСО. РСО е професионална организација која ја регулира стравата на РСО практици. Оваа лиценца на РСО е издадена од Министерството за финансии и е издадена на РСО групата. Министерот РСО издава лиценца на РСО практици.

Ревизијата вклучува истражување 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 на 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 односот на сите, но не за целта на изразување на мислење за ефективоста 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 2023 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските хорисници, Правилникот за сметководството на буџетите и буџетските хорисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

THE POWER OF BEING UNDERSTOOD

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RSM MAKEDONIA DOOEЛ Скопје и членови RSM мрежата го објавуваат RSM РИОА, годишното истражување за состојбата на страните членки на RSM мрежа. RSM мрежа е меѓународна RSM мрежа со седиште во Амстердам, Холандија. RSM мрежата е глобална мрежа, која е меѓународна организација.

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 2023 година.

Скопје, 03.06.2024

Овластен ревизор

Љубица Евтимовска Костовска



Друштво за ревизија

RSM МАКЕДОНИЈА ДООЕЛ Скопје

Јаглика Јорданова Андријеска



Друштво за ревизија RSM
МАКЕДОНИЈА ДООЕЛ Скопје

THE POWER OF BEING UNDERSTOOD

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RSM МАКЕДОНИЈА ДООЕЛ Скопје е член на RSM мрежата на независни RSM и приватни фирми со лиценци од страна на члените на RSM мрежата. Секој член на мрежата RSM е независно друштво под обврска согласно своите државни закони и стандарди. Мрежата RSM има своја мрежна правна структура во различни држави.

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	во денари		
		Буџет 2023	Реализирано 2023	Реализирано 2022
Приходи	3.1.			
Трансфери и донации	3.1.1.	3.000.000	374.733	2.494.120
Вкупно приходи		3.000.000	374.733	2.494.120
Расходи	3.2.			
Тековни расходи				
Стоки и услуги	3.2.1.	-	-	84.316
Вкупно тековни расходи		-	-	84.316
Капитални расходи				
Капитални расходи	3.2.2.	3.000.000	-	2.039.966
Вкупно капитални расходи		3.000.000	-	2.039.966
Вкупно расходи		3.000.000	-	2.124.282
Остварен вишок на приходи		-	374.733	369.838
Даноци, придонеси и други давачки од вишокот на приходи				
Нето вишок на приходи		-	374.733	369.838
Распоредување на вишокот на приходи				
Дел од нето вишокот на приходи за пренос во наредна година		-	374.733	369.838
Обврски за данок на добивка		-	-	-
Вкупно распоред на вишок на приходи		-	374.733	369.838

Скопје, 21.02.2024

Данче Ангеловска

Раководител на сектор за
 финансиски граѓаниња
 Данче Ангеловска



Максим Ицевски

Главен државен ревизор
 Максим Ицевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образло контне	во денари	
		2023	2022
Активна			
Тековни средства			
Парични средства	4.1.		
Побарувања од културните во земјата	4.1.1.	374.733	369.838
Побарувања од вработените	4.1.2.	8.930.068	9.341.890
Побарувања од вработените	4.1.3.	-	-
Активни временски разминувања	4.1.4.	-	-
Вкупно тековни средства		9.304.801	9.711.688
Постојани средства			
Нематеријални средства	4.2.		
Материјални средства	4.2.1.	-	-
Материјални средства	4.2.2.	-	-
Вкупно постојани средства		-	-
Вкупна актива		9.304.801	9.711.688
Вомбилансна евиденција - актива		-	-
Пасива			
Тековни обврски			
Краткорочни обврски спрема добавувачи	4.3.		
Краткорочни обврски спрема добавувачи	4.3.1.	-	-
Пасивни временски разминувања	4.3.2.	9.304.801	9.711.688
Вкупно тековни обврски		9.304.801	9.711.688
Извори на средства			
Извори на капитални средства	4.4.		
Резервационна резерва	4.4.1.	-	-
Резервационна резерва	4.4.2.	-	-
Вкупно извори на деловни средства		-	-
Вкупна пасива		9.304.801	9.711.688
Вомбилансна евиденција - пасива		-	-

Скопје, 21.02.2024

Данче Ангеловска

Раководител на сектор за
 финансиски прашања
 Данче Ангеловска



Максим Ацевски

Главен државен ревизор
 Максим Ацевски

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 020021504078550 Проект од General Court of Audit – Sauid FISP, а којшто го вклучуваат билансот на приходите и расходите за годината којашто завршува на 31 декември 2023, исто 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 спроведоае 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 доблиме 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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RSM BULGARIA AD 2023 OJG и RSM BULGARIA AD 2023 OJG е член на RSM Билансната група на RSM. RSM е меѓународна мрежа од независни членови на RSM. Членовите на мрежата RSM и нивните филијали и сродни фирми се независни сметководствени консултанци. Членови на RSM не се сметководствени консултанци на ниво на држави.

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	Буџет 2023	Реализирано 2023	Реализирано 2022
Приходи	2.1.			
Трансфери и донации	2.1.1.	1.710.000	1.709.880	-
Вкупно приходи		1.710.000	1.709.880	-
Расходи	2.2.			
Капитални расходи	2.2.1	1.710.000	1.709.880	-
Вкупно капитални расходи		1.710.000	1.709.880	-
Вкупно расходи		1.710.000	1.709.880	-
Нето вишок на приходи - добивка по оданочување			-	-

Скопје, 21.02.2024

Данче Ангеловска

Раководител на сектор за
 финансиски прашања
 Данче Ангеловска



Максим Аџевиќ

Главен државен ревизор
 Максим Аџевиќ

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2023	2022
Активи			
Вкупна актива		-	-
Пасиви			
Вкупна пасива		-	-

Скопје, 21.02.2024

Данче Ангелоска

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Максим Ацевски

Главен државен ревизор
 Максим Ацевски

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 – ДОНАТОРСКА СМЕТКА 020021504078564-EUROSAP заклучно со 31 декември 2023 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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PODMENI ZA 2023: Ova je izvješće PCM-a prema završenom godišnjem PCM-u i pregledu svih važnih informacija o PCM-u prema odobrenju. Ova izvješća su objavljena na mrežnoj stranici PCM-a. Ova izvješća su objavljena na mrežnoj stranici PCM-a. Ova izvješća su objavljena na mrežnoj stranici PCM-a.

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 2023 година.

Скопје, 03.06.2024

Овластен ревизор
Љубица Елтимовска Костовска



Друштво за ревизија
PCM МАКЕДОНИЈА ДООЕЛ Скопје
Јаглика Јорданова Андријеска



THE POWER OF BEING UNDERSTOOD
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PCM МАКЕДОНИЈА ДООЕЛ Скопје е член на РМР Северна Македонија и фирма член на РМР. РМР е првостепениот член на организацијата на РМР Европа. Членство на членот на РМР е наредно ниво на организацијата на РМР Европа. Членство на РМР Северна Македонија е членство на РМР Европа. РМР е член на РМР Европа.

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложе ние	Буџет 2023	Реализирано 2023	Реализирано 2022
Приходи	2.1.			
Трансфери и донации	2.1.1.	930.000	815.341	-
Вкупно приходи		930.000	815.341	-
Расходи	2.2.			
Тековни расходи	2.2.1			
Стоти и услуги	2.2.1.1.	930.000	815.341	-
Вкупно тековни расходи		930.000	815.341	-
Вкупно расходи		930.000	815.341	-
Нето вишок на приходи - добивка по оданочување			-	-

Скопје, 21.02.2024

Данче Ангеловска

Раководител на сектор за
финансиски прашања
Данче Ангеловска



Максим Ацевски

Главен државен ревизор

Максим Ацевски

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2023	2022
Актива			
Вкупна актива		-	-
Пасива			
Вкупна пасива		-	-

Скопје, 21.02.2024

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Данче Ангеловска



Максим Ацевски

Главен државен ревизор

Максим Ацевски

ABBREVIATIONS

AERNM	Agency for Employment of the Republic of North Macedonia
JSC	Joint Stock Company
JSC Vodostopanstvo	Joint Stock Company 'Water Economy of the Republic of North Macedonia'
JSC MEPSO	Electricity Transmission System Operator of the Republic of North Macedonia, Joint Stock Company for electricity transmission and power system control in state ownership, Skopje
JSC CMRCS	JSC for construction and management of residential and commercial space
JSC MSBP	JSC for management of state-owned business premises
JSC ESM	JSC Power Plants of North Macedonia
AMS	Audit Management System
ASOSAI	Asian Organization of Supreme Audit Institutions
GDP	Gross Domestic Product
VMRO-DPMNE	Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity
SAI	Supreme Audit Institution
WFD	Westminster Foundation for Democracy
AG	Auditor General
GRECO	Group of States against Corruption, Council of Europe anti-corruption body
VAT	Value Added Tax
SAO	State Audit Office
SSO	State Statistical Office
SEC	State Election Commission
SCPC	State Commission for Prevention of Corruption
SEI	State Education Inspectorate
SSD	State Student Dormitories
DUI	Democratic Union for Integration
EC	European Commission
LSGUs	Local Self-Government Units
ETS	Electric Transmission System
EPPS	Electronic Public Procurement System
ESPED	Electronic System for Reporting and Recording Obligations
EU	European Union

EUROSAI	European Organization of Supreme Audit Institutions
DAG	Deputy Auditor General
ZELS	Association of Local Self-Government Units
PPL	Public Procurement Law
IDI	INTOSAI Development Initiative
ICT	Information and Communication Technologies
INTOSAI	International Organization of Supreme Audit Institutions
IPA	Instrument for Pre-Accession Assistance
ISSAIs	International Standards of Supreme Audit Institutions
IT	Information Technology
IFES	International Foundation for Electoral Systems
IFMIS	Integrated Public Financial Management Information System
PHI	Public Healthcare Institutions
FAR	Final Audit Report
PUC	Public Utility Company
PP	Public Procurement
PPO	Public Prosecutor's Office of the Republic of North Macedonia
PE	Public Enterprise
CPD	Continuous Professional Development
MoI	Ministry of Internal Affairs
MISA	Ministry of Information Society and Administration
IMF	International Monetary Fund
MoD	Ministry of Defence
MoES	Ministry of Education and Science
MRI	Magnetic Resonance Imaging
IAS	International Accounting Standards
MoTC	Ministry of Transport and Communications
MoLSP	Ministry of Labor and Social Policy
MoF	Ministry of Finance
NATO	North Atlantic Treaty Organization
NBRNM	National Bank of the Republic of North Macedonia
NDI	National Democratic Institute
NPAA	National Program for Adoption of the Acquis
OECD	Organisation for Economic Co-operation and Development
OP	Operational Plan
OG	Operational Guidelines
PrHI	Private Health Institutions

PDI	Pension and Disability Insurance
MC	Monetary Compensation
PP	Political Parties
PCER	Party for the Complete Emancipation of the Roma
REK	Mining Energy Plant
SDSM	Social Democratic Union of Macedonia
SEA	Secretariat for European Affairs
SIGMA	Support for Improvement in Governance and Management
SOZR	General and Common Affairs Service
TPP	Thermal Power Plant
TIKA	Turkish Cooperation and Coordination Agency
TFMA	EUROSAI Task Force on Municipality Audit
PRO	Public Revenue Office of the Republic of North Macedonia
UC	University Clinic
UN WOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
FB	Facebook
HIF	Health Insurance Fund
EC	Employment Centres
CIPFA	Chartered Institute of Public Finance and Accountancy
SDGs	Sustainable Development Goals
CAATs	Computer-Assisted Audit Techniques

