

2024

ANNUAL REPORT

ON PERFORMED AUDITS AND OPERATION OF
THE STATE AUDIT OFFICE



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Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC

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AUDITOR GENERAL STATEMENT

You are hereby presented with the Annual Report on Performed Audits and Operations of the State Audit Office for 2024. This document embodies our dedication, expertise, and unwavering commitment to accountability, transparency, and the public interest. This report is a result of our ongoing investment in our employees' knowledge and skills, their enthusiasm, and their tireless efforts. It is not merely a compilation of facts and figures but a testament to our mission – to serve as guardians of the public interest and a model of institutional integrity.

Throughout 2024, we successfully implemented our Annual Work Program, which encompassed 88 audits. As a result of our efforts, we identified 1,240 significant findings and issued 882 recommendations contained in 132 audit reports. These documents are not merely administrative records – they present a realistic picture of institutional operations, reflect the state of systems, and provide a clear roadmap for improvement.

We are particularly proud of our performance audits, which have addressed critical areas, including the Sustainable Development Goals, gender equality, healthcare services, traffic safety, public-private partnerships, digitalization, artificial intelligence, and many other key issues. We believe these audits provide objective insight, encourage public debate, and provide clear guidelines for improving the quality of life for our citizens.

At the same time, through our recommendations, we pointed out ways in which the competent authorities could act to achieve greater efficiency, effectiveness, and fairness. We also worked on the adoption of the Annual Plan for Corruption Prevention and the Plan for Continuous Professional Development, because we believe that knowledge is the most powerful tool we possess.

We take special pride in the fact that once again this year, the State Audit Office retained the top position in the National Integrity System, according to data from the State Commission for the Prevention of Corruption. This recognition once again confirms the professionalism, honesty, and ethical conduct of our employees, as well as our ongoing contribution to strengthening public trust.

In 2024, we expanded the scope of audits of public revenue and expenditure, thereby providing significant added value by identifying unpaid public duties and initiating specific actions in the interest of the state and municipal budgets. Our work is not just numbers – it is impact, difference, and improvement.

Although we have pointed to systemic weaknesses for years, we remain a voice that insists on change and solutions. We firmly believe that our influence is crucial in advancing regulations and creating a legal and institutional environment conducive to development.

By upholding the principles of INTOSAI – P12 and P20, as well as our Communication Strategy, in 2024, we established new standards for accountability and transparency. With 221,718 visits to our website and over 500,000 visitors to our Facebook page, we have built a strong connection with the public, proving that audit is alive, open, and meaningful to every citizen.

Our cooperation with the Public Prosecutor's Office was also of great importance, ensuring the implementation of the Memorandum of Cooperation and taking concrete actions to improve communication between public prosecutors and authorized/state auditors. We believe this approach is a model of institutional collaboration that delivers results.

Internationally, our participation in INTOSAI and EUROSAI activities, along with bilateral partnerships, has established our institution as a respected and equal partner in both the European and global audit communities.

Behind all these results stands a team of skilled, motivated, and dedicated professionals – our employees, along with the support of national and international experts and donors, to whom we extend our deep gratitude.

We view the future of the State Audit Office through the lens of independence, innovation, and integrity. We will continue to pursue our strategic goals, strengthen our capacities, and implement the activities agreed upon with the Assembly, with a clear goal – a meaningful role for audit in the democratic process.

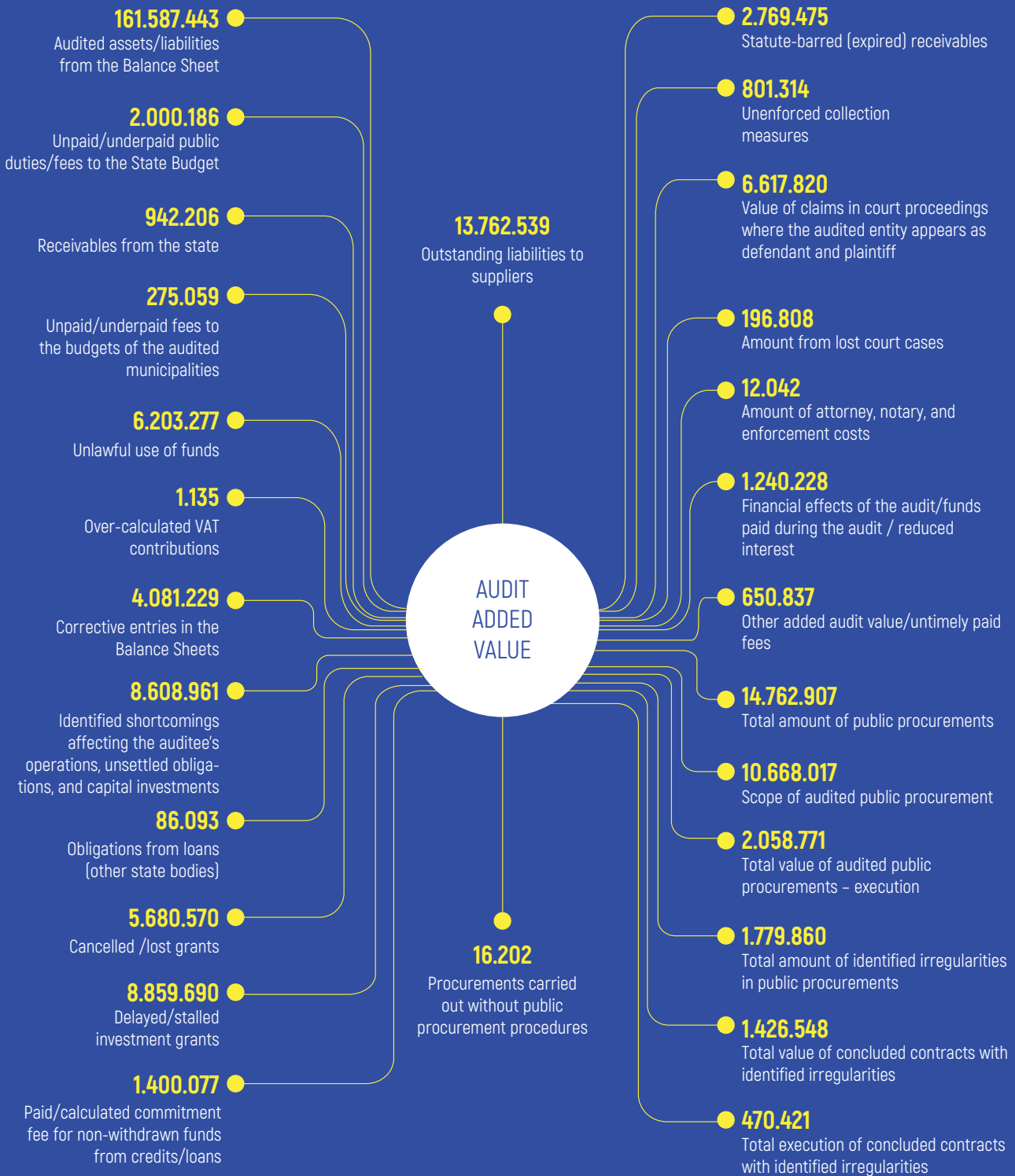


FINALLY, I WOULD LIKE TO EMPHASIZE THAT INVESTING IN THE KNOWLEDGE AND SKILLS OF OUR HUMAN RESOURCES REMAINS OUR GUIDING PRINCIPLE, AS IT IS AN INVESTMENT THAT CONSISTENTLY PAYS OFF FOR THE INSTITUTION, THE COUNTRY, AND, MOST IMPORTANTLY, THE CITIZENS.

Auditor General
Maksim Acevski, MSc

KEY RESULTS OF THE STATE AUDIT OFFICE OPERATIONS

in 000 denars



STATE AUDIT OFFICE
2024 ANNUAL WORK PROGRAM



TOPICS COVERED
BY AUDITS

88 PERFORMED
AUDITS

72

Regularity audits

10

Performance audits

4

IT audits

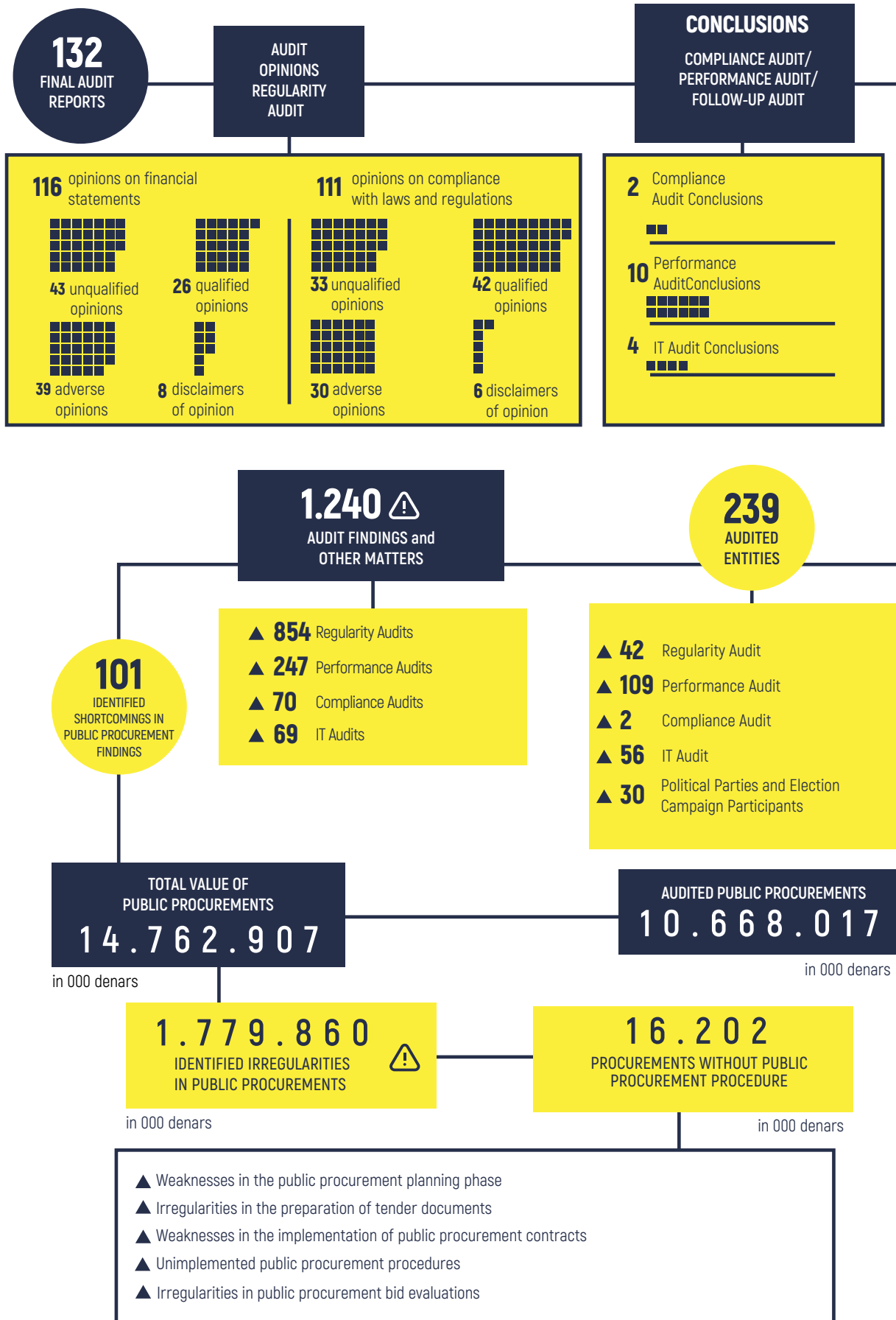
2

Compliance audits

SUSTAINABLE
DEVELOPMENT GOALS
COVERED BY AUDITS



AUDIT ACTIVITY THROUGH FIGURES



AUDITED PUBLIC REVENUE AND PUBLIC EXPENDITURE

TOTAL **451.728 MILLION DENARS** audited public revenue and **227.774 MILLION DENARS** audited public expenditure under the SAO 2024 Annual Work Program

	Audited public revenue	Audited public expenditure
Central Budget of the Republic of North Macedonia	264.348 203.174	59.574 15.619
Budgets of Funds	149.216 135.804	145.363 129.629
Budgets of local self-government units	4.073 5.243	3.760 4.888
Health Insurance Fund budget users	3.386 1.730	3.360 1.720
Election campaign participants-Local Elections	1.276 19	1.067 19
Public enterprises	1.381 14.681	1.534 10.947
Other institutions / legal entities in which the state is dominant shareholder	4.693 1.523	4.811 1.539
Audited public revenue with performance audit	23.355 2.851	8.302 181.154
Audited public revenue with compliance audit	0 0	3 50.446

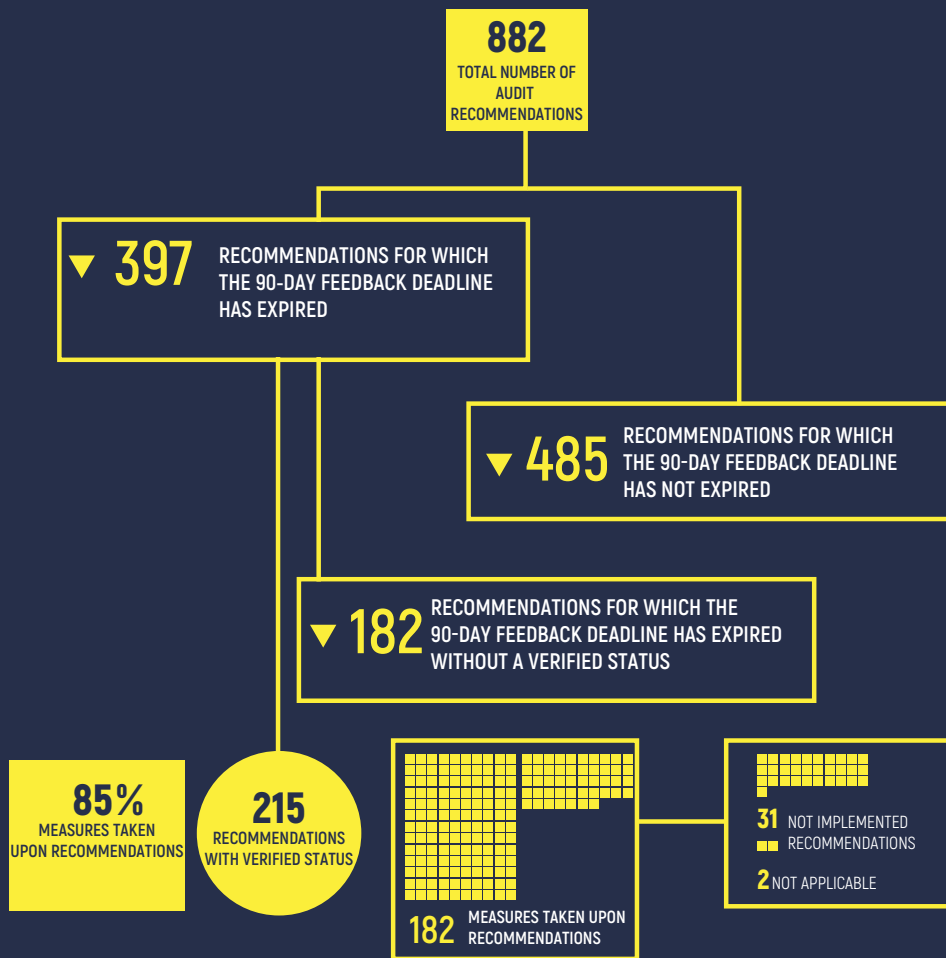
■ Annual program 2024

■ Annual program 2023

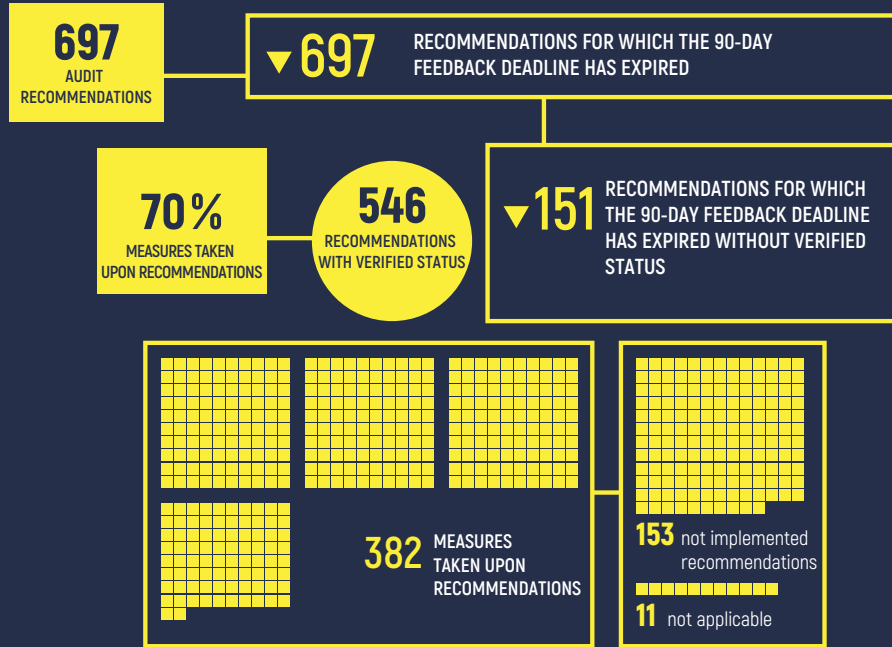
in 000.000 denars

AUDIT RECOMMENDATIONS AND IMPLEMENTATION

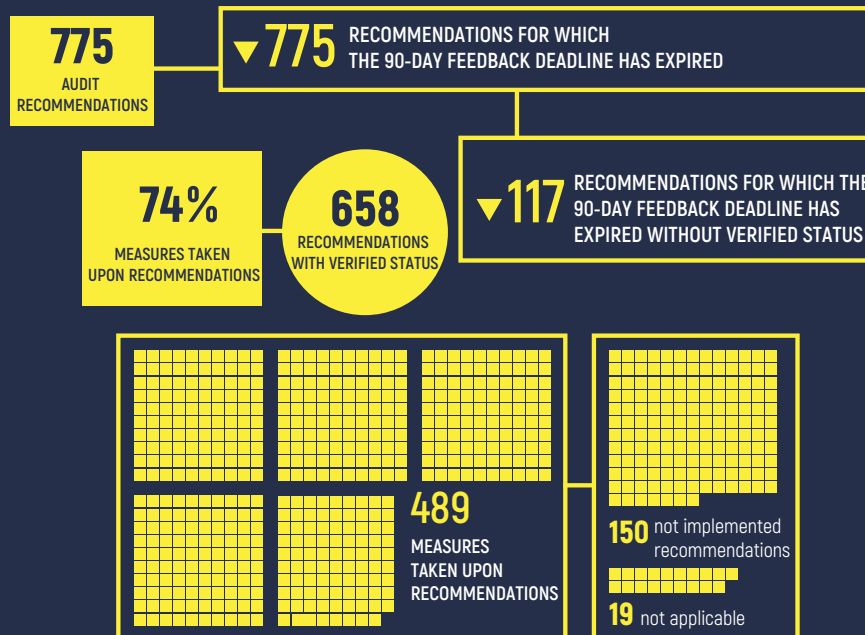
2024



2023



2022








LOAN/GRANT COMMITMENTS

covered by the Core Budget audit for 2024

OVERVIEW OF BORROWING WITH LOANS/GRANTS, TOTAL WITHDRAWN AND NON-WITHDRAWN FUNDS AND COMMITMENT FEE FOR NON-WITHDRAWN FUNDS FOR CURRENT PROJECTS BY COMPETENT INSTITUTIONS, AS OF 31.12.2023

in 000 denars

							Realization dynamics, in line with the period of borrowing with a loan/grant	
MoF	3.068.601	277.049	2.791.551	9%	91%	8.266	2 projects from 2021 and 2023 with regular implementation dynamics	
MoTC	8.498.609	4.171.167	4.327.442	49%	51%	36.588	2 projects from 2019-2023 with regular implementation dynamics and 1 project from 2019 with slow implementation dynamics	
MoEPP	6.456.975	0	6.456.975	0%	100%	0	2 projects from 2022 and 2023 with slow implementation dynamics	
MoH	1.656.519	830.183	826.336	50%	50%	0	1 project from 2015, stalled	
MoLSP	2.613.538	1.406.994	1.206.544	54%	46%	21.719	2 projects from 2018 and 2020 with regular implementation dynamics	
MoJ Sanctions Enforcement Authority	2.828.770	1.291.395	1.537.375	46%	54%	0	1 project from 2010, stalled	
MoAFWE	7.994.350	302.776	7.691.574	4%	96%	44.849	1 project from 2019 is stalled and 1 project from 2021/2022 with regular dynamics	
MoES	4.875.635	2.689.050	2.186.585	55%	45%	15.801	3 projects from 2011/2022 and 2021 with regular implementation dynamics and 1 project from 2019 with slow implementation dynamics	
JSC Development Bank of North Macedonia	9.224.250	3.964.091	5.260.59	43%	57%	0	1 project from 2023, with regular implementation dynamics	
PESR	77.579.604	45.542.819	32.036.785	59%	41%	613.680	6 projects from 2014-2022 with slow implementation dynamics and 1 project from 2014/2019 stalled	
PE ZRSM Skopje	46.684.472	5.014.016	41.670.456	11%	89%	459.227	2 projects from 2012 and 2014/2018 with slow implementation dynamics and 1 project from 2023 with regular implementation dynamics	
SC ESM	8.571.552	1.302.939	7.268.612	15%	85%	65.226	4 projects from 2015 - 2023 with regular implementation dynamics and 1 project from 2018/2019 with slow implementation dynamics	
JSC MEPSO	4.550.630	2.602.641	1.947.989	57%	43%	131.295	2 projects from 2013 and 2015/2016 with slow implementation dynamics	
JSC NOMAGAS	2.559.668	0	2.559.668	0	100%	0	1 project from 2021 with slow implementation dynamics	
M-NAV	600.806	129.227	471.579	22%	78%	3.426	1 project from 2022 with slow implementation dynamics	
CITY SKOPIJE	4.304.650	0	4.304.650	0	100%	0	1 project from 2021, stalled	
PE WATER SUPPLY	12.039.754	922.425	11.117.329	8%	92%	0	1 project from 2019/2023 with slow implementation dynamics	
204.108.382	70.446.770	133.661.612					1.400.077	



Competent institution for project realization



Total amount of loans/investment grants



Amount of withdrawn funds



Amount of non-withdrawn funds



% of withdrawn funds

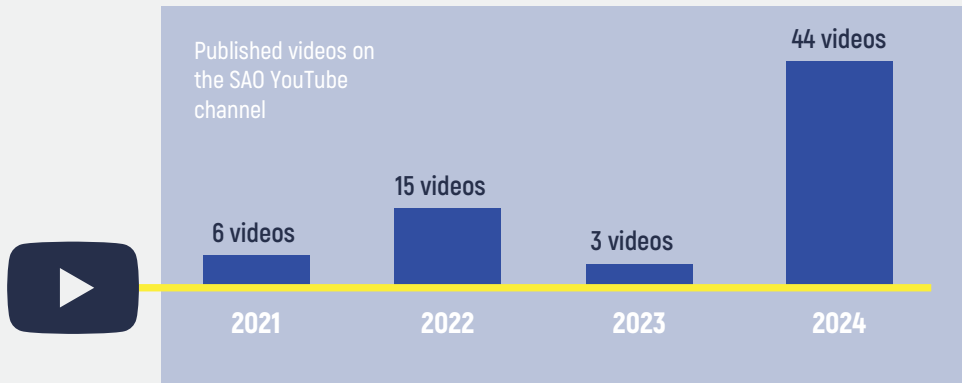
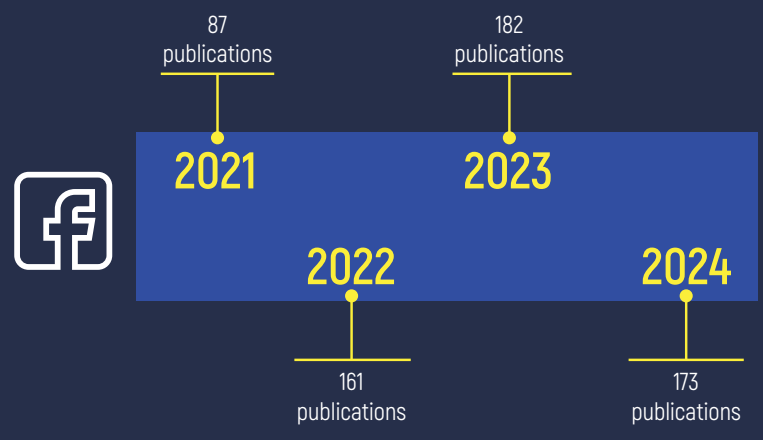
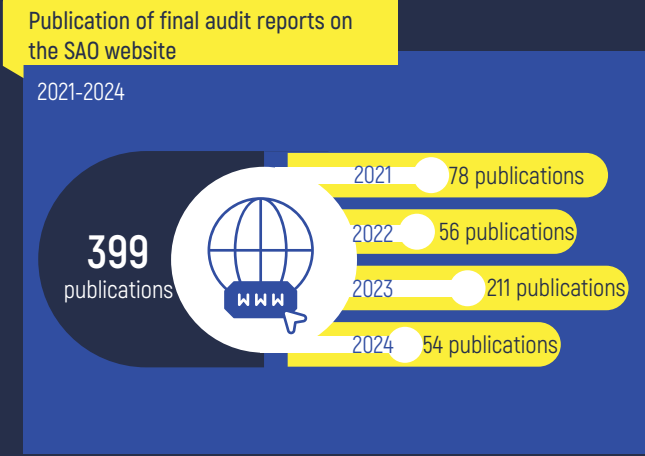


% of non-withdrawn funds

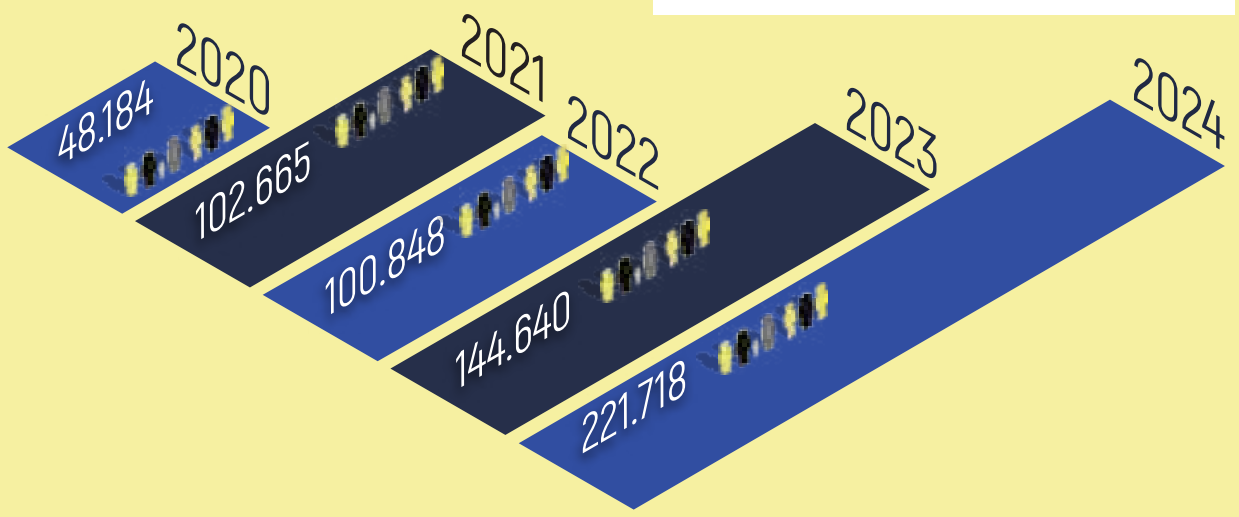


Commitment fee on non-withdrawn funds

TRANSPARENCY

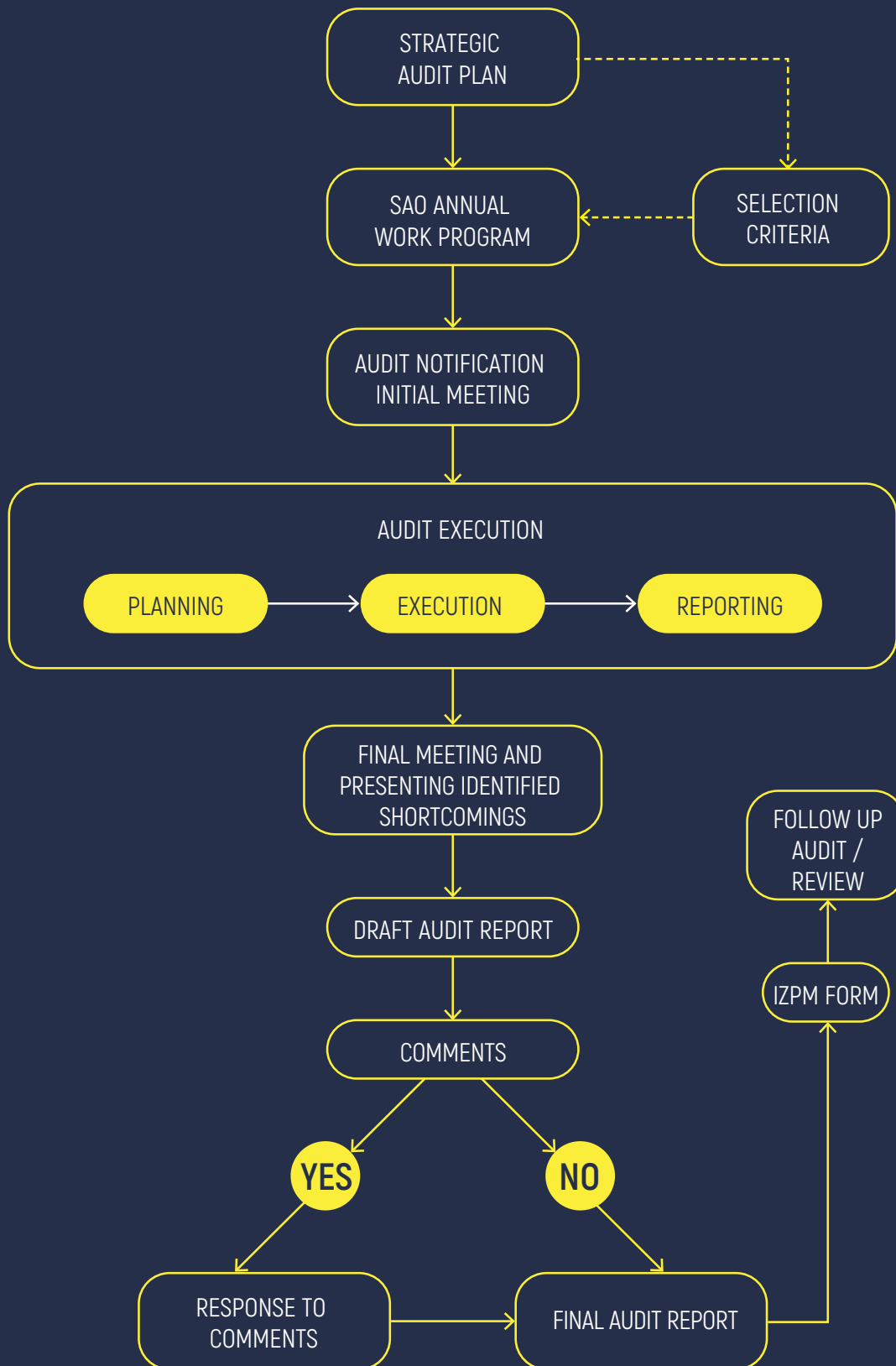


CONTENT VIEWS WWW.DZR.MK



By 2024, **website** traffic has increased by **460%** or by **4,6** times compared to 2020.

AUDIT PROCESS



ABOUT THE STATE AUDIT OFFICE

01

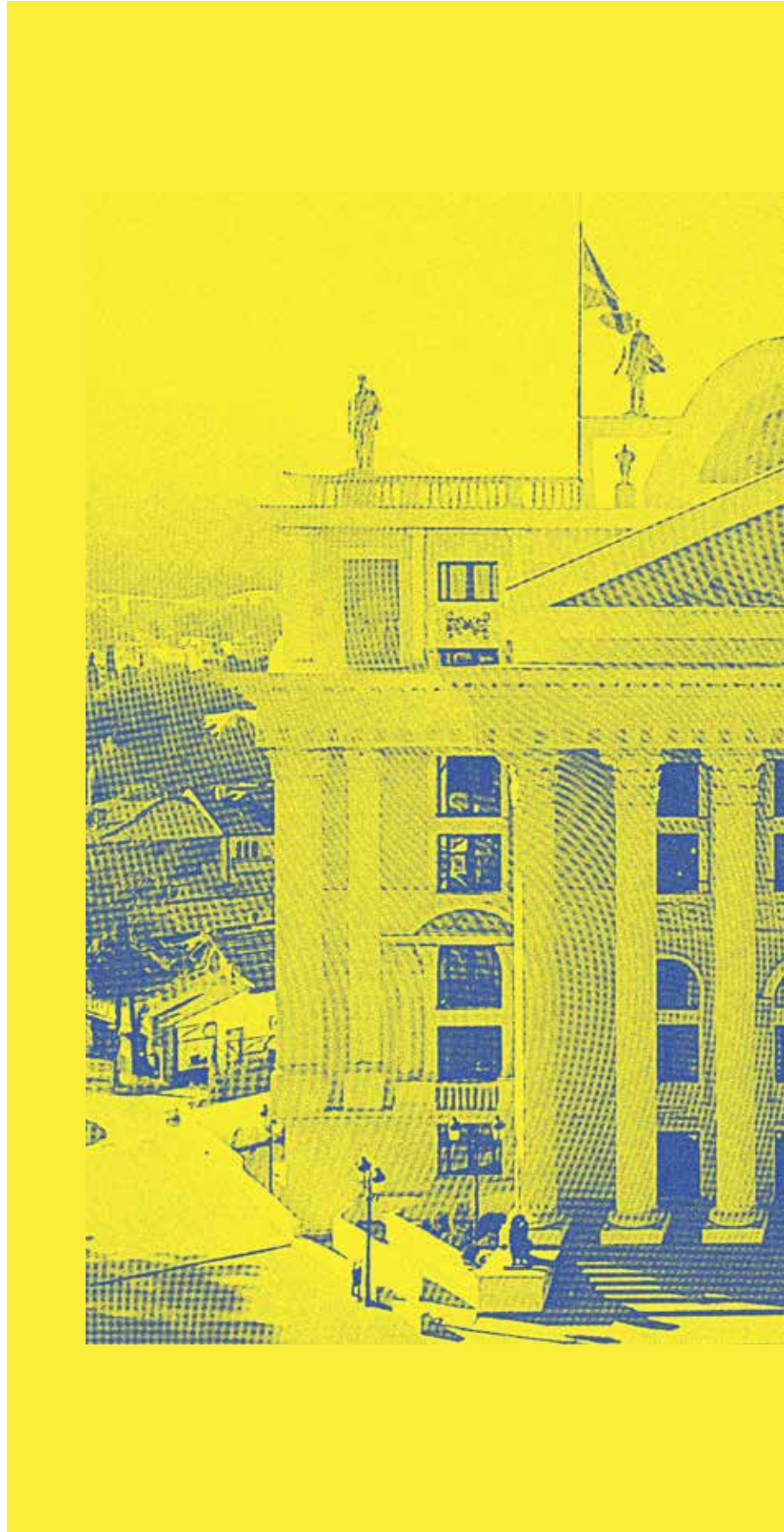


STATE AUDIT OFFICE

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 the INTOSAI Framework of Professional Pronouncements (IFPP).

The State Audit Law provides for the institution's independence and regulates SAO competencies, the broad mandate for conducting audits with unlimited access to all information, documentation, and records necessary for conducting state audits. 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 legislative and executive power.



25 YEARS STATE AUDIT OFFICE



2024 was a jubilee year for the State Audit Office. In November, we proudly celebrated 25 years of conducting state audit activities as an independent and autonomous supreme audit institution (SAI) of the Republic of North Macedonia.

We are proud of the achievements in the previous period and the positive assessments we have continuously received from relevant international and national institutions. Teamwork, professional human resources, integrity built over the past 25 years, transparency, and accountability in our operations continuously yield the desired results - leadership in safeguarding public funds and the financial interests of citizens and combating corruption.

These results confirm that the SAO is dedicated to implementing the principles of INTOSAI – P 12, thereby ensuring "Value and benefits of SAIs – making a difference in the lives of citizens". We believe we have

- /// strengthened accountability, transparency, and integrity of state bodies and public sector entities,
- /// demonstrated ongoing relevance to citizens, the Assembly, and other stakeholders, and
- /// represented an exemplary organization.

25 YEARS OF PROFESSIONAL OPERATION AS A SUPREME AUDIT INSTITUTION

The first state audit institutions in our country were formed immediately after 1945 and underwent several reforms until the establishment of the State Audit Office as the supreme audit institution, modeled on European experiences and best practices.

The first Annual Report on performed audits and operation of the State Audit Office was presented to the Assembly of the Republic of Macedonia in 2000, covering the operations of the SAO for 1999.

SAO operations are regulated by the State Audit Law, first enacted in 1997. The State Audit Law, currently in force, was passed in 2010 and underwent several amendments until 2022.

As an independent legal entity, SAO started its operation at the beginning of 1999 with nine employees who were transferred from the Directorate for Economic and Financial Audit within the former Payment Operations Bureau. Today, SAO carries out its mandate and functions with 126 employees - Auditor General, Deputy Auditor General, Secretary General, 114 state auditors, 6 persons as audit support personnel, and 3 persons as auxiliary personnel.

MISSION

WHO WE ARE AND WHAT WE DO



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.

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

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 is the Supreme Audit Institution of the Republic of North Macedonia, and the Law on State Audit defines its competences ("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. 122/2021 and 3/25), and are carried out under the international standards of Supreme Audit Institutions adopted by the International Organization of Supreme Audit Institutions (INTOSAI). In addition to the primary law, certain matters within the jurisdiction of the State Audit Office are regulated by specific laws within the national legal framework.

Particularly significant are the provisions of the Law on Budgets, concerning the competence of the State Audit Office to audit the draft Final Account of the Budget,

the Law on Public Procurement, regarding the authority to audit the use and spending of public procurement funds by contracting authorities; the Law on Financing of Political Parties, which concerns the audit of the financial reports of political parties; provisions of the Electoral Code for auditing the financial reports of participants in election campaigns; the auditing of municipal financial reports in line with the Law on Financing the Units of Local Self-Government and the Law on Local Self-Government; etc.

The State Audit Office is an active participant in implementing the National Programme for the Adoption of the Acquis Communautaire (NPAA) 2021–2025 for Chapter 3.32. Financial Control, and continuously contributes to the negotiation working groups and the progress report on the country's EU integration process in several chapters, including public procurement, the judiciary, the fight against corruption, gender equality, functionality of democratic institutions, and public administration reform.

The State Audit Office is also an active stakeholder in achieving the objectives, acting, and implementing activities covered by one of the most important strategic documents of the country, the Public Financial Management Reform Programme "SMART PUBLIC FINANCES" 2022–2025¹.

In 2024, special attention was paid to the implementation of the Guidelines for reporting on the existence of a reasonable suspicion of a committed criminal offence by the audited entity. Based on these Guidelines, continuous cooperation was established with the Public Prosecutor's Office of the Republic of North Macedonia regarding audit findings with reasonable suspicion of a criminal offense committed by the audited entities.

To apply best cooperation practices in 2024, a study visit was organized with WFD support to the Supreme Audit Institution and the Public Prosecutor's Office of Poland for representatives of the State Audit Office and the Public Prosecutor's Office.

The adoption of proposed constitutional amendments aimed at embedding, i.e. granting the highest legal guarantee of the independence and autonomy of the State Audit Office, as well as the proposed State Audit Law, drafted and aligned with the ISSAIs, the legislation of EU member states and the practice of EUROSÁI members, remain key challenges for the executive and legislative authorities in 2025.

¹ Public Financial Management Reform Programme "SMART PUBLIC FINANCES" 2022–2025 and the Draft Public Financial Management Reform Programme 2025–2028

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 2023 concerning the 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 financial and operational independence of the SAO in line with INTOSAI principles, standards, and guidelines,

- /// increased oversight and monitoring by the Assembly of the Republic of North Macedonia by reviewing SAO audit reports to improve the percentage of implemented recommendations.

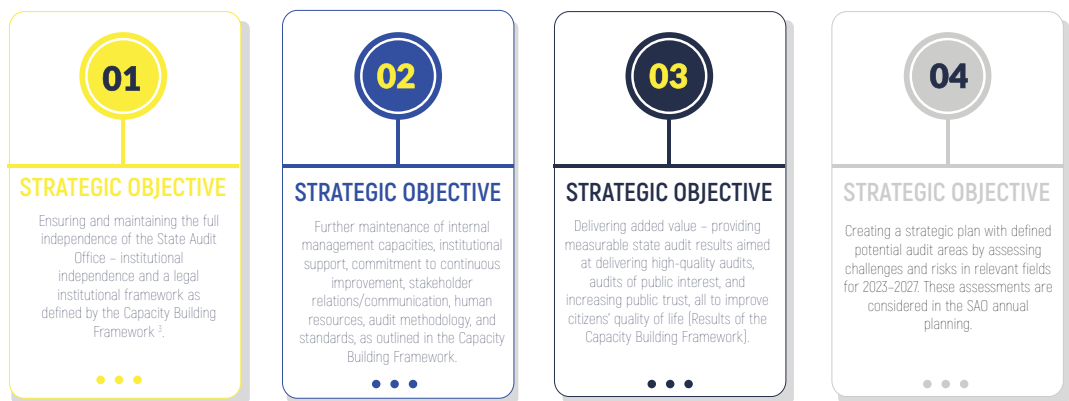
These aspects for improvement, as well as priorities of the Public Finance Management Reform Program ² related to SAO, are included in the following SAO strategic documents.

1.2.1

DEVELOPMENT STRATEGY 2023 - 2027

The SAO Development Strategy 2023–2027 outlines the five-year development perspective of the supreme audit institution of the Republic of North Macedonia.

The perspective is defined through four strategic SAO development objectives:



² Public Financial Management Reform Programme "SMART PUBLIC FINANCES" 2022–2025 and the Draft Public Financial Management Reform Programme 2025–2028

³ Source: INTOSAI Building capacity in Supreme Audit Institutions: A Guide;

Throughout 2024, the State Audit Office continued implementing activities outlined in the Action Plan for the Implementation of the SAO Development Strategy 2023–2027, covering many significant initiatives. The strategic and operational objectives defined in the SAO Development







Strategy and Action Plan are integrated into the SAO Annual Work Programme for 2024, and their implementation is included and presented in this Report.

1.2.2

**IT STRATEGY
2023 – 2027**

In line with the commitment to continuously improve operations and increase the efficiency of the information system, and in support of the implementation of the **Development Strategy 2023–2027, in 2024**, the SAO revised its **IT Strategy 2023–2027**. The revision aimed to adapt to new conditions, evolving needs, and the adoption of emerging trends and technologies. The goal of the IT Strategy is to

ensure proper development and sustainability of IT capacities and the information system to provide continuous and high-quality support for SAO operations. The strategy focuses on achieving IT strategic objectives related to:

	<p>Development and maintenance of an integrated and secure IT system;</p>		<p>Improving digital communication and presentation of SAO results;</p>
	<p>Development and maintenance of IT and communication architecture;</p>		<p>Research, testing, and planning implementation of innovative ICT solutions;</p>
	<p>Development and support of software solutions relevant to audit operations;</p>		<p>Continuous enhancement of digital skills through education, certification, and professional training of staff.</p>

According to the **Report on the Implementation Level of the IT Strategy 2023–2027**, based on monitoring indicators in place, by December 2024, **84.38%** of the planned activities had been completed. This indicates a significant implementation level of strategic

priorities and highlights the importance of applied information technology in the SAO operations.

1.2.3

**HUMAN RESOURCES MANAGEMENT STRATEGY
2024 - 2027**








The sustainability of the human resources management process in the State Audit Office is a key aspect in achieving operational effectiveness and efficiency. Through its Human Resources Management Strategy for the period 2024–2027, the SAO emphasizes

several critical areas necessary for creating a sustainable and successful working environment:

<p>1</p> <p>EMPLOYMENT</p> <p>Ensuring adequate employment conditions, as well as attracting and retaining talented and qualified individuals.</p> 	<p>2</p> <p>CAREER DEVELOPMENT AND PROMOTION</p> <p>Providing equal opportunities for employees to advance and develop their careers, thus contributing to motivation and job satisfaction.</p> 	<p>3</p> <p>CONTINUOUS PROFESSIONAL DEVELOPMENT</p> <p>Encouraging employees to improve and acquire new skills and knowledge through various education and training programs, thus enhancing their competence and performance.</p> 
<p>4</p> <p>PERFORMANCE MEASUREMENT</p> <p>Evaluating employee work and achievements for regular monitoring of productivity and results, and for rewarding high performers.</p> 	<p>5</p> <p>WORKPLACE SUSTAINABILITY</p> <p>Creating a positive working environment that fosters productivity, innovation, and personal development of employees.</p> 	<p>6</p> <p>DIGITALIZATION OF PROCESSES</p> <p>Integrating digital tools into human resources management processes to streamline and improve record-keeping, training, evaluation, and data management.</p> 

The SAO fully implemented the activities outlined in the Human Resources Management Strategy, as confirmed by performance indicators. By the end of 2024, the SAO had completed 100% of the planned activities, demonstrating the success and sustainability of this process. This provides a strong foundation for further advancement and maintenance of human resources within the institution, and for improving its overall functionality

and performance. Enhancing the knowledge and skills of SAO employees remains one of the institution's core commitments, reflected in the annual plans for continuous professional development, the implementation of which is presented in Section 3.2 of this report.

RESULTS	100%			
	IMPLEMENTATION	the general measure – SAO Functional Analysis	Specific measure – Employment	Specific measure – Career
				
	Specific measure – Training and Education	Specific measure – Performance measurement (evaluation)	Specific measure – Maintaining a positive work environment	Specific measure – Digitalization

DEGREE OF IMPLEMENTATION OF MEASURES DEFINED IN HRM STRATEGY FOR 2024

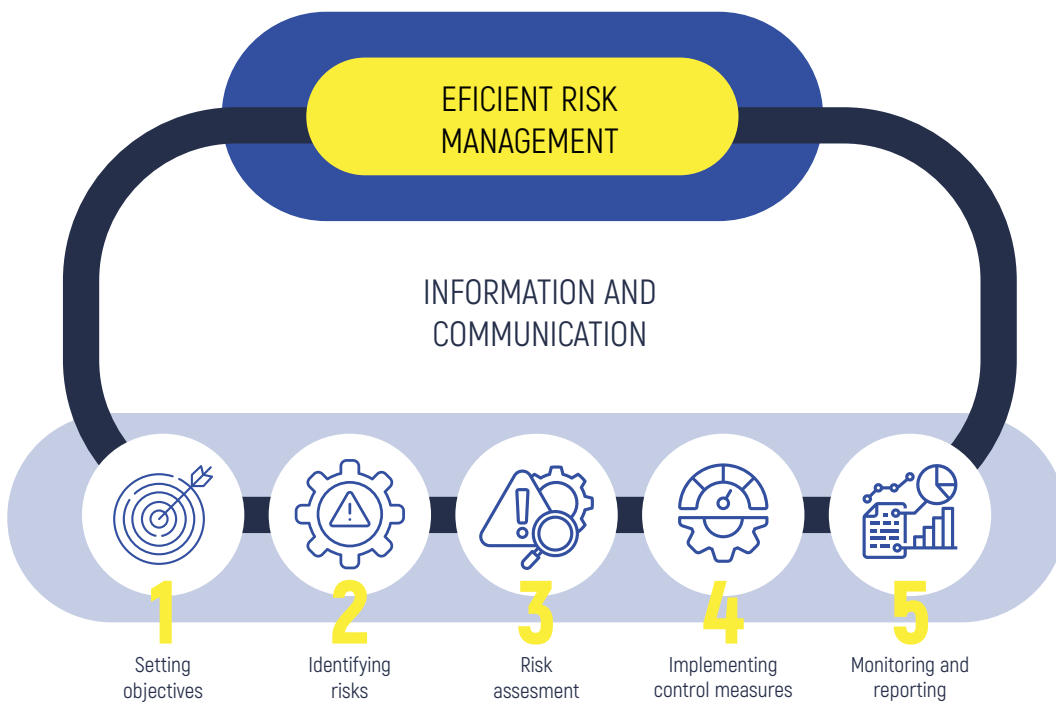
1.2.4

**RISK MANAGEMENT STRATEGY
2024 – 2027**

Following the principles of ISSAI 140 and INTOSAI-P 20, in 2024, the State Audit Office continues to implement activities for systematic risk management that could impact the achievement of institutional goals and the functioning of the organization. According to the Risk Management Strategy 2024–2027, risks are categorized into strategic, external, operational, administrative, and ethical, and a special emphasis is put on corruption-related risks. In this regard, the Strategy is aligned with the Methodology for Assessing Corruption Risks, the National Strategy for Preventing Corruption and Conflict of Interest,

and the INTOSAI GUID 5270–Audit of Corruption Prevention. The Strategy provides a structured approach for identifying, assessing, controlling, and monitoring risks, utilizing a Risk Register that is regularly updated.

With this approach, the State Audit Office reaffirms its ongoing commitment to transparent, accountable, and efficient institutional governance.



1.2.5

STRATEGIC AUDIT PLAN
2024 - 2027

INTOSAI Framework of Professional Pronouncements (IFPP), through the International Standards of Supreme Audit Institutions (ISSAI) and INTOSAI Guidelines (GUID), defines the requirements for strategic and operational planning of Supreme Audit Institutions (SAIs).

The requirements for strategic and operational planning of SAIs aim to determine their priorities to fulfill their legal mandate and other obligations following the regulations, and to apply professional criteria for selecting areas and entities for audit.

SAIs are obliged to plan and conduct audits in a manner that ensures consideration of the expectations of all stakeholders and that all foreseeable and expected risks are taken into account.

In line with the SAO Vision and Mission, mandate, and strategic objectives, the activities related to strategic and operational planning serve to ensure and meet the demands of the professional community regarding transparency, accountability, integrity, and objectivity in SAO operations.

The strategic audit objectives for the next four-year period (2024 to 2027) have been defined in the Decision on Determining the Strategic Audit Objectives of the State Audit Office for the Period 2024–2027 and the Priority Audit Areas by Audit Departments, no. 03-905/1, dated 07.09.2023, which was prepared based on the procedures carried out under the Guideline for Strategic and Annual Audit Planning, no. 02-735/1 dated 09.07.2020, by the SAO audit departments and the obtained information on coverage, significance, and risks arising from the strategic goals (SGs) and immediate goals (IGs) of the SAO Development Strategy 2023–2027.

With the Decision, the Auditor General approved the following strategic audit objectives for the period 2024–2027:

- /// Providing an opinion on the truthful and objective presentation of financial statements and the results of financial activities of the entities subject to audit, following the INTOSAI IFPP, the State Audit Law, and accepted accounting standards and principles
- /// Providing an opinion on the earmarked and lawful use of funds under applicable legal regulations – examining financial transactions that represent public revenues and expenditures
- /// Evaluating the use of public resources from the aspects of economy, efficiency, and effectiveness
- /// Transparent and accountable reporting on the established findings, given recommendations, and actions taken or not taken by the entities subject to audit after the audits are conducted, as well as initiating proposals for improving the legal framework before the Assembly of the Republic of North Macedonia, the public, and all interested parties
- /// Taking actions to inform and cooperate with the competent authorities in the Republic of North Macedonia concerning potential or identified risks, suspicions, illegal actions, and transactions that indicate possible conflicts of interest, corruption, and fraud during audits and the issuance of audit reports, for further appropriate follow-up
- /// Selecting audits that contribute to the improvement of public services

- /// Selecting audits that contribute to raising public awareness and emphasize the importance of priority areas related to the environment and the Sustainable Development Goals
- /// Selecting audits of public interest
- /// Selecting audits as part of the international activities of the State Audit Office to increase the knowledge, capacities, and skills of auditors
- /// Providing added value through audits by giving clear, specific, and constructive recommendations that indicate certain

weaknesses or issues, aimed at improving the conditions, especially regarding the management, use, and oversight of public funds, prevention of corruption and corruption-related risk management, as well as the management of public debt and capital investments

Under the general framework defined in the SAO Development Strategy 2023–2027, the Decision on Strategic Audit Objectives, and the submitted department-level strategic audit plans, the potential areas and priorities for the audit departments of the State Audit Office for 2024–2027 are as follows:

 Fight against corruption and fraud	 Quality of public services, and collecting, spending, and use of public funds and resources	 Improving transparency and accountability	 High-quality financial reporting	 Compliance with regulations
 Control mechanisms and their functioning within the national system	 Public debt and the use of loans and credits (management of public debt and capital investments)	 UN Sustainable Development Goals – Agenda 2030 and a healthy environment	 Effects of the use of EU funds and funds from other international institutions	 IT systems, data security and protection
 Artificial Intelligence (AI)	 Budget of the Republic of North Macedonia	 State security and defense	 Political parties and electoral processes in the Republic of North Macedonia	 Local self-government and balanced regional development
 Public utility services	 Labor and social policy	 Education	 Culture and sports	 Healthcare system
 Environment	 Agriculture, forestry, and water management	 Judiciary and the rule of law	 Economy	 Transport, traffic, and communications

The Strategic Audit Plan 2024–2027 will be implemented through individual Annual Work Programs of the State Audit Office.

The SAO Annual Work Program for 2024, in the section on audit performance, includes proposed and selected regularity audits (financial audits along with compliance audits), performance audits, and compliance audits, based on the application of criteria established following INTOSAI professional standards.

The Annual Work Program for 2024 defines the priority activities for achieving the SAO objectives and tasks, i.e., the institution's strategic objectives.

The activities undertaken to achieve the strategic objectives ensure appropriate coverage of audited public funds, professional development of employees, execution of performance audits on various programs and projects aimed at achieving accountability and good governance, evaluation of the results in terms of economy, efficiency, and effectiveness of public sector activities, informing stakeholders and the public about the findings through final audit reports, and improving the quality of services that the public sector is obliged to provide to legal and natural persons.

The annual planning of audits is carried out in accordance with the provisions of the State Audit Law, which mandates that an audit of the Budget of the Republic of North Macedonia and the Budgets

of the Funds, including the Employment Agency, is conducted at least once a year, while audits of other entities are performed according to deadlines set in the SAO Annual Work Program.

The selection of auditees was carried out in line with Articles 22 and 23, paragraph 1 of the State Audit Law, the Rulebook on the Manner of Performing State Audit, the Guideline for Strategic and Annual Audit Planning, the Decision on Strategic Audit Objectives of the State Audit Office 2024–2027 and Priority Audit Areas by Audit Departments, the Strategic Audit Plan 2024–2027, and stakeholder proposals.

SAO Annual Work Program for 2024 includes 88 audits of which 72 regularity audits, 13 performance audits, and 3 compliance audits.



1.2.6

**COMMUNICATION STRATEGY
2024 – 2027**

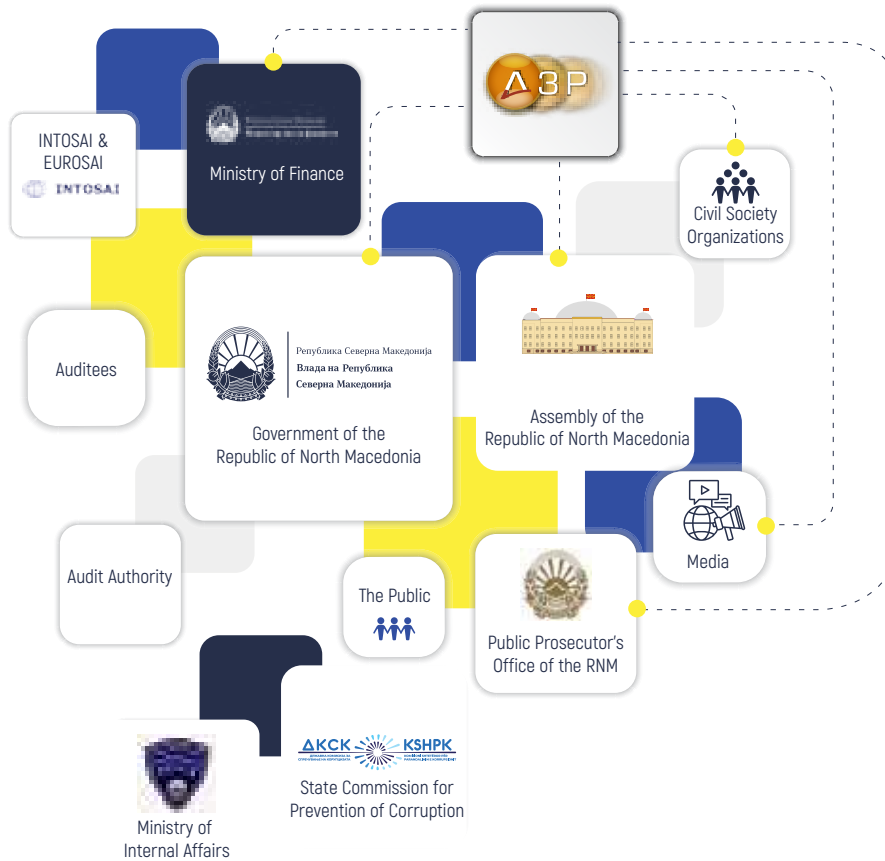
The State Audit Office (SAO) continues strengthening its communication processes by implementing the Communication Strategy 2024–2027, which aims to effectively engage the public, media, and civil society in the joint effort for accountability and transparency.

As part of the Strategy, the SAO has established a stakeholder registry, which, after the latest update, includes 2,417 contacts, significantly expanding the network of informed and engaged actors. Additionally, to facilitate access to audit findings, the SAO has introduced audit abstracts and press releases, making the key information from final audit reports more accessible and understandable. For certain key audit reports that the SAO deems require broader public outreach, videos using artificial intelligence are also prepared, and the videos have written text and narration.

In addition to direct communication with the media and civil sector, the SAO has enhanced its online transparency—all significant information, reports, and analyses are regularly published on its website (www.dzr.mk) and official Facebook page.

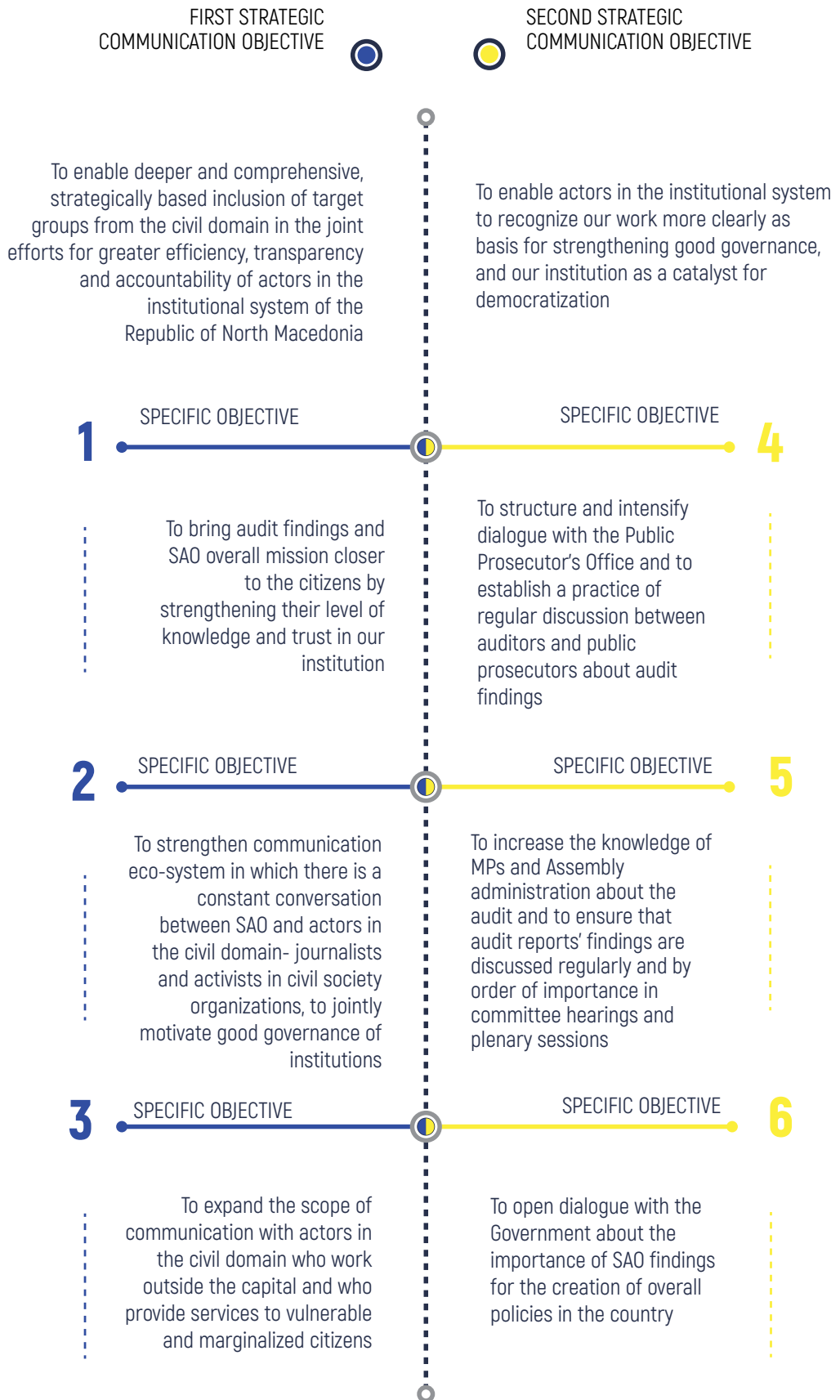
By the end of 2024, the SAO has completed 15 out of 24 planned activities. Nine activities remain unimplemented due to external factors and the need for coordination with other institutions.

Through these efforts, the SAO not only improves its two-way communication model but also reinforces its role as a key factor in promoting accountability within the institutional system.



STRATEGY COVERAGE

THE STRATEGY DEFINES TWO STRATEGIC COMMUNICATION OBJECTIVES:



The implementation of strategic activities and the continuous service-oriented approach of the SAO toward the wider public has led to the SAO being assessed as the top-performing institution within the National Integrity System, specifically:

/// According to the Report by Transparency International Macedonia⁴ SAO ranks first with 86 index points out of a possible 100 for the 15 pillars of the National Integrity System. The remaining 14 index points were not awarded due to non-adoption of the State Audit Law and the failure to establish the SAO as a constitutional category, an issue outside the SAO's control.

/// According to the report by the State Commission for the Prevention of Corruption⁵, in the implementation of the integrity system across state administration bodies, independent state institutions, and state authorities, the SAO is ranked first with 92.3% fulfillment of obligations and successful implementation of the integrity system.

1.2.7.

PUBLIC FINANCE MANAGEMENT REFORM PROGRAM "SMART PUBLIC FINANCES" 2022 – 2025

The Public Financial Management Reform Program "SMART Public Finances" 2022–2025, adopted by the Government of the Republic of North Macedonia, sets out priorities for external audit and parliamentary oversight, within the jurisdiction of the State Audit Office. The objectives of these priorities are:

/// To strengthen public financial management and ensure accountability in the use of public funds by enhancing the legal framework for external audit, achieving constitutional independence of the SAO, and reinforcing its financial and operational independence, following the principles, standards, and guidelines of INTOSAI

/// To establish a mechanism for reviewing audit reports and the measures taken upon audit recommendations in the Assembly of the Republic of North Macedonia, and to strengthen the institutional capacities of the Assembly to review audit reports.

The 2024 Action Plan for the implementation of the Public Financial Management Reform Program includes activities for executing the measures and achieving the indicators related to the priorities of external audit and parliamentary oversight under the SAO's responsibility.

The State Audit Office has also been actively involved in the preparation of the new Public Financial Management Program for 2025–2028, which is expected to be adopted in 2025.



⁴ National Integrity System – Assessment of the Republic of North Macedonia, Skopje 2024;

⁵ Report on the Monitoring of the Implementation of the Integrity System for 2024, February 2025

1.2.8.

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 of the Public Finance Management Council, which is a coordinating body for monitoring the implementation of public finance management reforms.

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

1.2.9.




2024 ANNUAL WORK PROGRAM

FSAO Annual Work Program for 2024 was adopted in line with the State Audit Law, the Rulebook on the Method of Conducting State Audit, and the Guidelines for Strategic and Annual Audit Planning, under the Decision on Determining Strategic Audit Objectives 2024–2027, the Strategic Audit Plan 2024–2027, the Development Strategy 2023–2027, the UN Sustainable Development Goals, and the OECD-SIGMA assessment criteria, considering the SAO available resources.

Recognizing the need to increase its transparency, accountability, and responsibility in the execution of its legally delegated competencies, the SAO sent notifications to 1,200 stakeholders requesting audit proposals. Additionally, through social media (Facebook), a public call was issued for all interested legal and natural persons to submit audit requests. The SAO also continuously provides a "Request for Audit" form on its official website.

Of 78 requests received, 23 requests (29%) were accepted and included in the 2024 Annual Work Program, in line with the strategic documents, selection criteria under INTOSAI professional standards, UN Sustainable Development Goals, OECD-SIGMA selection criteria, and the available audit resources.

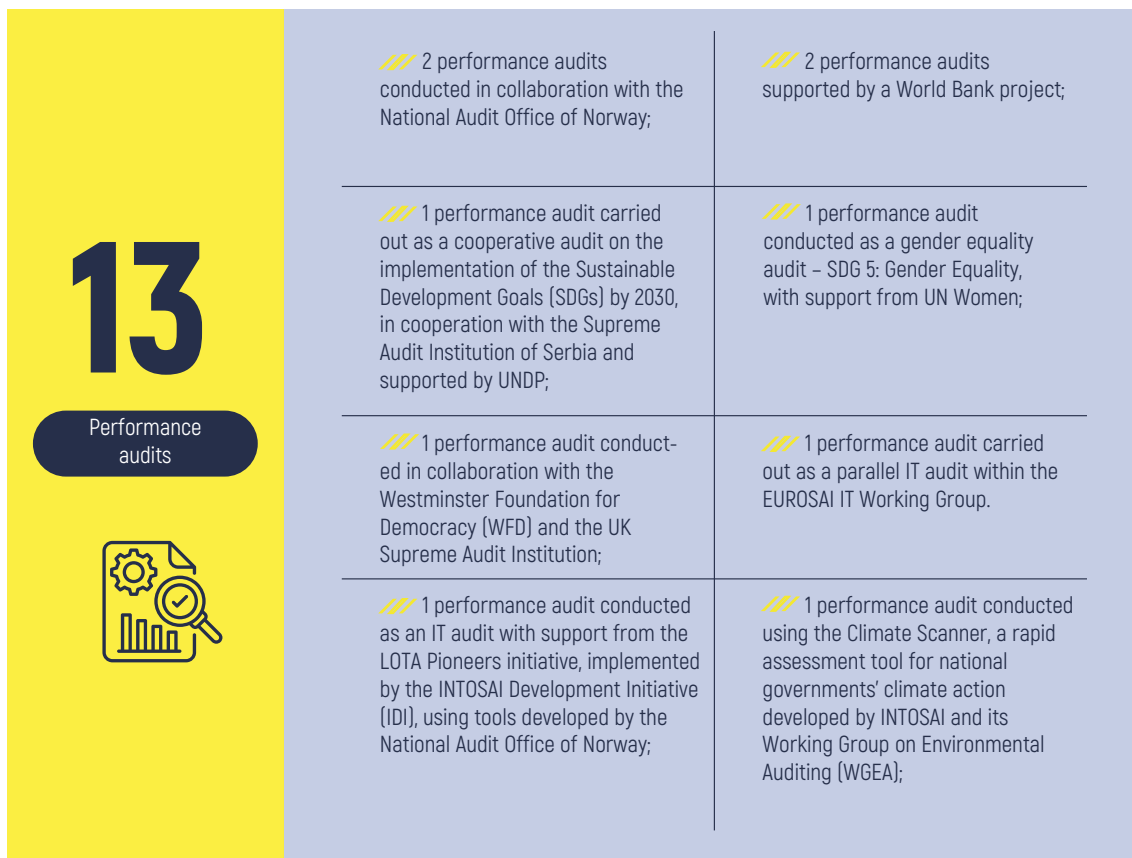
RECEIVED AND ACCEPTED REQUESTS BY TYPES OF ENTITIES

	LSGUs	Audit requests	3	Accepted audit requests	2	
	Institutions, civil organizations, associations, and legal entities	Audit requests	46	Accepted audit requests	15	
	Citizens and anonymous	Audit requests	29	Accepted audit requests	6	
			Total	78	Total	23














The State Audit Office fully implemented its 2024 Annual Work Program. SAO conducted 88 audits, including:



As part of the 2024 Annual Work Program, the performance audits included:

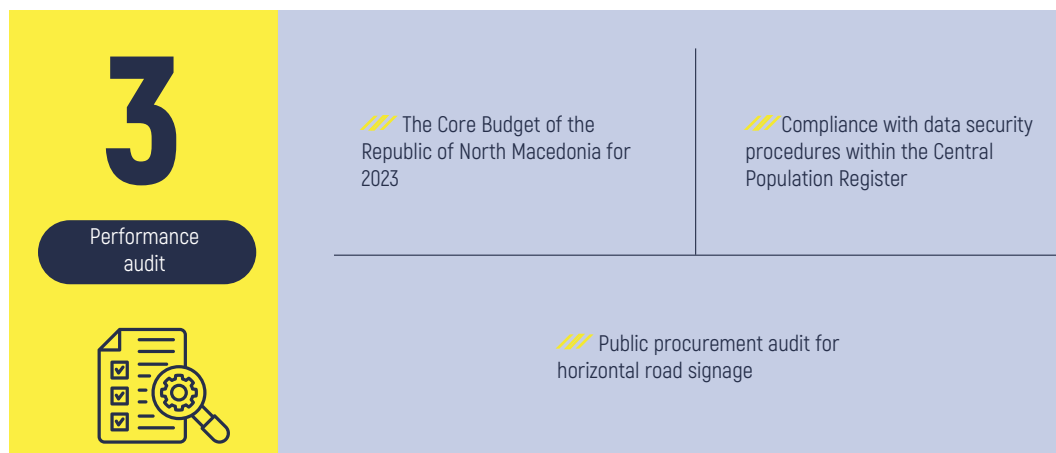


The 2024 performance audits covered the following topics:

	Road traffic safety in the Republic of North Macedonia
	Implementation of the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), with a focus on specialized services for women victims of gender-based and domestic violence
	Urban planning of green infrastructure in cities
	Improvement and advancement of public services and infrastructure through public-private partnerships
	Public investments in capacity and conditions for child protection in kindergartens
	Utilization of modern medical equipment
	Penitentiary system reform
	Effects of public investments for balanced regional development
	Green transition through the promotion of renewable energy sources
	North Macedonia's readiness to address climate change
	Digitalization of civil registries
	Enterprise Resource Planning (ERP) systems
	Feasibility of using Artificial Intelligence in the public sector

These performance audits are fully aligned with the National Development Strategy 2024–2044 and linked to specific United Nations Sustainable Development Goals (SDGs).

Under the 2024 Annual Work Program, three compliance audits were also conducted, focusing on:



The areas covered by these audits provide a basis for evaluating how the responsible authorities act, while also enabling the SAO to actively contribute by issuing recommendations on institutional actions, assessing reform implementation, advising on revenue generation and public spending,

guiding the use of natural resources and energy, protecting cultural heritage and the environment, and improving the control environment.

1.2.10.

2024 ANNUAL PLAN FOR CORRUPTION PREVENTION

- /// SAO activities related to corruption prevention are conducted in line with the responsibilities and obligations defined by the Law on State Audit, the Law on the Prevention of Corruption and Conflict of Interest, the INTOSAI GUID 5270 – Audit of Corruption Prevention, and other relevant legal regulations. In line with efforts for corruption prevention, the SAO adopted the Annual Corruption Prevention Plan for 2024, which outlines several key measures and activities, including:
 - /// Demonstrating commitment by the SAO management to prevent corruption and conflicts of interest;
 - /// Demonstrating ethics and integrity in preventing corruption and conflicts of interest, and applying the SAO Code of Ethics following best practices of European Supreme Audit Institutions and INTOSAI standards;
 - /// Reviewing the legal framework related to state audit in the context of corruption and conflict of interest prevention;
 - /// Continuous digitalization of audit processes;
 - /// Maintaining accountability and transparency in audit work and ensuring active communication with the media and the broader public;

- /// Human resources management aimed at educating and enabling staff in the prevention of corruption and conflict of interest;
- /// Observing the principles and requirements of the Law on Public Procurement in contract awarding, and the Law on Budgets in the execution and reporting of the SAO financial plan (budget);
- /// Ongoing collaboration with competent institutions responsible for anti-corruption efforts, as well as cooperation with other Supreme Audit Institutions to exchange and apply good practices;
- /// SAO certification for its implemented anti-bribery management system under the international standard ISO 37001:2017, and information security management in line with ISO 27001:2017.

The implementation of activities outlined in the Annual Plan is monitored on a semi-annual and annual basis, with progress reports submitted to the Auditor General. Based on established indicators, it can be concluded that the activities in the Annual Plan were either fully implemented in 2024 or, due to their ongoing nature, are being implemented continuously.

1.2.11.

2024 ANNUAL PLAN FOR CONTINUOUS PROFESSIONAL DEVELOPMENT

The SAO Annual Plan for Continuous Professional Development for 2024 was implemented using the institution's internal resources, as well as national and international experts in the relevant field. Training-related activities were carried out by the SAO with the support of international organizations, professional associations, civil society organizations, international initiatives, and private legal entities from both the country and abroad, which offer education in various areas related to state audit, covering 47 different topics.

To gather feedback on the quality of the training sessions, the SAO regularly conducts evaluations of organized training. These evaluations have shown that over 80% of employees reported a positive impact from the training sessions, stating they will help improve their work performance.

In 2024, specially designed training programs were also conducted for newly recruited state auditors, with the aim of facilitating their professional adaptation to the new working environment. These programs provided opportunities for gaining experience relevant to their job positions through the performance of various audit tasks and participation in different training sessions.

The enhancement of knowledge and skills of SAO staff is also achieved through parallel, international joint and cooperative audits in collaboration with the International Organization of Supreme Audit Institutions (INTOSAI) and bilateral cooperation between the SAO and other Supreme Audit Institutions.

Study visits were conducted for SAO employees to other SAIs, where they participated in seminars, workshops, and conferences organized under the umbrella of INTOSAI and its regional bodies, the International Court of Audit, SIGMA, and in cooperation with international organizations such as CEF, the World Bank, UN Women, UNDP, the National Democratic Institute, the Westminster Foundation for Democracy (WFD), and others. These engagements contributed to increased knowledge and skills of the SAO staff.

1.2.12.**2024 ANNUAL PLAN FOR QUALITY ASSURANCE**

The State Audit Office is tasked with conducting examinations, providing assessments, and issuing opinions based on conducted audits that deliver added value to the wider community.

The outcomes of SAO's work and mandate serve the purpose of meeting the needs and expectations of stakeholders to promote and ensure accountability, objectivity, and transparency, thus supporting the country in the wise and honest management of public funds.

The main challenge faced by all Supreme Audit Institutions is the continuous delivery of high-quality audits and related tasks. Quality work performed by an SAI directly affects its reputation and credibility, as well as its ability to fulfill its mandate ⁶.

The audit quality assurance function (monitoring) is independent from the audit process itself and involves reviewing the quality of conducted audits by individuals not involved in the audits, to assure the SAO management that the audits are being conducted with an acceptable level of quality.

The main guidelines for implementing the quality assurance (monitoring) function within the SAO are outlined in the Audit Quality Assurance Manual No. 01-1365/1 dated 03 October 2022, following INTOSAI standard ISSAI 140.

The quality assurance function carried out by a verification team composed of SAO employees, after the completion of audits, provides improvement of audit practices and results, opportunities for self-assessment of completed audit work, and identification of potential training needs for auditors, thus contributing to maintaining high level of integrity, accountability, and competence in audit work.

In line with the Annual Quality Assurance Plan for 2024 and the procedures prescribed in the Audit Quality Assurance Manual, reviews were conducted from 01 March 2024 to 31 December 2024, covering six audits from the 2023 Annual Audit Program, across six audit departments.

Based on the reviews of quality control procedures and audit documentation stored in the Audit Management System (AMS) by audit team members, it was determined that all audits under review were conducted under the prescribed SAO methodology (manuals, programs, questionnaires, and other templates).



⁶ ISSAI 140 Quality Control for SAIs

1.2.13.

2023 SAO ANNUAL REPORT ON PERFORMED AUDITS AND OPERATIONS

The Annual Report on Performed Audits and operations of the State Audit Office for 2023 was prepared and submitted to the Assembly of the Republic of North Macedonia within the legally prescribed deadline by the end of June 2024. The report is publicly available on the official SAO website in three languages: Macedonian, Albanian, and English⁷. (link:)⁸

To enhance transparency and accountability in its operations, the State Audit Office continued the practice of actively sharing and providing access to data and information contained in the Annual Report. The Report is regularly submitted to other Supreme Audit Institutions, the European Court of Auditors, the International Organization of Supreme Audit Institutions (INTOSAI), the European Organization of Supreme Audit Institutions (EUROSAI), the Delegation of the European Union in

North Macedonia, representations of international organizations, and diplomatic missions accredited in the country.

The Assembly of the Republic of North Macedonia, at its 14th session held on 17 September 2024, reviewed and adopted the Annual Report for 2023. As a result, 14 conclusions were adopted aimed at supporting the SAO activities, improving implementation of audit recommendations, overcoming systemic weaknesses and inconsistencies in the laws and bylaws, and strengthening cooperation between the SAO and the Assembly.

1.3.

METHODOLOGY AND APPLICATION OF GOOD PRACTICE

In 2024, prompted by the need to align internal methodology acts with the professional requirements of INTOSAI (International Organization of Supreme Audit Institutions) and IAS (International Accounting Standards), the SAO adopted amendments and introduced a new, improved Manual for Regularity Audit with two annexes (for budget users and public enterprises) to the Manual for Auditing Financial Statements and Compliance Audit. These annexes refer to the format and contents of the templates "Draft/Final Report on the Financial Statements and Compliance Audit" under the Regularity Audit Manual. The amendments made by the SAO aim to align the institution's methodology acts for this type of audit with the international standards of Supreme Audit Institutions (ISSAIs), across all phases of regularity audit – planning, implementation, reporting, and follow-up on recommendations, considering the requirements of ISSAIs and good practices from other SAIs. Special attention was also given to the applicability of selected good practices from other

SAIs to the auditing environment in which the SAO operates.

In 2024, activities were also initiated to prepare a Performance Audit Guide for Public Investment Management in English, with translation into Macedonian, developed as part of the Project for Strengthening Oversight, Transparency, and Accountability of Public Investment Spending – Technical Assistance to the State Audit Office for the Performance Audit of Public Investments, in cooperation with Ernst & Young and the World Bank.



⁷ Annual Report 2023

⁸ https://dzt.mk/sites/default/files/dzt/doc/izvestaj/Godisen_izvestaj_MKD_2023.pdf



1.4.

PEER REVIEW OF THE STATE AUDIT OFFICE

In 2024, a professional team from the Supreme Audit Institution of Poland (NIK) conducted a Peer Review of the State Audit Office operations, based on a signed Memorandum of Understanding and following INTOSAI GUID 1900 – Guidelines for Conducting Peer Reviews, the principles, standards, and guidelines of the INTOSAI Framework of Professional Pronouncements (IFPP), as well as national laws and regulations.

The main objective of the Peer Review was to assess the State Audit Office's compliance with international standards, particularly concerning:

- /// Independence,
- /// Human resource management,
- /// Audit methodology, and
- /// Communication with stakeholders

The overall conclusion in the Peer Review Report is that the operations of the State Audit Office align with international standards and the best practices of supreme audit institutions, with the only shortcoming being the lack of full independence.

The Report accordingly recommends ongoing efforts to advance the draft amendments to the Constitution and the proposed new State Audit Law, aiming for their adoption by the Assembly of the Republic of North Macedonia, as a prerequisite for the State Audit Office to sustain the progress achieved.

According to the peer review team, the SAO's greatest challenge is the lack of full independence, due to the absence of constitutional provisions guaranteeing independence, the lack of financial independence, and the status of employees as administrative servants, which also affects the recruitment process.

At the same time, the peer review team highlighted the significant progress made by the State Audit Office in developing and implementing strategic documents, both general and specific, such as human resource management and communication with stakeholders. The strategic documents reviewed by the team meet international standards and align with best international practice.

The peer review team also confirmed that the audit methodology applied by the State Audit Office for the main types of audits – financial, performance, and compliance – is fully aligned with the International Standards of Supreme Audit Institutions (ISSAIs) in all phases of the audit process: from planning and execution to reporting and follow-up on recommendations.

The team was also impressed by the SAO's modern communication approach – a well-prepared communication strategy, a growing media presence including social media, impressive domestic outreach, and involvement in international engagements.

Regarding human resource management, recommendations were made for continuous monitoring and update of the Human Resource Management Strategy based on practical experience, increasing the number of auditors, ensuring attractive salaries, and improving working conditions to prevent excessive employee turnover. Recommendations were also made to improve communication channels and tools for engaging with stakeholders.

With the support of the relevant institutions responsible for implementing the given recommendations, the State Audit Office will be able to maintain and further enhance its status as an independent and modern supreme audit institution.

COMMUNICATION AND COOPERATION WITH STAKEHOLDERS

02



2.1.

COMMUNICATION AND TRANSPARENCY IN OPERATIONS



One of the key strategic commitments was ensuring a high degree of transparency and accountability in the SAO operations throughout 2024, which is essential for ensuring public trust, responsible public finance management, and institutional accountability.

Through the publication of final audit reports, open and timely communication with the media, civil society organizations, and other stakeholders, the SAO ensured a high level of public awareness of its work results and maintained an active presence both on social media and in the press by conducting numerous interviews and issuing statements regarding findings in the final audit reports.

During 2024, the proactive participation of SAO management and leadership in interviews and statements on national media regarding the findings in the final audit reports further strengthened the institution's image, promoting it as one of the most credible and transparent institutions in the country.

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

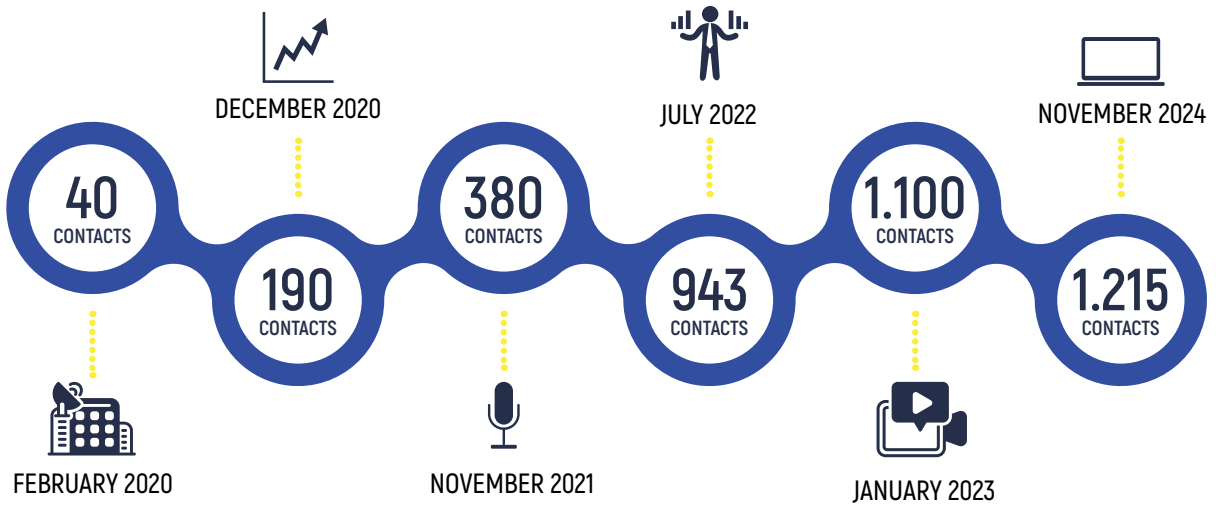
to present the findings from audit reports clearly and understandably through Abstracts, Press Releases, and video materials highlighting the key findings from the audit reports, to inform the public about how public funds are being used.

This proactive approach to communication and transparency aims to ensure timely action by the competent institutions, particularly in response to SAO recommendations and more efficient implementation thereof.

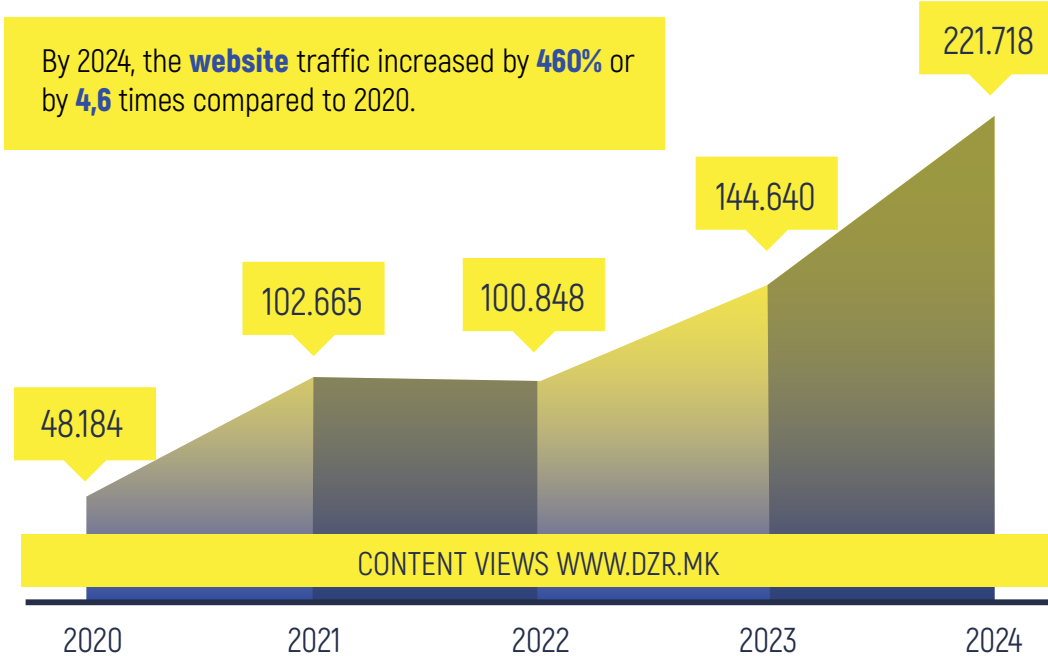
The results and successfully implemented activities in communication with stakeholders, as well as the high level of transparency of the State Audit Office, are presented in the following graphs.










SAO MAILING LIST AND COMMUNICATION WITH 1215 STAKEHOLDERS
March 2024



SAO MAILING LIST AND COMMUNICATION WITH STAKEHOLDERS
2020-2024



 https://www.facebook.com/DrzavenZavodzaRevizija/ Page opened 	 FB followers		Total reach for the 3 most viewed posts	
	17.11.2021	762 31.12.2021 6.967 31.12.2022 9.116 31.12.2023 9.324 31.12.2024	8.000 31.12.2021 62.869 31.12.2022 76.697 31.12.2023 82.346 31.12.2024	
Average number of daily visits 	518 31.12.2021 2.232 31.12.2022 858 31.12.2023 2.678 31.12.2024	 Total reach for last 10 post	Different profiles that viewed one post 	
Total number of visitors 	22.808 31.12.2021 710.301 31.12.2022 844.417 31.12.2023 500.242 31.12.2024 2.077.768	8.637 31.12.2021 25.021 31.12.2022 56.281 31.12.2023 15.972 31.12.2024	8.982 31.12.2021 104.908 31.12.2022 114.465 31.12.2023 116.273 31.12.2024	

SAO FACEBOOK PAGE ANALYTICS

PUBLIC SURVEY – DEGREE OF SATISFACTION

To improve transparency and quality of its operations, the SAO regularly conducts public surveys to measure the perception and satisfaction of stakeholders.

For this purpose, in 2024, SAO published a survey on its website. Additionally, the survey was distributed to representatives from the public and private sectors, the media, and civil society organizations. The survey was also published on the SAO Facebook page.

The survey results indicate a high degree of satisfaction. 98% of respondents rated their cooperation with the SAO positively, particularly in terms of timely information about audit reports and openness toward the media and the civil sector.

SAO operations were assessed as impartial, independent, lawful, objective, transparent, and professional, while the audit reports also received high ratings. The survey results represent a significant indicator for strengthening accountability and improving communication with the public and the stakeholders.

The results also show a high level of trust and positive perception among stakeholders regarding the communication practices and tools used by the SAO to inform them about its work and the findings presented in the final audit reports. The high satisfaction with the various communication tools confirms that the approach to transparency and information accessibility provides an effective and appropriate response to public needs.

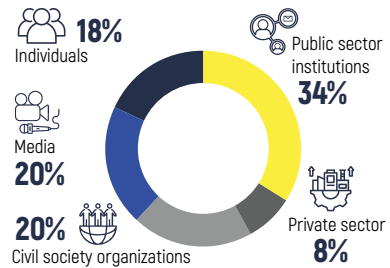
SAO OPERATIONS PROVIDE:



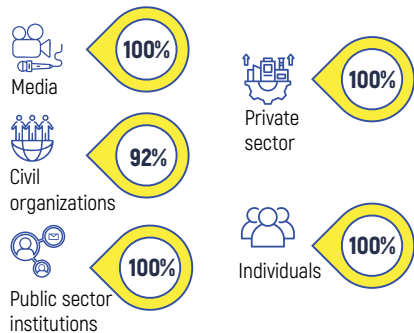
ASSESSMENT OF AUDIT REPORTS:



STRUCTURE OF RESPONDENTS:



SATISFACTION WITH SAO COOPERATION:



2.2.

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



In 2024, the collaboration of SAO with many national professional associations and institutions significantly contributed to the realization of the strategic goals. These organizations recognize the SAO as a socially responsible and influential institution that provides timely, up-to-date data, information, and clarifications regarding the identified situation and recommendations given in the final audit reports. Through cooperation with professional associations, higher education institutions, research centers, and other civil society organizations, the work of the State Audit Office has become accessible to the citizens, allowing them to analyze data contained in the final audit reports and to receive objective and timely information on the use of taxpayers' money, as well as data on the quality of services performed and provided to legal entities and citizens.

We believe that this approach to cooperation between SAO and stakeholders has provided an assessment of public administration performance and increased citizens' awareness of the micro and macro environment in public finance management and oversight of public spending.

To that end, in 2024, the SAO maintained existing forms of cooperation and continued the process of expanding and concluding new cooperation formats with state institutions and professional and other organizations from the civil sector, in line with signed memoranda of cooperation.

2.2.1

ASSEMBLY OF THE REPUBLIC OF NORTH MACEDONIA



The State Audit Office informs the Assembly in a timely and objective manner about its work and the audit findings from the audits conducted. It supports the Assembly in fulfilling part of its competencies by identifying and reporting irregularities, violations of legal regulations, illegal handling of public funds, and possible cases of corruption and abuse of official duty, making communication with the Assembly particularly important.

The cooperation between the SAO and the Assembly is continuous and multi-directional, in line with the State Audit Law and the Memorandum of Cooperation signed between the Assembly of the Republic of North Macedonia and the State Audit Office on 21 October 2022. In 2024, SAO prepared two summary reports on the key findings of individual audits conducted in line with the SAO 2023 Annual Work Program and submitted these reports to the Assembly.

With the support of the National Democratic Institute (NDI) and aiming for greater cooperation between institutions and public expenditure oversight, meetings were held throughout 2024 between the SAO and the Assembly, including the Committee on Financing and Budget, the Parliamentary Budget Office, and the Parliamentary Institute.

In June 2024, the Auditor General submitted the Annual Report on conducted audits and operations of the SAO for 2023 to the President of the Assembly. On 12 September 2024, at the fourteenth session of the Assembly, the Annual Report was reviewed and adopted, with 14 conclusions passed. In his address to Members of Parliament, the Auditor General emphasized that, following INTOSAI international auditing standards, the SAO has adopted and applied more than 18 performance indicators for the institution's operation, focusing on what makes a difference in citizens' lives.

In July 2024, at the invitation of the Chair of the Assembly Committee on Economic Affairs, Labor, and Energy, a working meeting was held with the Auditor General, Deputy Auditor General, their associates, and representatives of NDI and WFD. At this meeting, it was concluded that reviewing final audit reports will become a priority for both the Assembly and the Committee, with efforts to be made toward more efficient monitoring of the implementation of audit recommendations by the audited entities.

In September 2024, a workshop was held at the SAO premises to exchange experiences and practices between the SAIs of the Republic of North Macedonia and Switzerland, the Secretariat of the Assembly, and the Swiss parliamentary services. The event was supported by NDI within the Parliamentary Support Program and funded by the Swiss Agency for Development and Cooperation.

At the event "Parliament 2024–2028: New Commitments in the Fight Against Corruption," held on 5 July 2024, organized by the Institute for Democracy in Skopje and dedicated to the Assembly's role in strengthening the fight against corruption, the Auditor General expressed expectations for continued and intensified cooperation with the Assembly, with specific reports to be reviewed by relevant parliamentary committees.

In 2024, several final audit reports were reviewed or publicly discussed by parliamentary committees and bodies⁹. On 22 October 2024, for the first time since the SAO's establishment, a final performance audit report was reviewed at a plenary session¹⁰. This activity was a result of the signed Memorandum of Cooperation between the SAO and the Assembly, which provides for the review of individual final audit reports.

In the coming period, the SAO will continue its effective cooperation with the Parliament through the establishment of a regular mechanism for reviewing audit reports, to increase the implementation rate of audit recommendations.

As part of bilateral visits to SAO by the President of the Court of Audit of the Republic of Slovenia (March), the President of the Supreme Audit Office of the Republic of Poland (March), the President of the Supreme Audit Office of the Czech Republic (September), and the President of the International Board of Auditors for NATO (October), working meetings were held with the President and Vice President of the Assembly. These meetings focused on the positive practice of EU member states and opportunities for enhancing cooperation, sharing professional experience, and exchanging expertise. On 27 November 2024, the President of the Assembly addressed the audience at the 25th Anniversary celebration of the SAO.

The SAO Annual Work Program for 2025 was prepared and submitted to the Assembly in December 2024 for information purposes.



⁹ At the fourth session of the Committee on Economic Affairs, Labor, and Energy Policy, a discussion was held on the Final Performance Audit Report on "Effectiveness of Measures for Preventing the Brain Drain of Highly Educated and Skilled Personnel" (8 October 2024);

At the second session of the Committee on Equal Opportunities for Women and Men, a public debate was organized on "Gender Equality of Women from Rural Areas through Their Inclusion in the Labor Market" (14 October 2024);

The Club for Youth Issues and Policies held a session on the Final Performance Audit Report on "Efficiency of Measures, Policies, and Projects for Meeting the Conditions in Which State Student Dormitories in the Republic of North Macedonia Operate and the Development of Student Standard" (4 November 2024).

¹⁰ "Effectiveness of Measures for Preventing the Brain Drain of Highly Educated and Skilled Personnel"

2.2.2

PUBLIC PROSECUTOR'S OFFICE OF THE REPUBLIC OF NORTH MACEDONIA



A significant step in strengthening cooperation with the Public Prosecutor's Office was 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 further action, as well as the exchange of data and information to enable more efficient handling of identified irregularities.

In 2024, both institutions implemented the adopted internal mandatory guidelines for further action upon audit reports, thereby contributing to more effective communication and cooperation between the State Audit Office and the Public Prosecutor's Office of the Republic of North Macedonia. Additionally, several working meetings were held between public prosecutors and state auditors to provide further information on the irregularities identified in the submitted audit reports.

In 2024, through workshops where state auditors and public prosecutors jointly and actively discussed procedures for individual cases in the public prosecutor's offices, based on the SAO final audit reports, additional communication was enabled between the state auditors and the competent public prosecutors for proposing

activities and closer coordination in proceedings and ensuring evidence for potential criminal cases. The workshops were organized with the support of the Westminster Foundation for Democracy. In addition, several working meetings were held between public prosecutors and state auditors to provide more information on the irregularities identified in the submitted audit reports.

On 29-30 October 2024, the SAO delegation, headed by the Auditor General, along with delegations from the Public Prosecutor's Office and the Westminster Foundation for Democracy, conducted a study visit to the National Audit Office and the National Prosecutor's Office of the Republic of Poland. The visit focused on exchanging experience and good practice related to the handling of audit reports, improving coordination between audit institutions and public prosecutors, and strengthening the rule of law. Meetings were held with the leadership of both institutions in Poland, during which mechanisms for communication, data, and information exchange were presented, as well as the role of the audit institution in criminal proceedings. The visit was organized with the support of the Westminster Foundation for Democracy, within the "Practicing Democracy" project, funded by the British Embassy in Skopje.



2.2.3

RED CROSS OF THE REPUBLIC OF NORTH MACEDONIA



As a result of the successful cooperation in the previous period, on 30 September 2024, at the premises of the State Audit Office, a Memorandum of Cooperation was signed between the SAO and the Red Cross of the Republic of North Macedonia. The Memorandum serves as a basis for further strengthening cooperation between the two institutions, aimed at supporting vulnerable population categories and promoting humanitarian values. The cooperation includes activities related to blood donation, providing first aid, psychosocial support, and organizing public events of social importance.

As a socially responsible institution that continuously enhances activities in the interest of citizens, the SAO has organized blood donation campaigns with the active participation of employees in the past. Additionally, in 2024, the SAO provided financial assistance of 100.000 denars to help deal with the consequences of the fires that affected the country.

As part of this cooperation and within the celebration of the SAO 25th Anniversary, a traditional blood donation campaign was also organized, uniting SAO employees in their efforts to demonstrate humanity and solidarity by supporting the most affected categories in our society.



Signed **Memorandum** of Cooperation with the **Red Cross**

As part of the celebration of the **25th Anniversary of the State Audit Office**, a **traditional blood donation campaign** was organized.



2.2.4

MINISTRY OF HEALTH



In 2024, intending to improve cooperation in areas of mutual interest in healthcare, the SAO, represented by the Auditor General, and the Ministry of Health, represented by the Minister of Health, signed a Memorandum of Cooperation.

The implementation of this Memorandum laid the foundation for the development of a special module intended for audit needs. This module provides access to relevant information and reports on the work of healthcare institutions, as well as access

to anonymized data on performed healthcare services through the "My Appointment" application. The module is used by the SAO for audit purposes in monitoring and analyzing the work of healthcare institutions and the services performed. Its use enables quicker and more efficient identification of irregularities and weaknesses in the healthcare system.

2.2.5

MINISTRY OF EDUCATION AND SCIENCE AND THE SS. CYRIL AND METHODIUS UNIVERSITY – SKOPJE



РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА
МИНИСТЕРСТВО ЗА ОБРАЗОВАНИЕ И НАУКА

Acknowledging the importance of continuous improvement of employees' knowledge and skills, the State Audit Office is recognized as a learning institution that builds an organizational culture based on education, innovation, and experience exchange. These efforts aim to strengthen institutional capacities and contribute to education, science, and the development of the public sector.

On 1 November 2024, a Memorandum of Cooperation was signed between the SAO, the Ministry of Education and Science, and the University "Ss.

Cyril and Methodius". The memorandum lays the foundation for a long-term partnership through the development of a joint platform for exchanging knowledge and experiences. The cooperation envisions implementing practical training for students, organizing educational events, training sessions, and exchanging good practices. This approach contributes to the improvement of public services and the training of new professional staff in the fields of auditing and public administration.

2.2.6**FISCAL COUNCIL OF THE REPUBLIC OF NORTH MACEDONIA**

On 8 February 2024, the SAO signed a Memorandum of Cooperation with the Fiscal Council Expert Service, aiming to enhance mutual relations and cooperation in areas of common interest.

The memorandum covers:

- /// regular communication and coordination in the domain of macroeconomics, fiscal policy, and public finance management,
- /// exchange of data, analyses, reports, and opinions of mutual interest, and
- /// conditions for ongoing cooperation, including spatial and technical support.

An initial meeting was held earlier between representatives of the two institutions, at which a willingness to work together and share experiences and information was expressed. In line with the Law on Budgets, one of the members of the Fiscal Council is elected upon the proposal of the State Audit Office.

The Fiscal Council, as a newly established independent body, has a mandate to oversee macroeconomic and fiscal policies in the country, and its establishment is an important step towards strengthening fiscal discipline and transparency.

2.2.7**THE PUBLIC**

The SAO is an independent institution that enables citizens to monitor public funds spending by providing information about the operations of public institutions and the measures to be taken to ensure responsible and transparent public funds management. During 2024, in line with the Law on Free Access to Public Information, SAO has received ten requests for access to public information, of which nine were answered positively within the legal deadline, while one request was informative.

At the same time, following the National Action Plan for the Open Government Partnership and the commitment to "Proactive disclosure of public information on institutions' official websites", the SAO timely publishes all documents of public interest on its website.

2.3

COOPERATION WITH COMPETENT AUTHORITIES ON AUDITS AND EFFECTS THEREOF

For achieving the primary objective of state audit, i.e. watching over public funds and improving public funds management, timely identification of deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness, and economy in public funds management, the State Audit Office provides clear and effective recommendations for prevention or impediment of future deviations and violations. The corrective measures in line with the audit recommendations enable auditees' management to improve effectiveness, efficiency, and economy of operations.

By providing clear, realistic, objective, and timely information about identified irregularities, non-compliance with legal provisions, misuse of public funds, and possible cases of corruption and abuse of power, the State Audit Office contributed to the fulfilment of part of the responsibilities of the Assembly of the Republic of North Macedonia in 2024.

SAO pays due attention to processing and analyzing 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. By regularly submitting the final audit reports to the Assembly and competent authorities, the SAO draws attention to the identified weaknesses in the operations of the audited entities.

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



¹¹ „Official Gazette of the Republic of Macedonia“ No. 40/06, 136/08, Corr. 155/08, 44/11, 51/11, 142/12, 31/13, 34/13, 14/14, Corr. 30/14, 31/15, 196/15, 35/16, 97/16, 99/16, 136/16, 142/16, 57/17, 67/17, 125/17, 35/18, 99/18, 140/18, 208/18, 27/19, „Official Gazette of the Republic of Macedonia“ No. 98/19, 146/19, 42/20, Provisions of the Decree with the force of law on issues related to the elections for members of the Parliament of the Republic of North Macedonia on 15 July 2020
¹² „Official Gazette of the Republic of North Macedonia“ No. 160/20, 74/21, 215/21, 58/24

The effect of the identified conditions indicating irregularities and illegalities in the operations of entities on the improved management of public funds can only be expected if the competent institutions take the necessary measures to address them. Monitoring and informing on the activities taken by the competent institutions for overcoming detected irregularities and illegalities in auditees' operations is one of the strategic objectives of the State Audit Office. SAO activities related to corruption prevention are carried out in line with the powers and obligations outlined in the State Audit Law, the Law on Public Prosecution, the Law on Prevention of Corruption and Conflict of Interest, signed MoCs, and other relevant legislation.

With the implementation of the 2024 Annual Work Program, SAO has submitted audit reports to the following competent institutions:

- /// 138 audit reports for 32 audited entities to the Public Prosecutor's Office,
- /// 24 audit reports for election campaign participants to the State Commission for Prevention of Corruption, ex officio, under the amendments to Article 85-b of the Electoral Code ¹¹;
- /// One audit report for one audited entity to the Deputy Prime Minister in charge of Good Governance Policies.

In December 2024 and **May 2025**, the SAO also submitted requests to the competent authorities for providing feedback on actions taken upon submitted final audit reports in the past five years. Following the signed Memorandum of Cooperation, **feedback was received from the Public Prosecutor's Office of the Republic of North Macedonia.**



SAO actively cooperates with all state authorities for the 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 corruption prevention.



2.4

SAO CONTRIBUTION TO THE NATIONAL DEVELOPMENT STRATEGY **2024-2044**

The National Development Strategy (NDS) for 2024–2044 represents the highest-level strategic document of the Republic of North Macedonia, with a vision for the comprehensive development of the country over the next two decades. The Assembly of the Republic of North Macedonia adopted the National Development Strategy on 29 October 2024, following an inclusive consultative process that involved all relevant societal stakeholders, aiming to achieve intergenerational, interethnic, interparty, and gender consensus.

NDS key pillars are:

1. Sustainable, innovative, and competitive economy,
2. Sustainable local and regional development,
3. Social and cultural development,
4. A secure, safe, and resilient society,
5. Green transformation,
6. Rule of law and good governance.

SAO actively participated in the development of the National Development Strategy 2024–2044 through involvement in working bodies and the advisory body established for this purpose. The Auditor General is a member of the Advisory Body, and thus, SAO has contributed significantly to ensuring transparency, accountability, and quality in the strategic planning process.

Recognizing the importance of the National Development Strategy 2024–2044, in the preparation of its 2025 Annual Work Program, SAO adopted the objectives of the National Development Strategy and the Sustainable Development Goals (SDGs) as additional criteria for the selection of audits. At the same time, the audits were aligned with NDS and SDGs goals and activities. This strengthens the focus of audit activities on evaluating the effectiveness and level of implementation of the strategy, thereby supporting the achievement of its objectives and improving the management of public resources.

In support of the implementation of the measures defined in the National Development Strategy, and

in alignment with the Sustainable Development Goals (SDGs), the SAO also participated in the development of the Investment Map during 2024. **This map aims** to identify priority investment areas with high potential and impact.



**ADMINISTRATIVE
CAPACITIES**

03 

3.1.

ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

The SAO, to fulfil its responsibilities and tasks, pays due attention to building a modern, efficient, and functional human resources management system, which is directly related to organizational efficiency and effectiveness. SAO ensures continuous development through:

- /// constant improvement of working conditions,
- /// specialization of internal organizational units,
- /// continuous rewarding of employees for their professional abilities,
- /// continuous progress in career through promotion,

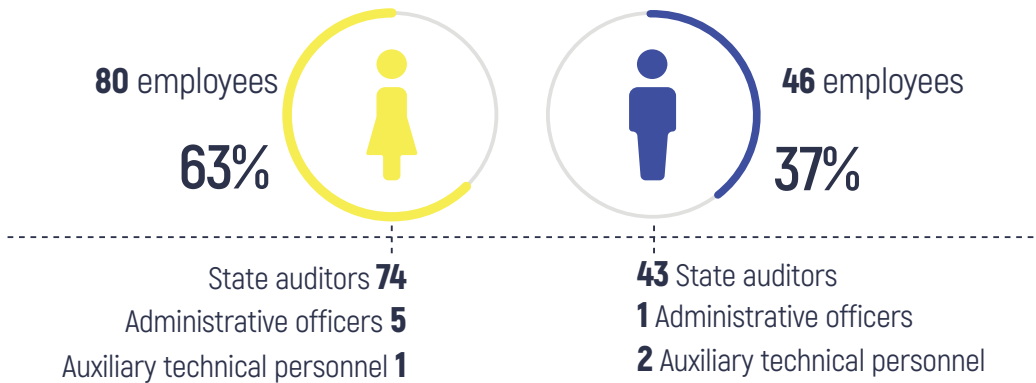
- /// appropriate remuneration for the results achieved, and
- /// provision of new qualified personnel in the state audit.

The gender aspect of the SAO is presented in the graph below.

GENDER STRUCTURE OF AUDIT TEAM LEADERS



HUMAN RESOURCES 126 EMPLOYEES IN THE SAO



GENDER STRUCTURE OF STATE AUDITORS/ADMINISTRATIVE OFFICERS/AUXILIARY TECHNICAL PERSONNEL



MANAGEMENT STRUCTURE



3.2.

PROFESSIONAL DEVELOPMENT OF STATE AUDITORS

The application of professional standards and guidelines, and the work of the state auditor in line with these standards, are essential for the credibility, quality, and professionalism of public sector auditing. The International Standards of Supreme Audit Institutions (ISSAI), developed by the International Organization of Supreme Audit Institutions (INTOSAI), aim to promote independent and effective audits conducted by supreme audit institutions.

Considering that one of the key responsibilities of public sector auditing – state audit – is to encourage and implement positive changes that contribute to an improved standard of living for citizens who are the beneficiaries of public funds and services, the need for continuous professional development of state auditors is indisputable. This activity also aligns with the requirements of the ISSAI. The State Audit Office ensures and implements the provision of relevant and high-quality training in various areas of interest to state auditors, all in service of the needs of the audited entities.

In 2024, the State Audit Office conducted training, workshops, and knowledge and experience exchanges to enhance the knowledge, broaden the expertise and skills of state auditors, and to

exchange best practices with colleagues from other SAs. Through various forms of acquiring knowledge and skills in 2024, based on the adopted Annual Plan for Continuous Professional Development for 2024, numerous activities were planned and implemented to retain and upgrade the knowledge and skills of state auditors.

The Annual CPD (Continuous Professional Development) program of the State Audit Office for 2024 was delivered by presenters and trainers employed within the State Audit Office, as well as lecturers from the academic community and colleagues from other SAs. These sessions facilitated knowledge exchange, shared good experiences and best practices from conducted audits, provided insights into legal regulations and their amendments, accounting standards, and the development of necessary skills.

To further enhance the knowledge and skills of state auditors, the State Audit Office in 2024 created and launched an **e-learning platform**, through which visitors and state auditors can learn and obtain certification in the field of performance auditing. The platform has become an active tool for acquiring knowledge for all stakeholders interested in performance audit.



For new employees, training was provided for familiarization with the information system, proper use of IT resources, usage of software tools, applications, and the Audit Management System (AMS), all of which are actively used in the audit process. Additionally, training was provided on IT policies and procedures, serving as the foundation for the successful, proper, and secure use of resources and data.

TRAINING OF STATE AUDITORS UNDER INTOSAI IDI INITIATIVES IN 2024 AND HUMAN RESOURCES

LOTA PIONEERS PROGRAM (2023-2024)



The State Audit Office continued its active participation in 2024 in the initiatives of the INTOSAI Development Initiative (IDI), through three key programs: LOTA Pioneers, SAI Young Leaders (SYL), and PESA (Professional Education for SAI Auditors).

The LOTA Pioneers Program (2023-2024) is one of the main mechanisms for realizing the LOTA (Leveraging on Technological Advancement) vision. This initiative aims to support the transformation of SAI auditors into change agents who integrate technology into the auditing environment by scanning internal and external audit contexts to map and develop strategies for utilizing technology in audits and auditing the use of technology by governments. Initially offered in English to 25 SAIs, each SAI was required to nominate two participants from different leadership levels. The program is based on a dual-role concept: one participant acts as a LOTA Pioneer (Strategy) and the other as a LOTA Pioneer (Audit).

This initiative is crucial to the work of Supreme Audit Institutions (SAIs) as it addresses the ongoing technological changes and advancements that require SAIs to stay relevant by adopting modern technologies within their IT systems and audit practices.

The concept is designed to equip SAIs with the skills and knowledge necessary to address new audit areas and methods. Auditors must understand technological changes, assess their implications on audit processes, and leverage technological advancements to audit the technologies used by audited entities.

In this regard, the SAO began updating its IT Strategy (2023-2027) with version 2.0, which includes a strategic commitment to developing internal human resources in alignment with this initiative and auditing new technologies with newly developed audit programs.

In line with the LOTA Pioneers program, the SAO conducted a pilot audit by applying new audit programs and tools to assess advanced technologies used by auditees. One objective of the audit was to evaluate the security configurations of authentication services and databases. The audit was conducted in coordination with IDI and mentored by the SAIs of the United States and Jamaica. As part of this program, two SAO auditors obtained LOTA Pioneer certificates.

SAI YOUNG LEADERS (SYL) PROGRAM 2024–2025



INTOSAI envisions that young SAI leaders can significantly impact the status, operations, and professionalism of SAIs. Leadership is a quality that permeates all areas of functioning and activity within SAIs. Recognizing the critical importance of leadership, IDI launched the SAI Young Leaders Program (SYL) as part of its broader leadership development initiatives. The SYL program aims to nurture and develop young SAI leaders to increase their contribution to institutional capacity and performance in delivering value and benefits to citizens. The program aspires to cultivate future-ready leaders who demonstrate vision, lead teams and institutions, operate effectively in their environments, and contribute meaningfully to their communities.

As part of this initiative to strengthen leadership capacities within SAIs, the SAO is participating in the fourth generation of the SYL Program (2024–2025), organized by IDI. The program fosters positive change through the personal and professional growth of young leaders and their contributions

to institutional development. Over 50 candidates from various SAIs applied to the open call, and 22 young leaders from 20 institutions were selected, including one representative from the SAO. The first working session of the new SYL cohort was held in Kigali, Rwanda (30 September - 4 October 2024), where participants were introduced to the program's core components and took part in several interactive workshops, including one on emotional intelligence, a key element of effective leadership.

In line with the initiative's requirements, the SAO participant developed a Young Leaders Strategy, approved by the Auditor General. Some of the activities in the strategy have already been successfully implemented, while others are underway. The strategy activities focus on building bridges with stakeholders to conduct impactful and long-term audits, encouraging innovation and institutional development.













PESA – PROFESSIONAL EDUCATION FOR SAI AUDITORS PLATFORM



INTOSAI IDI established a Learning Management System (LMS) – an online platform for digital education, e-learning courses, virtual collaboration, integrated education, and audit support (IEAS – Integrated Education & Audit Support Framework). For the needs of Supreme Audit Institutions, the PESA Platform (Professional Education for SAI Auditors) was developed.

This platform consists of three modules based on the types of audits that state auditors are interested in: financial audits, performance audits, and compliance audits (following ISSAI 100). SAO state auditors have the opportunity to earn a professional certificate in one or more audit types through a long-term process involving online training and a final certification exam. Starting in 2024, two SAO auditors began participating in the financial audit and performance audit tracks, supported by a certified trainer who guides them through the entire training and certification process. The education is expected to be completed by the end of 2025.

The **2024** Annual Plan for Continuous Professional Development was implemented completely through training in the following areas:

	Audit Methodology – basic and advanced level
	IT-related training
	Accounting / Financial reporting
	Practical application of INTOSAI auditing standards (ISSAIs)
	Prevention of fraud and corruption
	Information technology
	Data analysis
	Soft skills development and personal development
	Legislation
	Public procurement
	Taxes and contributions
	Audit of local self-government units
	Strategic and annual planning
	Other types of training



3.3.

IT RESOURCES

The SAO continuously invests in enhancing information technology, based on thorough analyses of modern IT solutions and their application in the audit processes and within the information system. In 2024, the planned procurements of ICT and ICT security were successfully carried out. Licenses were procured for a larger group of users as part of the second phase of the program for complete transition to "Microsoft Office 365" tools and services. Additionally, multifunctional printing devices were procured, increasing printing capacity. These devices were fully integrated into the successfully implemented electronic office printing system, with defined user profiles and roles.

Procurements were also realized to meet audit needs, such as purchasing laptops for newly hired staff, with specifications that support the audit process and follow modern IT solutions and operating system upgrades. New scanners were procured for all audit teams, covering two key areas: standardizing the use of equipment and increasing the ability to convert scanned documents.

As a result of increased capacity in terms of human resources, particularly regarding workstations and servers, the SAO procured an antivirus solution suitably dimensioned for full protection of workstations and servers. Special attention was paid to the quality of the solution, following internationally recognized standards and evaluations (e.g., the "Gartner quadrant" for antivirus protection solutions).

The financial resources were provided through the SAO budget, as well as donations from NDI and UN Women.

The implementation of the new solution for centralized IT resource administration was completed. Testing yielded excellent results, and with the annual inspection of workstations,

the automated process of software application distribution, upgrade packages, and patches was fully rounded off.

In terms of IT infrastructure, procurements were completed for internet services within the SAO premises and mobile internet for field internet devices. By securing higher-speed and higher-capacity internet, the goal was achieved - a stable connection to servers and applications, regardless of the user's location. A secondary internet connection was also procured, along with fixed telephony services that actively support regular and uninterrupted execution of audit activities.

For employees handling IT system administration tasks, the SAO allocated financial resources for the procurement of a specialized training service in two IT domains (a total of three courses). These courses are part of Microsoft's IT education program.

The practice of using a suitable professional platform for video conferencing and meetings with internal and external parties continued this year. The video conferencing equipment is actively used and includes tools for use in conference rooms, as well as additional mobile video conferencing packages for use in smaller rooms.

In the area of specific software tools (CAATs) used by auditors to perform a range of automated tests for evaluating the entity's information system or electronic data, the SAO in 2024 procured license renewals for the IDEA software. This ensured access to the latest versions of the tool and all its enhancements—a key activity enabling the institution to stay in step with the most advanced IT solutions.

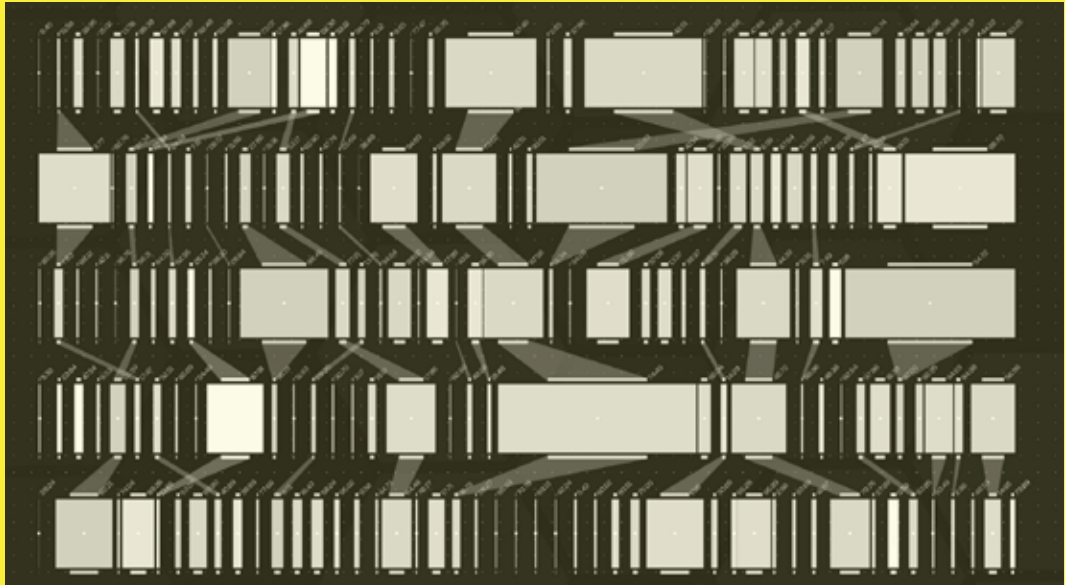
Adequate resources and capacities are continuously ensured for the uninterrupted functioning of the information system infrastructure and applications, with strict

adherence to principles and rules concerning data availability to authorized users, confidentiality, integrity, secure data storage at a central location, legal compliance, regular backups, and protection from physical and logical access. The SAO Information Security Policy is consistently enforced, with special attention to applying IT security procedures and procedures for implementing the audit management system.

In 2024, the State Audit Office joined the IDI initiative "pICTure" aimed at strengthening the ICT governance aspect in Supreme Audit Institutions and participated alongside five other SAIs in an information security program. Through this activity, the SAO successfully assessed its IT capacities under the requirements of ISO 27001:2022.

The average score across the evaluated areas was high, reflecting the institution's strong commitment to information and resource security. Areas identified for improvement were addressed through the formation of working groups tasked with revising existing IT procedures and drafting a new IT policy.

As part of this program, from 27 to 30 August 2024, the SAO hosted an information security workshop attended by six SAIs from Europe and Africa. A representative from the SAO also participated in the "pICTure Workshop on Leading Digital Change" organized by IDI, held in Toledo, Portugal, from 16 to 20 September 2024.



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 25 years.

In 2024, SAO carried out its regular operations through the following accounts:

- /// Funds from the **Budget of the Republic of North Macedonia** -020021504063710
- /// **Revenue Account** -020021504063119
- /// **Donation Account** -EUROSAI new project - 020021504078579

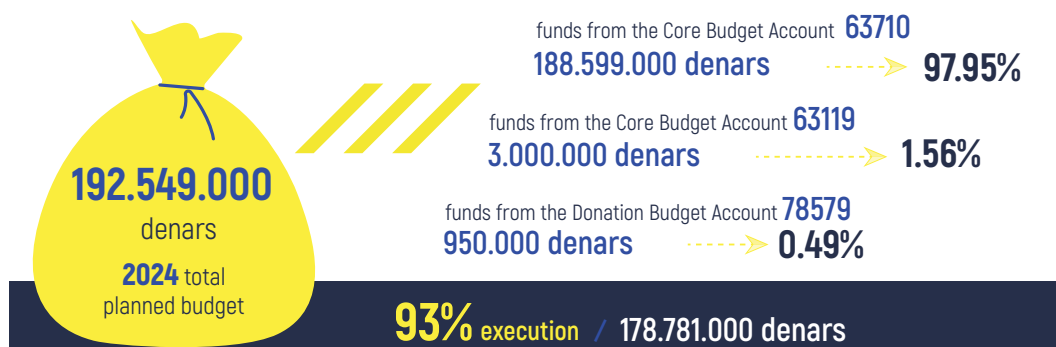
The budget of the State Audit Office is an integral part of the Budget of the Republic of North Macedonia.

The initially approved SAO budget for 2024

amounted to 188.087.000 denars, of which 184.137.000 denars for the core budget account (637) and 3.000.000 denars for the core budget account 631.

Based on analysis of the annual plan for public procurement and the public procurement procedures carried out during 2024, and the needs for additional funding, the Ministry of Finance has approved additional financial resources for the SAO.

After the approval of the additional funds, the total budget of the SAO for 2024 amounted to 192.549.000 denars, of which for the core budget account (637) the budget amounted to 188.599.000 denars, while for the core budget account (631) the budget amounted to 3.000.000 denars. For the newly opened donation budget account (785), a budget of 950.000 denars was planned.



By providing sufficient financial resources for the uninterrupted execution of its competencies, the State Audit Office can provide a direct return of funds to the Budget of the Republic of North Macedonia through identified tax evasion.

Specifically, with the audits carried out under the Annual Work Program of the State Audit Office for 2024, the added value from the audits provides a return to the

Budget of the Republic of North Macedonia and the budgets of the municipalities in the ratio of 1:18. In other words, one SAO budget provides a return to the Budget of the Republic of North Macedonia and the budgets of the municipalities in the amount of at least 18 SAO budgets, i.e., the unpaid/under-calculated and under-paid funds in the Budget of the Republic of North Macedonia and the budgets of the municipalities amount to 3.515 million denars, i.e., 57 million euros.

**2024 SAO CORE BUDGET ACCOUNT
(020021504063710)**

From the planned funds on the Core Budget Account amounting to 188.599.000 denars, the SAO has executed 178.024.000 denars or 94.4%.

Salaries, wages, and allowances

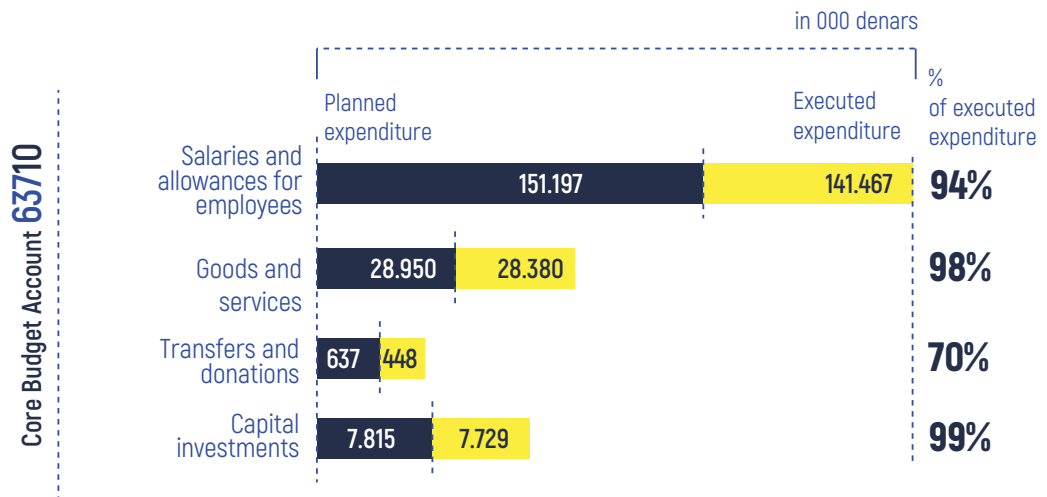
The position Salaries, Wages, and Allowances according to the approved budget for 2024 by the Ministry of Finance is planned in a total amount of 151.197.000 denars and executed in the amount of 141.467.000 denars, i.e., 94%.

Goods and Services

The position Goods and Services for 2024 was projected in a total amount of 28.950.000 denars with an execution of 28.380.000 denars, i.e., 98%.

Capital Expenditures

Funds from the 2024 Budget of the Republic of North Macedonia were planned and approved for the position Capital Expenditures for procurement of equipment, machinery, office furniture, software, licenses, and vehicles, amounting to 7.815.000 denars. Of these 7.729.000 denars, or 99%, were executed.

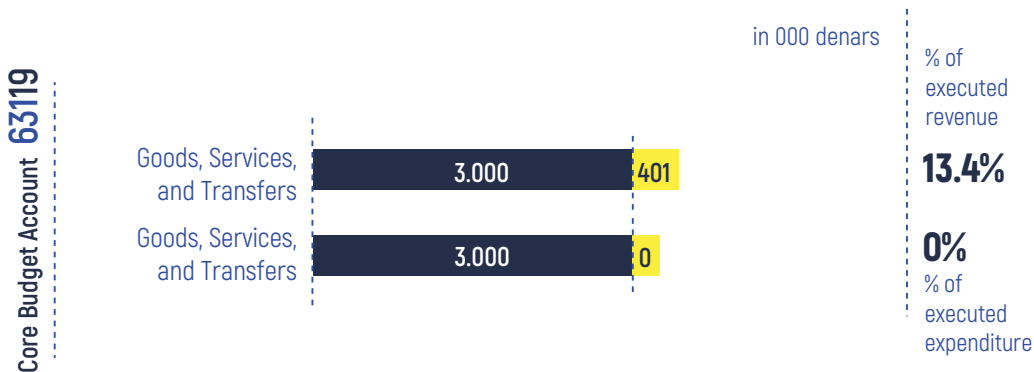
**SAO 2024 CORE BUDGET ACCOUNT
(020021504063119)**

The State Audit Office has a budget account (631) through which it previously generated revenue from the collection of fees from the institutions subject to audit, under the tariff published in the Official Gazette of the Republic of Macedonia, no. 30 of 19 April 2000.

This tariff defined the procedure for calculating and invoicing fees for conducting state audits of auditees under the State Audit Law.

With the abolition of audit fee collection, published in the Official Gazette of the Republic of Macedonia, no. 66 of 2010, the invoicing for audits of auditees was discontinued, as was the accounting recording of revenues in this account.

For 2024, funds amounting to 3.000.000 denars were planned in the core budget account (631). However, no funds were executed through this account during the reporting period.

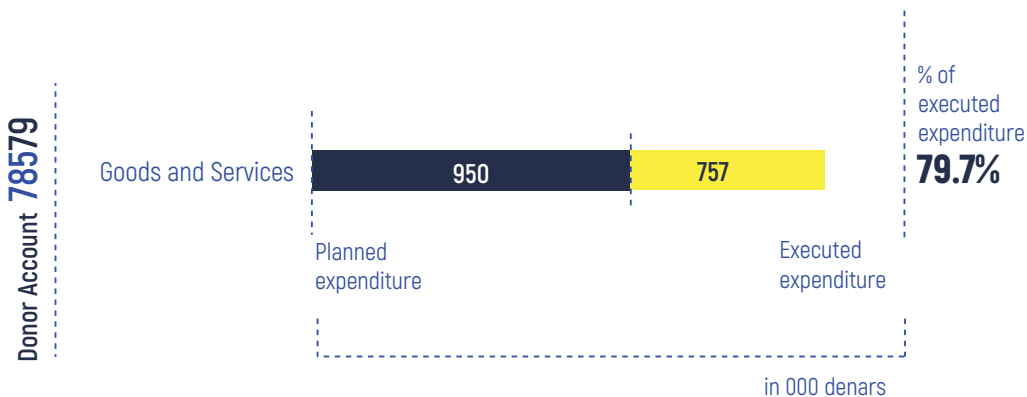


SAO 2024 DONATION BUDGET ACCOUNT - EUROSAI (020021504078579)

The planned funds in the Donation Budget Account of the State Audit Office for 2024 (020021504078579) amount to 950.000 denars, with expenditures realized in the amount of 757.000 denars.

These funds represent a donation from EUROSAI and were intended for organizing an event and holding a conference on the topic "Exchange of Experiences in the Communication Process of SAIs with Stakeholders – Opportunities and Challenges."

The project was fully implemented by the end of December 2024. Following the accounting rules for budgets and budget users, as well as the Treasury operations regulation, the account has been closed.



The audit report on the SAO financial operations, done by an independent auditor, is an integral part of the Annual Report on performed audits and operations of the State Audit Office for 2024.

3.5.

SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PROTECTION



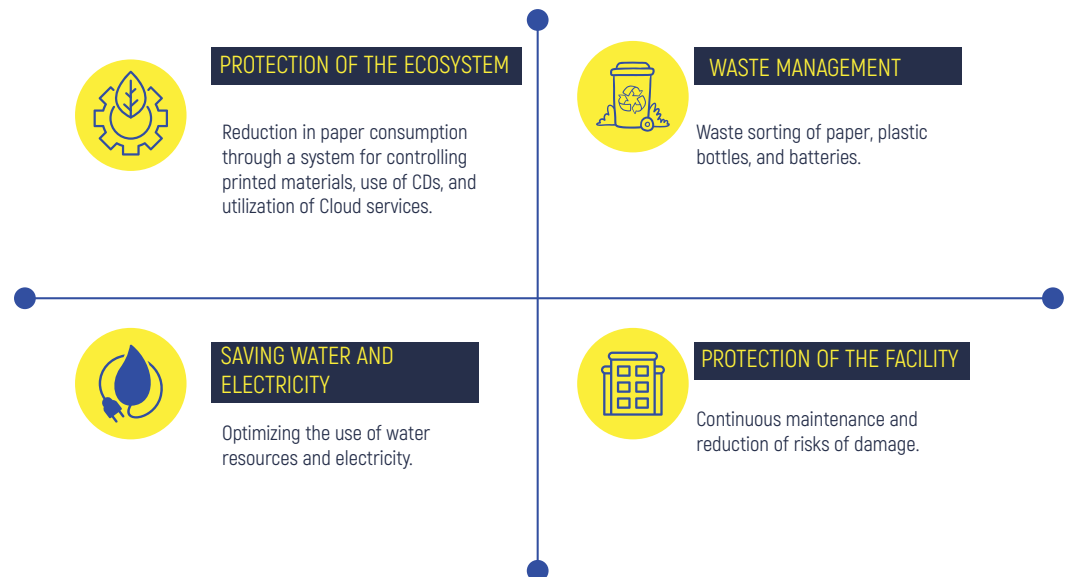
The modern world faces a series of challenges that threaten the survival of the natural environment and the quality of human life. Climate change, pollution, ecosystem destruction, and unsustainable resource management demand systemic and coordinated responses. Supreme Audit Institutions, through audits of public policies and finances, contribute to "building effective, accountable, and inclusive institutions at all levels" for efficient management of programs and activities aimed at achieving the 2030 Agenda, responsible resource management, and environmental protection.

In this regard, over the past several years, the SAO has included the Sustainable Development Goals (SDGs) and their progress in its audits. Through concrete and clear recommendations to the competent institutions, the SAO is among the group of SAIs that actively contribute to environmental protection, improvement of social and economic living conditions, poverty reduction, and support of sustainable development goals and a better future for the next generations. In line with strategic documents and the 2024 Annual

Work Program, 11 performance audits and one compliance audit were carried out related to the National Development Strategy 2024–2044 and the Sustainable Development Goals:



The State Audit Office is deeply committed to environmental protection and the promotion of sustainable practices in its operations. Employees work daily on creating solutions that contribute to a greener, healthier future, with the belief that every small action can contribute to a greater positive impact, undertaking the following activities:



International Cooperation

04

A large, bold, yellow graphic element consisting of the number '04' and three diagonal lines. The '0' is a thick, rounded shape. The '4' is composed of a thick vertical bar, a horizontal bar, and a diagonal bar. The three diagonal lines are located at the bottom right of the '4'.

4.1.

INTERNATIONAL COOPERATION

In 2024, the State Audit Office continued its active international cooperation as a key segment in enhancing institutional capacities, sharing good practice, and aligning with international auditing standards. The SAO strengthened its position as a credible and recognized partner in the global audit community by participating in conferences, training, bilateral and multilateral meetings, networks, and project initiatives.

International activities were focused on strengthening the institution's independence and visibility, improving audit processes, developing IT audits, integrating climate and gender perspectives into audits, and enhancing public accountability and parliamentary oversight. Particularly significant was cooperation with:

- /// the European Court of Auditors (ECA),
- /// the European Commission,
- /// the International Board of Auditors for NATO (IBAN),
- /// INTOSAI Development Initiative (IDI),
- /// Working bodies of EUROSAI and INTOSAI,
- /// The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women),
- /// United Nations Development Programme (UNDP),
- /// National Democratic Institute (NDI),
- /// Westminster Foundation for Democracy (WFD),
- /// the World Bank,
- /// OECD-SIGMA,
- /// Center of Excellence in Finance (CEF),

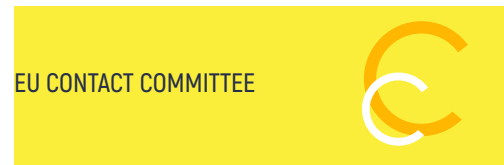
- /// Chartered Institute of Public Finance and Accountancy (CIPFA),

- /// OSCE Office for Democratic Institutions and Human Rights (ODIHR),

and many supreme audit institutions from the European Union and the region.

With these activities, the SAO directly contributes to achieving national priorities in strategic documents and the global Sustainable Development Goals.

The SAO participated in numerous international events in 2024 as follows:



SAO representatives took part in the regular meetings of the EU Contact Committee, which included:

- /// Spring meeting of the Liaison Officers, 14-15 February 2024, Brussels, Belgium,
- /// Meeting of the Contact Committee of EU SAIs, 15-17 October 2024, Paphos, Cyprus.

These meetings are of crucial importance for coordination among the supreme audit institutions of EU member states and candidate countries, exchange of best practice and information, implementation of joint projects, and deepening cooperation.

Network of SAIs of EU Candidate and Potential Candidate Countries

This network represents a platform for cooperation, experience sharing, and capacity building of SAIs in the process of European integration.

In 2024, the SAO actively participated in network activities through the following events:

- /// Conference on the topic "Final State Budget Account", 27 February -1 March 2024, Budva, Montenegro, organized with the support of OECD – SIGMA,
- /// Performance audit training for BLOCK 5B – Reporting Phase, 19-23 February 2024, online, and for BLOCK 6 – Final Workshop, 13-17 May 2024, Stockholm, Sweden, organized by the Swedish National Audit Office,
- /// Advanced Performance Audit Workshop, 16-20 September 2024, Ankara, Turkey, organized by the Swedish National Audit Office,
- /// Semi-regional workshop on defense audit, 4-5 November 2024, Podgorica, Montenegro, organized by the Swedish National Audit Office,
- /// Workshop on Reporting Practices for Enhancing Impact, 7-8 November 2024, Ljubljana, Slovenia, with support from OECD – SIGMA in cooperation with CEF, Ljubljana.

Through its activities within the Network, the SAO contributes to harmonizing audit processes with EU best practice, building capacities, and supporting institutional reforms on the rule of law and good governance.

The performance audit trainings, conducted as a series with support from the Swedish National Audit Office (SNAO), made a significant contribution to strengthening institutional capacities through the exchange of practical experiences and establishing a sustainable regional network for professional cooperation. Within the activities conducted in cooperation with SNAO in 2024, seven SAO employees obtained certificates for completed professional training in performance auditing.

The workshop dedicated to defense sector auditing enabled the advancement of knowledge and practices in financial auditing through exchanging experiences with other SAs and discussions on addressing key challenges in this area.

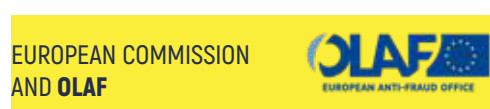
The workshop on reporting practices for increasing impact contributed to improving audit reports, with a focus on enhancing their relevance and comprehensibility from the reader's perspective.



To strengthen cooperation with the European Court of Auditors,

- /// Bilateral meeting with the European Court of Auditors President, Mr. Tony Murphy – 3 October 2024, Luxembourg.

The meeting with the ECA President and other ECA representatives focused on exchanging experiences related to audits of EU funds, particularly in the context of the Growth Plan for the Western Balkans and the Reform Agenda. Opportunities for institutional cooperation through internships, training, and expert support were discussed.

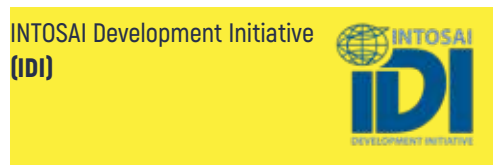


To enhance cooperation with EU bodies in 2024, the SAO carried out:

- /// Official visit to the European Commission's Directorates-General for Regional and Urban Policy (DG REGIO), Agriculture and Rural Development (DG AGRI), and Neighborhood

and Enlargement Negotiations (DG NEAR), and to the European Anti-Fraud Office (OLAF), 28 January to 1 February 2024, Brussels, Belgium.

The visit was of exceptional importance for strengthening institutional cooperation between the SAO and EU oversight and anti-fraud bodies. Discussions with representatives from OLAF and the European Commission contributed to improving mechanisms for transparency and integrity.



The SAO participated in the following IDI activities:

- /// IT Security Workshop, 27–30 August 2024, Skopje (hosted by the SAO)
- /// International Auditors Conference 2024, 10–13 April 2024, Bern, Switzerland
- /// Webinar on the SAI Innovations Marketplace on the topic: "Lab Audit of the SDGs by the SAI of Thailand: Reflections on Designing an Approach to Strengthen Innovative Auditing for Sustainable Development Goals", 8 May 2024, online
- /// Participation in the "pICTure workshop on Leading Digital Change", 16–20 September 2024, Toledo, Spain
- /// Young SAI Leaders Meeting, 30 September to 4 October 2024, Kigali, Rwanda
- /// Global Summit on SAI Contributions to Digitalization and Sustainability, 18–19 November 2024, online
- /// Webinar on Performance Audit: Audits as Inputs for Sectoral Policy Development and Dialogue, 17 December 2024, online.

Through participation in IDI activities, the SAO ensures continuous professional development of auditors, particularly in SAI independence, cooperation between internal and external audits, IT security, leadership, and digital transformation. These activities contribute to increasing the SAO's preparedness and efficiency in addressing modern challenges in auditing and technology

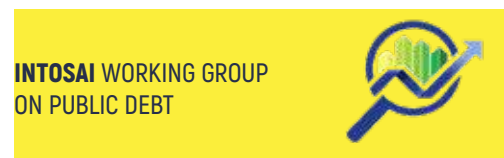
INTERNATIONAL BOARD OF AUDITORS FOR NATO (IBAN)



Cooperation with IBAN was significantly strengthened through:

- /// Annual IBAN Meeting, 14–15 May 2024, Brussels, Belgium,
- /// Bilateral meeting and signing a Memorandum of Cooperation, 10 October 2024, Skopje.

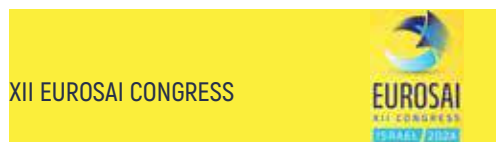
Participation in IBAN events contributes significantly to strengthening financial oversight in the defense sector. Through these meetings and formalizing bilateral cooperation, SAO gains access to the highest standards and practices in auditing defense and security budgets. The signing of the Memorandum further reinforces this cooperation.



As an active member of this group, the SAO participated in:

- /// Annual meeting of the INTOSAI Working Group on Public Debt (WGPD), 5–7 June 2024, Baku, Azerbaijan.

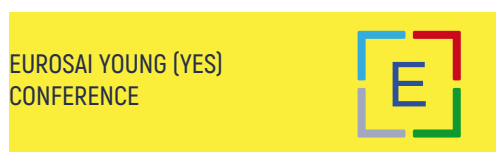
The meeting addressed modern challenges in public debt management and the role of SAIs in ensuring transparency and accountability. Discussions included approaches and tools for auditing public debt and fiscal discipline.



The SAO participated in the:

- /// XII EUROSAI Congress, 27–28 May 2024, online.

This event was a significant opportunity for the SAO to engage in the strategic course of the European Organization of Supreme Audit Institutions (EUROSAI) for the upcoming period. The Congress marked the beginning of the new presidency under the leadership of the SAI of Israel, and the formal adoption of the new EUROSAI Strategic Plan 2024–2030. The Congress covered achievements from the previous period, the election of new Governing Board members and the organization's auditor, and the adoption of the Jerusalem Declaration. Notably, the SAO of North Macedonia, for the first time, ran as a candidate for the EUROSAI auditor for the 2024–2026 term, receiving support from a considerable number of SAIs; however, the Dutch Court of Audit was elected.



The SAO supports the new generation of auditors through participation in the:

- /// 6th EUROSAI Young (YES) Conference, 24–28 June 2024, Goławice, Poland.

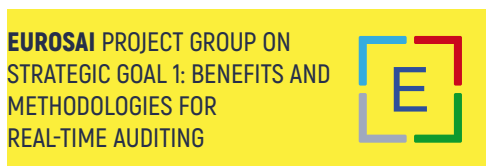
Participation in the 6th YES Conference, focused on artificial intelligence, represented a major step toward building a new generation of auditors ready to face the challenges of the digital age. The Congress encouraged discussions on integrating new digital tools into audit processes and confirmed the interest and capability of young auditors to contribute to digital transformation.



The SAO took part in the activities of this EUROSAI project group focused on:

- /// Webinar on "Improving Sampling Techniques", 30 April 2024, online,;
- /// Final meeting of the Project Group, 5 June 2024, hybrid format.

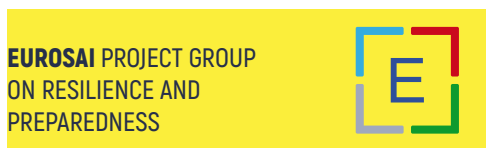
The activities were aimed at strengthening capacities for applying sampling methodologies and improving the audit process. Through the exchange of best practices, the SAO enhances its risk-based audit approach and the collection of audit evidence.



Real-time auditing, as an approach enabling timely monitoring and evaluation of ongoing activities to increase effectiveness and accountability, was the focus of:

- /// Meeting of the EUROSAI Project Group on Benefits and Methodologies for Real-Time Auditing, 4–5 June 2024, Budapest, Hungary.

Participation in this meeting allowed for methodological knowledge sharing, experience exchange with other SAIs, enhanced international cooperation, and the initiation of joint standards and approaches in real-time auditing.



The State Audit Office participated in the work of the EUROSAI Project Group on Resilience and Preparedness, within the framework of:

- /// . Meeting of the EUROSAI Project Group on Resilience and Preparedness on the topic "Preparedness for Future Health Crises", 22–23 January 2024, Prague, Czech Republic,
- /// . Webinar on "Disinformation and the Importance of Public Trust in Data", 12 September 2024, online.

The involvement in this Project Group's activities, such as those focused on health crises and combating disinformation, contributes to building institutional capacities to address public sector crises and challenges.



To strengthen IT audit capacities, SAO representatives participated in:

- /// E-seminar "Government IT Expenditures – Are They Under Control?" 24 April 2024, online,
- /// 17th Meeting of the EUROSAI Working Group on IT Audit, 24–25 September 2024, Oslo, Norway.

These activities facilitated discussions on the challenges related to IT spending and tools for overseeing public funds in the digital era, contributing to enhanced capacities for auditing IT systems and IT-related public procurement.



The SAO makes a significant contribution to strengthening the municipality audit capacities through its participation in the activities of the EUROSAI Working Group on Municipality Audit, carried out through:

- /// 7th Seminar "Infrastructure Projects of Local Governments" and 8th Annual Meeting of the EUROSAI Working Group on Municipality Audits (WGMA), 2–5 October 2024, Tbilisi, Georgia,
- /// 5th Master Class on Sampling and Audit Scope Determination, 18 December 2024, online.

At the WG annual meeting and the seminar on local-level infrastructure projects, the SAO shared its experience in auditing municipal projects and presented activities related to methodology and cooperation with local authorities. The meeting also featured the presentation of EUROSAI WGMA Magazine Issue No. 7, which includes an article on the SAO Consolidated Report on Regularity Audits of Local Government Units, planned activities for 2025, and new initiatives for conducting cooperative audits.

The Master Class on sampling and determining audit scope offered practical examples and tools for sample selection in audits of municipal budgets and projects.

INTOSAI AND EUROSAI
WGEA – WORKING GROUPS
ON ENVIRONMENTAL AUDITING



Improving environmental auditing is a high priority for the SAO. To achieve this, SAO representatives participated in several relevant international events, as follows:

- /// E-seminar for World Water Day under EUROSAI WGEA, 22 March 2024, online,
- /// Joint INTOSAI SAI meeting organized by the UN Department of Economic and Social Affairs (UNDESA) and the SAI of Brazil on the topic "Global Call for ClimateScanner: Engaging SAIs in Assessing National Climate Actions", 25–26 March 2024, New York, USA,
- /// 26th UN/INTOSAI Symposium on the topic "Implementation of SDG 13 – Climate Action," with participation from INTOSAI WGEA, 16–18 April 2024, Vienna, Austria,
- /// EUROSAI WGEA Spring Session, 15–16 May 2024, Floriana, Malta,
- /// Workshop on using the ClimateScanner tool, organized under INTOSAI WGEA, 3–7 June 2024, Prague, Czech Republic,
- /// EUROSAI WGEA Annual Meeting, 3–4 October 2024, online.

Active participation in events organized by the INTOSAI and EUROSAI Working Groups on Environmental Auditing strengthens the SAO's role in global efforts to monitor and audit issues related to environmental protection and climate change. Through its attendance at symposiums, trainings, and workshops, the SAO gains direct access to the latest tools such as ClimateScanner and international methodologies for evaluating environmental policies, enhancing its relevance in fulfilling both national and international obligations related to the Sustainable Development Goals (SDGs), particularly SDG 13: Climate Action.

The SAO joined 141 SAIs worldwide in responding to the ClimateScanner¹² initiative. The results were presented at the COP29 World Climate Conference, held in Baku, Azerbaijan, attended by heads of state and government from two hundred countries, including North Macedonia. Based on the identified conditions and risks related to mitigating global warming and adapting to climate change, in 2024, the SAO conducted a performance audit on "The Readiness of the Republic of North Macedonia to Address Climate Change."



¹² ClimateScanner is an initiative led by the SAI of Brazil within INTOSAI WGEA, which aims to develop and promote an innovative tool for rapid assessment of government actions related to climate change.

BILATERAL AND REGIONAL COOPERATION WITH SUPREME AUDIT INSTITUTIONS (SAIS)

NATIONAL AUDIT OFFICE
OF NORWAY

The Memorandum of Cooperation signed in 2022 between the SAO and the National Audit Office of Norway (NAON, formerly OAGN) established a formal framework for implementing joint activities and exchanging experience and knowledge, particularly in the areas of performance audit and IT audit, to strengthen audit capacities, apply innovative methods, and improve auditing practices in line with international standards.

In 2024, several activities were conducted in cooperation with the National Audit Office of Norway, as follows:

IT AND INNOVATION LAB

- /// Training on general and application controls for financial auditors, 19–23 February 2024, Skopje,
- /// Training on auditing Windows configuration and Active Directory (AD), 26–28 February 2024, Skopje,
- /// Working sessions for the Innovation Lab, 10–14 June 2024, Oslo, Norway,
- /// IT Security Workshop, 26 September to 1 October 2024, Oslo, Norway,
- /// Workshop on auditing Active Directory and MS SQL, and QS08 training, 11–15 November 2024, Skopje,
- /// Workshop on the web application within the Innovation Lab, 19–21 November 2024, Skopje.

These IT and Innovation Lab activities represent a key investment in strengthening the SAO's IT capacities, particularly concerning the growing importance of IT audits, increased data security, and the ability to manage risks related to the digital environment.

SAO representatives' participation in the Innovation Lab working sessions led to significant benefits, including the development and improvement of a web application for auditing public procurement, thus realizing the idea proposed during the Hackathon organized in 2023 - an event that fosters innovative tools and approaches for enhancing audit processes.

PERFORMANCE AUDITS

As part of the activities aimed at enhancing the knowledge and skills of the SAO employees in performance audit and exchanging experiences with employees from the NAON, the following events were organized:

- /// Support for pilot performance audits - reporting phase, February 2024, online,
- /// Workshop on pilot performance audits - planning phase, 22–26 April 2024, Skopje,
- /// Workshop on pilot performance audits - execution phase, 10–14 June 2024, Oslo, Norway,
- /// Workshop on pilot performance audits - reporting phase, 17–20 September 2024, Skopje.

The pilot performance audit activities, carried out in collaboration with NAON, are of strategic importance for advancing the SAO's approach to performance auditing. Through focused training and hands-on support in conducting two performance audits of the SAO 2024 Annual Work Program on public-private partnerships and modern medical equipment, the audit teams

enhanced their methodological approaches and auditing techniques and shared experiences with expert partners.

PROJECT ACTIVITY PLANNING AND ANNUAL MEETING

As part of efforts to define and confirm the annual cooperation project activities, the following events were held:

- /// Online meeting to plan project activities for 2024, 28 February 2024, online,
- /// Annual project meeting with NAON, 3 April 2024, Skopje,
- /// Mission for planning project activities for 2025, 3-4 December 2024, Skopje.

The project planning meetings and the annual meeting with the National Audit Office of Norway support the coordination of priorities, evaluation of past results, and determination of future cooperation course.

THE NETHERLANDS
COURT OF AUDIT



Netherlands
Court of Audit

Regional cooperation with the Netherlands Court of Audit was carried out within the 2024 Constituency Program and the following events:

- /// First online meeting on the topic: Ethics (concerning stakeholders) and SAI Branding, 5 April 2024,
- /// Second online meeting on the topic "Audit Program – Stakeholder Engagement in the Audit Program and Audit Process", 26 April

2024,

- /// Workshop on "Increasing Audit Impact through Stakeholder Engagement", 3-7 June 2024, The Hague, Netherlands.

The cooperation with the Netherlands Court of Audit focused on improving the relevance of the supreme audit institution through stakeholder engagement and promoting transparency. The benefits for the State Audit Office are evident in increased public interaction and strengthened communication with stakeholders during the preparation and implementation of audits and the reporting of audit results, as described in detail in Section 2. Communication and Cooperation with the Stakeholders of this document.

COURT OF AUDIT OF
THE REPUBLIC OF
SLOVENIA



REPUBLIC OF SLOVENIA
COURT OF AUDIT

Cooperation with the Slovenian Court of Audit in 2024 was carried out through:

- /// Bilateral visit of a delegation from the Court of Audit of the Republic of Slovenia, led by the President, Ms. Jana Ahčin, 5-7 March 2024, Skopje,
- /// Participation in the 30th anniversary celebration of establishing the Court of Audit of the Republic of Slovenia, 8-9 December 2024, Ljubljana, Slovenia.

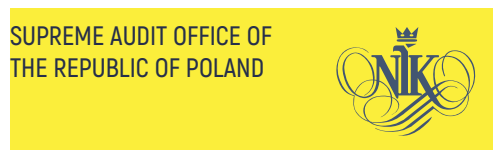
The strengthened bilateral cooperation with the Court of Audit of the Republic of Slovenia enabled an exchange of experiences and best practices in auditing, particularly on combating corruption, auditing EU funds, and increasing transparency and accountability, which will serve as a basis for future joint activities.



Cooperation with the National Audit Office of Malta was strengthened through:

- /// Bilateral visit of SAO delegation to Malta, 20-23 March 2024, Valletta, Malta,
- /// Meeting for presenting the IT solution for monitoring audit activities of the National Audit Office of Malta, 6 June 2024, online,
- /// Bilateral visit of a delegation from the National Audit Office of Malta, led by the Auditor General, Mr. Charles Deguara, 22-25 October 2024, Skopje and Ohrid.

During the bilateral visit to Malta in March 2024, a Memorandum of Cooperation was signed, establishing a framework for professional exchange, joint activities, and advancement of auditing practices. The second bilateral visit focused on exchanging experience in risk assessment methodologies for audit planning, audits of local self-government, and monitoring of Sustainable Development Goals. Both institutions reaffirmed their commitment to deepening cooperation to enhance effectiveness, efficiency, and accountability in the use of public funds.



In cooperation with the Supreme Audit Office of the Republic of Poland (NIK), a Peer Review of the SAO operations was conducted in 2024. As part of this process, a series of activities were carried out as follows:

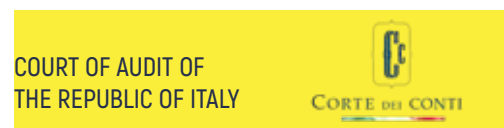
1. Bilateral visit of a delegation from the Supreme Audit Office of the Republic of Poland, led by President Mr. Marian Banaś, 27 March 2024, Skopje,
2. Bilateral visit of SAO delegation and signing

of Memorandum of Understanding on conducting Peer Review, 17-21 July 2024, Goławice, Poland,

3. Peer review mission (1) on "Implementation of methodologies for financial audit, compliance audit, and performance audit", 8-11 July 2024, Skopje,
4. Peer review mission (2) on "Implementation of methodologies for financial audit, compliance audit, and performance audit", 19-22 August 2024, Ohrid,
5. Peer review mission on "Communication and cooperation with stakeholders", 22-25 July 2024, Skopje,
6. Peer review mission on "Independence and human resources management", 29 July - 1 August 2024, Skopje.

The Peer Review was conducted under the signed Memorandum of Understanding between the institutions and INTOSAI GUID 1900-Guidelines for Conducting Peer Reviews. Several missions were carried out in July and August 2024, resulting in the Peer Review Report.

The Report concluded that the SAO's operations are aligned with international standards and best practices of supreme audit institutions. The Report included a recommendation to continue the efforts for adoption of the proposed constitutional amendments and the new Draft State Audit Law, as essential prerequisites for sustaining the progress made and achieving full independence.



The interest in deepening cooperation with the Court of Audit of the Republic of Italy (Corte dei conti) resulted in:

- /// A bilateral visit of the SAO delegation to Italy, 10-11 April 2024, Rome, Italy

During the bilateral visit, the delegations exchanged experiences and perspectives on institutional development, challenges, and strategic directions of the institutions. The visit

concluded with the signing of a Memorandum of Cooperation, which established a framework for the exchange of information, best practices, and professional support.

and Election Campaign Financing focused on political accountability and financial transparency, and the exchange of best practices in monitoring election campaign financing.

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC



Strengthened cooperation with the Supreme Audit Office of the Slovak Republic, as the future EUROSAI Chair, played a significant role and was carried out in 2024 through:

- Bilateral visit to the Supreme Audit Institution of the Slovak Republic, supported by UNDP, 15-18 April 2024, Bratislava, Slovakia
- Online seminar on the topic "Current Trends in ESG (Environment, Social, and Governance) Reporting and Practical Examples in the Slovak Republic," organized by the Supreme Audit Office of Slovakia in collaboration with other institutions, 4 September 2024, online
- Conference on the Audit of Political Parties and Financing of Election Campaigns – 27 November 2024, Bratislava, Slovakia

During the bilateral visit, the SAO delegation held important meetings with the President of the Slovak Supreme Audit Office and future EUROSAI Chair for the 2027–2030 term, Mr. Ľubomír Andrásy, and UNDP representatives. Discussions focused on sharing experiences related to audits of EU funds, infrastructure, and health projects, software tools in audit practice, and opportunities for joint training.

The Conference on the Audit of Political Parties

SUPREME AUDIT OFFICE OF THE CZECH REPUBLIC



The deepening of cooperation with the Supreme Audit Office of the Czech Republic, as the former Chair of EUROSAI for 2021–2024, is of key importance for the SAO and therefore was organized

- /// Bilateral visit by the President of the Supreme Audit Office of the Czech Republic, Mr. Miroslav Kala, 15–16 September 2024, Skopje.

The meeting focused on the exchange of experiences, enhancement of bilateral cooperation, and increasing the SAO's participation in EUROSAI initiatives.

ROMANIAN COURT OF ACCOUNTS



At the invitation of the President of the Romanian Court of Accounts, Mr. Mihai Busuioc, the SAO delegation took part in the ceremonial event on:

- /// The 160th anniversary of the founding of the Romanian Court of Accounts, 17–18 September 2024, Bucharest, Romania.

The event included panel discussions on relevant topics and bilateral meetings with representatives of several SAIs to explore opportunities for cooperation.

**STATE AUDIT OFFICE OF
THE REPUBLIC OF CROATIA**REPUBLIC OF CROATIA
STATE AUDIT OFFICE

SAO delegation participated in the ceremonial event on:

- /// The 30th anniversary of the State Audit Office of the Republic of Croatia – November 21, 2024, Zagreb, Croatia.

The significant achievements of the Croatian State Audit Office in its work and cooperation with the academic and international community were presented at the celebratory conference.

**STATE AUDIT INSTITUTION
OF THE REPUBLIC OF SERBIA**

In 2024, several joint events were held with the State Audit Institution of the Republic of Serbia to conduct parallel audits related to the Sustainable Development Goals (SDGs), including:

- /// Bilateral meeting to discuss the parallel audit joint report on the preparedness to implement the Sustainable Development Goals by 2023 and topics for a new cooperative audit, 28-29 March 2024, Belgrade, Serbia, with UNDP support
- /// Promotional event on the parallel audit joint report audit with the State Audit Institution of the Republic of Serbia on the preparedness to implement the Sustainable Development Goals by 2023, 22 May 2024, Skopje, with UNDP support
- /// Conference marking the 180th anniversary of the first establishment of the SAI Serbia, 24–26 July 2024, Belgrade, Serbia
- /// Bilateral working meeting on the cooperative performance audit on "Urban Planning of Green Infrastructure in Cities", 26–27 September 2024, Belgrade.

- /// The cooperation between the SAO and the State Audit Institution of the Republic of Serbia through the implementation of cooperative/parallel performance audits on topics related to the Sustainable Development Goals (SDGs) represents a significant step toward regional advancement of public accountability and the quality of public policies. These activities serve as an example of constructive cooperation that encourages alignment of audit practices with global standards and contributes to the achievement of sustainable development goals in the region.

- /// During the celebration of the 180th anniversary of SAI Serbia, in recognition of the exceptional cooperation between the State Audit Office and the State Audit Institution of the Republic of Serbia and the successful implementation of joint activities, the President Mr. Duško Pejović, presented a Certificate of Appreciation to the Auditor General Mr. Maksim Acevski, with sincere expectations for continuation of the successful cooperation in the future.

**AUDIT OFFICE OF THE
INSTITUTIONS OF BOSNIA
AND HERZEGOVINA**

Following the signed Memorandum of Cooperation with the Audit Office of the Institutions of Bosnia and Herzegovina, in 2024 was organized:

- /// Bilateral visit by a delegation from the Audit Office of the Institutions of Bosnia and Herzegovina, led by the Auditor General Mr. Hrvoje Tvrtković, 30–31 May 2024, Skopje.

During the bilateral visit, experiences were exchanged regarding anti-corruption efforts, communication practices, audits of EU funds, the Core Budget, capital projects, and professional development of employees, as well as discussions on potential future joint activities.

**STATE AUDIT INSTITUTION
OF MONTENEGRO**

The cooperation with the State Audit Institution of Montenegro was strengthened through the following activities:

- /// Signing of a Memorandum of Cooperation with the State Audit Institution of Montenegro, 27 February – 1 March 2024, Budva, Montenegro,
- /// Participation in a workshop for developing internal procedures for social media – 18–19 June 2024, Podgorica, Montenegro, with WFD support.

The signed Memorandum set up a framework for professional exchange, joint activities, and the advancement of audit practices.

With WFD support, SAO representatives participated in the workshop where they shared experiences with colleagues from the SAI Montenegro on stakeholder engagement and implementation of communication strategies for strengthening transparency and public accountability.

**SUPREME AUDIT INSTITUTION
OF ALBANIA**

As part of the bilateral cooperation with the Supreme Audit Institution of Albania, the SAO delegation, led by the Auditor General Maksim Acevski, realized:

- /// Bilateral visit to the Supreme Audit Institution of Albania, 12–14 June 2024, Tirana, Albania, with participation from OECD-SIGMA representative.

The topics focused on exchanging experiences in performance audits related to natural resources management and communication practices. Both institutions reaffirmed their commitment to continue the cooperation by sharing good practices and joint activities.



INTERNATIONAL ORGANIZATIONS

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

In 2024, CIPFA organized a:

- /// Webinar on "Culture, Climate Change and Corruption", 16 May 2024, online.
- /// Anti-corruption workshop, 29 November 2024, Skopje

The events organized by CIPFA provided new perspectives on the interconnection between organizational culture, climate policy, and corruption risks in the public sector, which is particularly important in managing public resources and monitoring the implementation of the United Nations Sustainable Development Goals.

These training sessions are part of the Continuing Professional Development Plan for employees who have obtained the international certificate in corruption risk management.

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

In 2024, the SAO and UN Women continued to implement the Memorandum of Understanding and Cooperation by organizing several events:

- /// Meeting with the UN Women Regional Office for Europe and Central Asia, 12–15 February 2024, Istanbul, Turkey,
- /// Regional working meeting for the cooperative audit "Gender Equality and the

Empowerment of Rural Women through Their Inclusion in the Labor Market", 19–22 February 2024, Tirana, Albania,

- /// Participation in the 68th United Nations Commission on the Status of Women (CSW) – hosting a side event on "SAIs as Drivers for Increasing Accountability Towards Gender Equality Financing", 10–14 March 2024, New York, USA,
- /// Presentation of the PEFA methodology for gender equality, 25–29 March 2024, Istanbul, Turkey,
- /// Presentation of the joint report on the cooperative audit "Gender Equality and the Empowerment of Rural Women through Their Inclusion in the Labor Market", 17 July 2024, Skopje.

The cooperation with UN Women and the SAO's role as coordinator of the cooperative gender equality audit involving the SAIs of Albania and Kosovo demonstrates its commitment to the Sustainable Development Goals, particularly Goal 5 – Gender Equality. It positions the SAO as a regional example of applying the gender perspective in auditing, while acting as a lead or coordinating institution for audit activities.

Collaboration with UN Women has provided access to expert support and tools for gender-related analysis and reporting.

Participation in the 68th Commission on the Status of Women (CSW) at the United Nations in New York allowed the SAO, for the first time in its 25-year history, to present its experience at the UN and enhance its international standing. As part of the CSW, with the support of UN Women, the State Audit Office hosted a side event titled "Supreme Audit Institutions as Drivers for Increasing Accountability Towards Gender Equality Financing – SDG 5 Auditing: Experiences from the Western Balkans". At the event, Auditor General Mr. Maksim Acevski presented the SAO's experience and achievements in conducting gender audits,

including key findings from the performance audit titled "Gender Equality of Women in Rural Areas Through Their Inclusion in the Labor Market," coordinated by the SAO and conducted with the SAIs of Kosovo and Albania.

Through gender audits, the SAO raises public institutions' awareness of the importance of equal access to resources and services, especially for marginalized groups such as women in rural areas.

UNITED NATIONS DEVELOPMENT PROGRAMME - UNDP



With the support of the United Nations Development Programme (UNDP), several events were organized in 2024 to support the achievement of strategic and program goals and activities, including:

- /// Bilateral meeting of delegations of the SAO and the SAI of Serbia, with UNDP support, to discuss the parallel audit joint report on the preparedness to implement the Sustainable Development Goals by 2023, and the possibility of conducting a new cooperative audit, 28-29 March 2024, Belgrade, Serbia
- /// Bilateral visit to the Supreme Audit Institution of the Slovak Republic, 15-18 April 2024, Bratislava, Slovakia, with UNDP support,
- /// Promotional event for the parallel audit joint report with the SAI of Serbia on the preparedness to implement the Sustainable Development Goals by 2023, 22 May 2024, Skopje, with UNDP support,
- /// SDG Financing Academy, jointly organized by UNDP IRH and UNDP Montenegro, 19-21 June 2024, Bar, Montenegro,
- /// National Evaluation Capacities Conference (NEC) 2024, 14-18 October 2024, Beijing, China.

The cooperation between the SAO and UNDP in 2024 was essential for strengthening institutional capacities in auditing SDG-related topics. Through bilateral meetings, participation in parallel audits, regional academies, and international conferences, the SAO actively contributed to monitoring national progress on the UN 2030 Agenda and enhancing international cooperation with key partners and institutions.

The participation of the SAO delegation, led by Auditor General Mr. Maksim Acevski, at the National Evaluation Capacities Conference (NEC 2024) was particularly significant for sharing experiences and practices among countries to strengthen national evaluation systems and their role in achieving the SDGs, especially in the areas of sustainable environment and climate change, inclusivity, and the importance of citizen engagement. During NEC 2024, Auditor General Mr. Maksim Acevski also held bilateral meetings with representatives of national and international institutions, including UNDP, the National Audit Office, and other prominent institutions of the People's Republic of China.

NATIONAL DEMOCRATIC INSTITUTE (NDI)



To enhance collaboration between the SAO and parliamentary services and bodies, the National Democratic Institute (NDI) supported organizing:

- /// a study visit to the Parliamentary Service and the Swiss Federal Audit Office – 19-20 February 2024, Bern, Switzerland..

Through participation in the study visit organized by NDI, along with representatives from Parliament, and workshops organized by NDI with parliamentary representatives (described in more detail in Section 4.1 Project Activities of

this document), the SAO is deepening cooperation with the legislative branch as a key segment in increasing the effectiveness of audit reports and strengthening democratic accountability.

WESTMINSTER FOUNDATION FOR DEMOCRACY - WFD



Cooperation with the Westminster Foundation for Democracy (WFD) in 2024 resulted in participation in the following events:

- /// Visit by a SAO delegation to the State Audit Institution of Montenegro, 4-6 March 2024, Podgorica, Montenegro,
- /// Workshop on developing internal procedures for social media, 18-19 June 2024, Podgorica, Montenegro,
- /// a study visit on exchanging communication practices between SAIs and Public Prosecutors, 29-30 October 2024, Warsaw, Poland.

Participation in these WFD-supported events strengthened SAO institutional capacities in communication, transparency, and parliamentary accountability. Through the study visits in Montenegro and Poland, SAO participants had the opportunity to exchange experiences on various approaches to communicating audit findings, improving public relations, and coordinating with institutions responsible for acting on audit reports, such as public prosecutors.

ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE – OFFICE FOR DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS (OSCE – ODIHR)



At the invitation of the OSCE-ODIHR, SAO representatives participated in:

- /// Conference on "Regional Exchange for Strengthening Campaign Finance Systems and Practices", 21-22 February 2024, Warsaw, Poland.

Participation in the conference organized by OSCE-ODIHR contributed to the exchange of knowledge in political campaign financing, which is particularly important for democratic governance and corruption prevention.

CENTER OF EXCELLENCE IN FINANCE (CEF)



The established multi-year cooperation with the Center of Excellence in Finance (CEF) from Slovenia, based on the signed Memorandum of Cooperation, enabled SAO representatives to participate in the following events organized by CEF:

- /// Webinar on "The Role of SAIs in Public Funds Management", 21 May 2024, online,
- /// Workshop on "Strengthening Accounting and Auditing Capacities through a Regional Expert Network", 29-30 May 2024, Podgorica, Montenegro,
- /// Workshop on "Improving Public Sector Asset Management: Sharing Good Practices and Encouraging Cooperation", 24-25 September 2024, Ljubljana, Slovenia.

Participation in events organized by the CEF encourages an exchange of experiences among audit and financial institutions in the region, aimed at achieving strategic goals that contribute to society.

WORLD BANK(WB)



THE WORLD BANK

With the support of the World Bank, SAO representatives participated in:

- /// Conference on "Spending Reviews as a Tool for Strengthening Fiscal Governance", 3-4 April 2024, Vienna, Austria,
- /// Learning event - Public Financial Management for Climate Action (PFM4CA) platform, 11-13 December 2024, Vienna, Austria, organized by the World Bank and the Austrian School of Governance.

Participation in these World Bank events that focused on fiscal governance and climate action contributed to strengthening SAO's capacity in public expenditure analysis and integrating climate considerations into public finances.

OECD - SIGMA



SIGMA
Creating Change Together



A joint initiative of the OECD and the EU,
principally financed by the EU

In 2024, SAO representatives participated in events organized with the support of OECD - SIGMA as part of the activities of the Network of SAIs of EU candidate and potential candidate countries, including:

- /// . Conference on "State Budget Final Accounts", 27 February - March 2024, Budva, Montenegro,
- /// . Workshop on "Reporting Practices for Increasing Impact", 7-8 November 2024, Ljubljana, Slovenia, in cooperation with CEF, Ljubljana.

Support from OECD - SIGMA is essential for improving institutional capacities and aligning with international auditing standards.

LUISS UNIVERSITY EXECUTIVE PROGRAMME

LUISS



As part of the cooperation initiative with LUISS University, Italy, the following activity was implemented:

- /// Participation of SAO representative in the LUISS University Executive Programme "Effective Management and Controls Against Fraud in the Use of EU Funding Instruments", two online modules and a third in-person module, 8-14 September 2024, Rome, Italy.

The Programme provided practical knowledge and experience in managing EU funds and anti-fraud controls, which is of particular importance for enhancing audit practices and current SAO activities in this field.

EVALUATION MISSION FOR THE SAO TWINNING PROJECT



TWINNING PROJECT

Improvement of external audit and Parliamentary oversight

Подобрување на надворешната ревизија и парламентарниот надзор



For evaluating the impact of the implemented Twinning Project "Improvement of External Audit and Parliamentary Oversight", it was organized:

- /// TAIEX evaluation mission to assess the sustainability and impact of the Twinning Project results, 24-28 June 2024, Skopje.

During meetings with experts within the evaluation mission, key results of the Twinning Project were presented, including an improved legal framework, strengthened institutional capacities,

and enhanced cooperation with the Assembly. The EU-financed twinning project, with a value of 1.5 million EUR, was implemented in cooperation with SAIs from EU member states as twinning partners from February 2021 to October 2022. The evaluation mission highlighted the importance

of adopting a new State Audit Law as a key step toward strengthening SAO independence, improving the status of employees, and ensuring effective parliamentary review of audit reports and follow-up by the Public Prosecutor's Office.



4.2.

PROJECT ACTIVITIES

4.2.1.

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)



In March 2022, the State Audit Office signed a Memorandum of Understanding with the United Nations Development Programme (UNDP), defining several activities to be implemented over the next two years.

Throughout 2024, a series of activities were implemented, aimed at the continuous professional development and education of SAO employees. Several workshops were organized on financial statement analysis and determination of specific indicators, risk analysis, auditing of Sustainable Development Goals (SDGs), and preparation of the SAO Annual Work Programme with a focus on the National Development Strategy.

A key segment of this cooperation was the implementation of the cooperative performance audit titled **"The Country's Readiness to Implement the Sustainable Development Goals by 2030,"** in cooperation with the SAI Serbia. This was reported in the 2023 Annual Audit and SAO Performance Report. For this audit, UNDP provided expert and technical support, including participation of auditors in both domestic and international workshops, as well as regional meetings and study visits for the exchange of experiences and best practices with other SAIs.

As a result, in 2024, the first national performance audit report titled "Readiness of the Republic of North Macedonia to Implement the Sustainable Development Goals by 2030" was produced, along with a joint audit report on the same topic with the SAI Serbia. With this, North Macedonia joins 74 countries worldwide that have conducted audits related to the SDGs.

On 22 May 2024, a promotional event was held in Skopje for the presentation of the national reports of North Macedonia and Serbia, as well as the joint audit report. The event was attended and addressed by the President of the SAI of the Slovak Republic, Mr. Lubomír Andrassy, who presented Slovakia's experience in auditing SDGs, and UNDP Resident Representative in the country, Mr. Armend Grigoryan, who highlighted the importance of SDG audits as tools for improving public policy and accountability.

More than 90 representatives from various sectors participated in the event, including audit institutions, government agencies, international organizations, academic institutions, and civil society organizations.

UNDP also supported the implementation of a new parallel performance audit on the topic of Urban Green Infrastructure Planning, conducted in cooperation with the SAI of Serbia, which is also part of this report.

Specialized trainings were organized in 2024 to enhance the knowledge and skills of SAO staff in financial statement analysis, cost-benefit analysis, and SDG audits.

Within the project "National Development Strategy (NDS) – Monitoring System and Investment Map for the NDS and SDGs", funded by the Ministry of Finance of the Slovak Republic, support was provided to improve audit practices through the alignment of the SAO internal procedures with the strategic goals set in the National Development Strategy, and the integration of cost-benefit analysis in audit processes.

In 2024, three study visits were carried out to renowned SAIs and public institutions in Slovakia, China, and Italy. These visits aimed to enhance regional cooperation, exchange experiences, and strengthen SAO's audit capacities. In April 2024, a delegation led by the Auditor General Maksim Acevski paid a bilateral visit to the SAI Slovakia, where working meetings focused on practical examples of auditing EU funds, capital infrastructure projects, and the health sector, with special emphasis on the use of software tools in audit work.

In June 2024, an SAO delegation participated in the Academy for Financing the SDGs in Bar, Montenegro, where experiences and strategies were exchanged for integrating the SDGs into public finances, the application of innovative financing mechanisms, and the green economy.

At the NEC 2024 conference in Beijing, China, dedicated to national evaluation capacities, the SAO delegation presented the role of SAIs in advancing national evaluation systems and SDG implementation. Significant bilateral cooperation was also established with international organizations and institutions.

The total support provided by UNDP amounted to 30.000 USD, allocated for participation of SAO auditors in national and international workshops, regional meetings, and study visits to exchange experiences and best practices with other SAIs.



4.2.2.

NATIONAL DEMOCRATIC INSTITUTE



In 2024, the National Democratic Institute (NDI), through its Parliamentary Support Programme (PSP), implemented several activities to support the work and institutional development of the State Audit Office (SAO).

To improve the transparency and accessibility of audit reports, NDI provided support by engaging a graphic designer for data visualization of SAO analyses and reports. This approach aims to simplify key information for easier understanding and use by relevant institutions and the wider public.

To strengthen technical capacity, PSP provided ten professional laptops to SAO employees, as well as eight scholarships for English language learning to improve communication skills and international cooperation.

As part of PSP's regional component, from 19-20 February 2024, five SAO representatives, along with members of the parliamentary budget oversight service, conducted a study visit to Bern, Switzerland. The visit enabled experience exchange with the Swiss Parliamentary Service, the Ministry of Finance, and the Swiss Federal Audit Office, focusing on enhancing budget oversight through effective collaboration between parliaments and audit institutions.

As a continuation of this exchange, on 26-27 September 2024, representatives of Swiss institutions paid a return visit to North Macedonia. A two-day workshop was held with participation from the Parliamentary Budget Office, advisers to the Committee on Finance and Budget, and SAO representatives. Workshop topics included cooperation practices between audit offices and parliaments, preparation of audit reports, and quality management systems, including alignment with the new ISSAI 140 standard – Quality Management for SAIs, to be applied from 2025.

Additionally, on 25 October 2024, with support from the National Endowment for Democracy (NED), NDI organized the first strategic workshop for members of the newly formed Inter-Party Parliamentary Group Against Corruption (2024–2028 term). The workshop also included representatives from the SAO, the State Commission for Prevention of Corruption, the Civic Platform Against Corruption, and parliamentary services.

The workshop aimed to define key priorities and areas of interest for the group and discuss the most significant challenges related to corruption. Findings and recommendations from audit reports and those of other oversight bodies were taken into consideration in the development of the 2025 Action Plan. The workshop conclusions emphasized the need for continued support for the SAO by the Parliament, including the adoption of a new State Audit Law that would enable more substantial and regular parliamentary debate on audit reports and contribute to strengthened oversight and anti-corruption efforts.

The total support provided by NDI amounted to 35,353 USD, allocated for the participation of SAO auditors in national and international workshops, regional meetings, and study visits to exchange experiences and best practices with other SAIs.

4.2.3.

WESTMINSTER FOUNDATION FOR DEMOCRACY



The results of the long-standing successful cooperation between the State Audit Office and the Westminster Foundation for Democracy (WFD) continued through the implementation of the new project "Practice Democracy", which began in March 2023, continued in 2024, and will last until 31 March 2025. The project is funded by the British Embassy in Skopje. This cooperation aims to support the institution in implementing transparent and accountable practices that will contribute to coordinated and responsible work, focusing on:

- /// Enhancing the SAO communication practices,
- /// Developing SAO communication strategy,
- /// Developing activities to strengthen Value for Money practices in the SAO operations,
- /// Providing expert support for performance audits to produce more impactful audit reports.

In 2024, with WFD support, several activities were carried out related to the implementation of the SAO Communication Strategy 2024–2027, focusing on communication and cooperation between the SAO and relevant institutions and civil society organizations (stakeholders). Guided by the strategic goals set in the Development Strategy 2023–2027, and as an institution that continuously invests in the individual development of its employees, the SAO received support from WFD for the implementation of the 2024 Annual Plan for Continuing Professional Development. This support aimed to strengthen the public speaking skills of state auditors, develop e-learning modules on communication practices, and provide technical support through equipping the SAO's press center.

Recognizing the importance and impact of performance audits, WFD also provided expert support in conducting the performance audits "Utilization of Modern Medical Equipment" and "Road Traffic Safety in the Republic of North Macedonia", which are integral parts of this report.

To further enhance cooperation concerning the rule of law and the fight against corruption, the WFD provided strategic support for organizing coordination meetings and workshops between the State Audit Office and the Public Prosecutor's Office of the Republic of North Macedonia. Additionally, study visits were organized to strengthen inter-institutional cooperation and to exchange good practices aimed at more effective follow-up on audit report findings, particularly in detecting corruption.

Other activities were also carried out within this cooperation, which are of essential importance for increasing the knowledge and skills of SAO employees.

During 2024, to fully support the planned activities, the Westminster Foundation for Democracy provided financial support of 56.000£.

4.2.4.

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



In 2024, the State Audit Office and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) continued the implementation of the Memorandum of Understanding and Cooperation to advance the implementation of gender equality obligations in line with the national laws and policies and the undertaken international commitments. This cooperation also promoted gender-responsive public financial management and accountability through the systematic implementation of gender-responsive budgeting as a policymaking tool.

To support the set objectives, UN Women assisted state auditors for participation in domestic and international workshops and supported the implementation of the first gender cooperative performance audit entitled "Gender Equality and Empowerment of Women in Rural Areas through Their Inclusion in the Labor Market", conducted by the SAIs of North Macedonia (coordinator), Albania, and Kosovo.

The results of this cooperative audit were presented at a side event organized by the SAO with support from UN Women during the 68th Session of the Commission on the Status of Women, held in March 2024 at the United Nations Headquarters in New York, USA. This event marked the SAO's first presentation of audit results at the United Nations in its twenty-five-year history.

As coordinator of this international cooperative audit, the SAO also hosted a promotional event for the Joint Audit Report from the Regional Cooperative Performance Audit on the topic

"Gender Equality of Women in Rural Areas through Their Inclusion in the Labor Market," held in Skopje in July 2024. The event included participation from the SAIs of Albania and Kosovo and was supported by UN Women.

UN Women support is not limited to specific audits; it is comprehensive and includes the provision of equipment to further build the capacities of SAO employees who work on performance audits with a specific focus on gender equality.

Recognizing the importance and impact of performance audits, UN Women also provided expert support in conducting the performance audit titled "Implementation of the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence (Istanbul Convention), with a Focus on Specialized Services for Women Victims of Gender-Based and Domestic Violence," as well as expert support in developing audit methodology for integrating gender equality and gender-responsive budgeting into audits.

Representatives of the State Audit Office participated in the Gender Data Bootcamp held in Izmir, Republic of Türkiye. The event was organized in cooperation with the UN Women office in the Republic of North Macedonia to raise awareness about the importance of processing and analyzing gender data for ensuring gender equality and achieving the Sustainable Development Goals. Participation in the bootcamp not only enhanced the skills of the participants but also paved the way for the second phase of the project, during which

a partnership was established with a network of gender data enthusiasts who successfully completed the camp.

Among the UN Women-funded activities, notable is the participation of SAO employees in:

- /// A regional event organized by UN Women in partnership with the PEFA Secretariat, held in Istanbul, Turkey, aimed at experience-sharing and enhancing knowledge on applying the PEFA methodology for assessing gender-responsive public financial management.
- /// The annual meeting of the Advisory Group on Transformative Financing for Gender Equality Toward Transparent, Inclusive, and Accountable Governance in the Western Balkans, also held in the Republic of Türkiye.

In 2024, to fully support activities for integrating the gender perspective into performance audits, UN Women provided financial support of 70.000 USD.

The State Audit Office, as the Supreme Audit Institution of the Republic of North Macedonia, continually seeks to collaborate with more international organizations to gain support for its activities.

4.2.5.

WORLD BANK



In 2024, the World Bank provided technical assistance under the "Project for Strengthening Oversight, Transparency, and Accountability of Public Investment Spending" through the Quality Infrastructure Investment (QII) grant. This project was designed to deliver technical assistance to the SAO, to build the capacities, knowledge, and skills of SAO employees in conducting performance audits of public investments and providing appropriate and high-quality recommendations for improving public investment processes.

As part of these project activities, the World Bank supported the implementation of two pilot audits:

- /// "Public Investments for Ensuring Capacities and Conditions for Child Protection in Kindergartens", and

- /// "Effects of Public Investments on Balanced Regional Development."

The implementation of these pilot audits, which are included in this report, served as the foundation for the practical application of the Guidelines for Performance Auditing of Public Investment Management, which acts as an annex to the existing SAO Performance Audit Manual.

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



4.3.

EU INTEGRATION

In October 2024, the European Commission approved the Reform Agenda of North Macedonia as part of the EU Growth Plan for the Western Balkans 2024–2027. This marks a significant step in the European integration process and enables access to the EU's Reform and Growth Facility. As part of the reform process, the SAO has been recognized as an independent, objective, and transparent institution and has been granted the mandate to audit the Reform Agenda and the Multiannual Work Programme under the Reform and Growth Instrument. As the Supreme Audit Institution (SAI), the SAO plays a key role in auditing the system for implementation, monitoring, reporting, and evaluation of the Instrument, as well as the internal control system related to its implementation.

The State Audit Office actively cooperates with all state authorities in the prevention and reduction of corruption, within the framework of the Protocol for Cooperation on the Prevention and Suppression of Corruption and Conflict of Interest, and participates in the implementation of the National Programme for Adoption of the Acquis of the European Union (NPAA) through activities envisaged under Chapter 23 – Judiciary and Fundamental Rights, in the area of Anti-Corruption Policy, and Chapter 32 – Financial Control, in the area of External Audit, as well as through involvement in the work of other bodies and institutions dedicated to combating corruption.

The State Audit Office is part of the group of national bodies comprising the Intersectoral Body for Coordination of Anti-Corruption Activities. This body is tasked with coordinating the activities of all competent institutions in the fight against corruption, strengthening cooperation and communication, exchanging information and data, and implementing the recommendations contained in GRECO reports from the Council of Europe and other international organizations.



**AUDITS
PERFORMED**

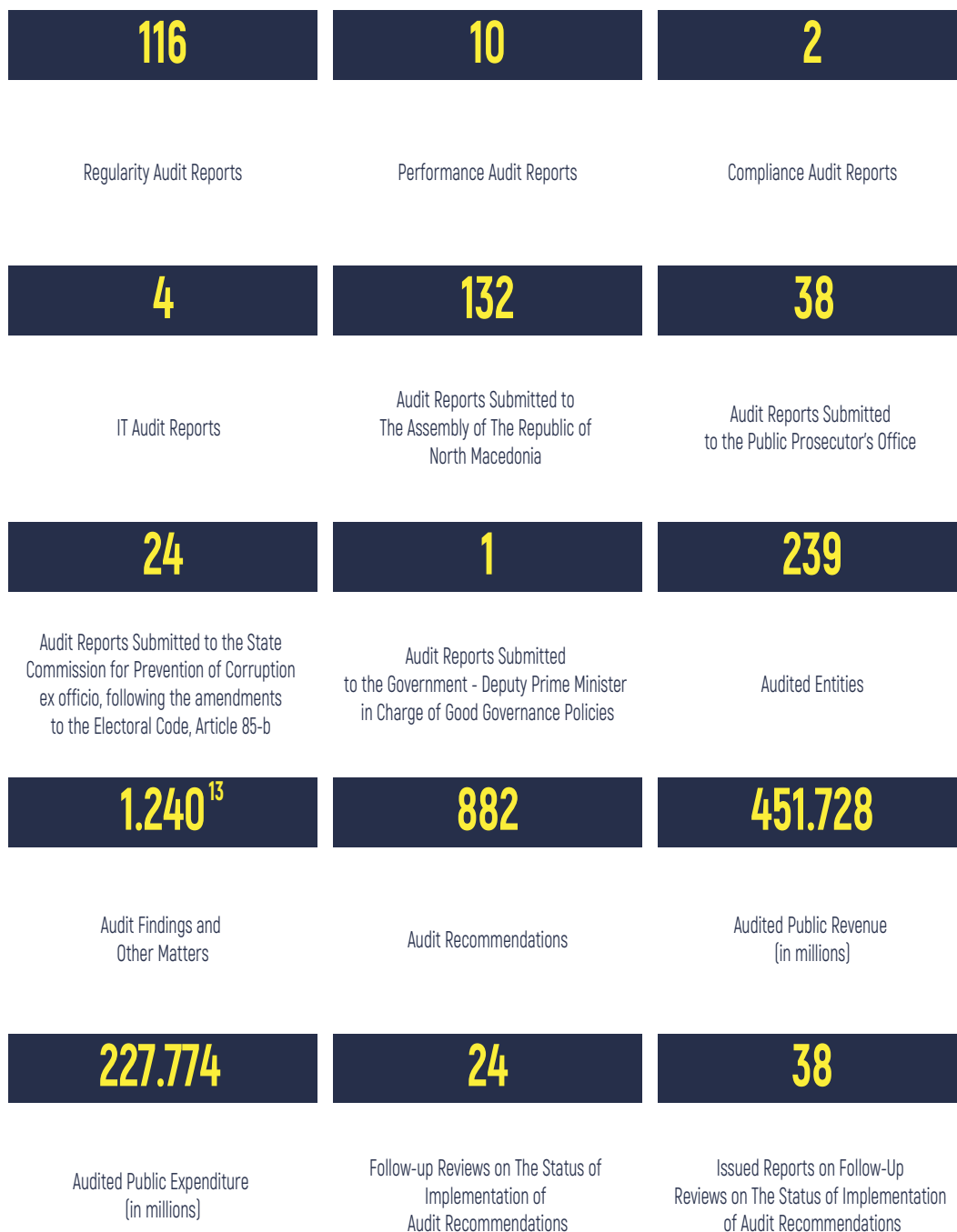
05



The results of audit activities performed in line with the SAO Annual Work Program for 2024 are presented in the graphs below.

AUDIT ACTIVITY THROUGH FIGURES

2024 SAO ANNUAL WORK PROGRAM



¹³ The number of findings and Other Matters in the audit reports also includes 11 Other Matters that are repeated in the final audit reports for all 17 participants in the election campaign for the 2024 parliamentary elections; 12 Other Matters that are repeated in the final audit reports for all 7 participants in the election campaign for the 2024 presidential elections; and 4 Other Matters that are repeated in the final audit reports for all 6 political parties regarding the regular financing accounts.

161.587	2.000	942	275
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Audited Assets/Liabilities from the Balance Sheet (in millions)

Unpaid/Underpaid Public Charges/ Fees to the State Budget (in millions)

Receivables from the State (in millions)

Unpaid/Underpaid Fees to the Budgets of Audited Municipalities (in millions)

6.203	1	4.081	8.609
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Unlawful Use of Funds (in millions)

Overstated Contributions or VAT (in millions)

Corrective Entries in the Balance Sheets (in millions)

Identified Shortcomings Affecting the Auditee's Activity, Unpaid Liabilities, and Capital Investments (in millions)

86	5.681	8.860	1.400
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Liabilities from Loans (Other State Authorities) (in millions)

Cancelled/Lost Grants (in millions)

Postponed / Delayed Investment Grants (in millions)

Paid/Calculated Commitment Fee for Undrawn Credit/ Loan Funds (in millions)

2.769	801	13.763	6.618
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Statute-Barred Receivables (in millions)

Unrealized Measures for Collection (in millions)

Outstanding liabilities to suppliers

Claim Value in Court Proceedings in Which the Audited Entity is a Defendant or Plaintiff (in millions)

197	12	1.240	651
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Amount of Lost Court Cases (in millions)

Amount of Attorney, Notary, and Enforcement Costs (in millions)

Financial Effects of the Audit / Funds Paid During the Audit / Reduced Interest (in millions)

Other Added Audit Value / Late Payment of Fees (in millions)

14.763	10.668	2.059	1.780
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Total Value of Public Procurement (in millions)

Scope of Audited Public Procurement (in millions)

Total Value of Audited Public Procurement - Implementation (in millions)

Total Amount of Irregularities Identified in Public Procurement (in millions)

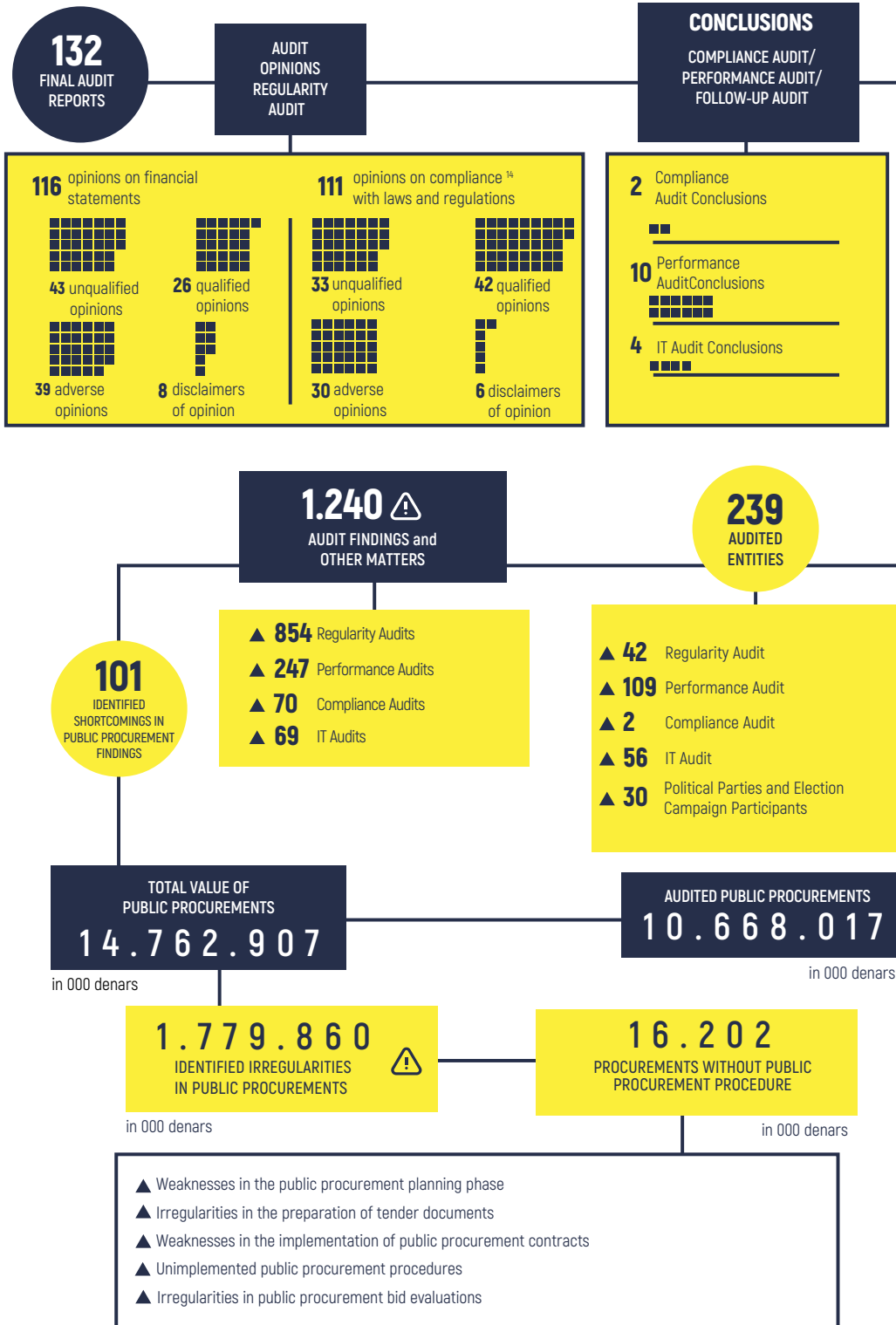
1.427	470	16
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Total Value of PP Contracts with Identified Irregularities (in millions)

Total Implementation of PP Contracts with Identified Irregularities (in millions)

Procurements Made Without Conducting a Public Procurement Procedure (in millions)

AUDIT ACTIVITY THROUGH FIGURES



¹⁴ The number of audit opinions on compliance with laws and regulations is lower compared to the number of opinions on financial statements because in the financial audit reports and compliance audit reports for revenue accounts of subsidies budget (930) for 5 LSGUs, the opinion on compliance with laws and regulations per user is expressed in the audit reports during the audit of the respective user of earmarked subsidies.

REVENUE AND EXPENDITURE

TOTAL 451.728 MILLION DENARS audited public revenue and 227.774 MILLION DENARS audited public expenditure in line with the SAO Annual Work Program for 2024.

The largest share of audited revenues belongs to the Central Budget, totaling 264.348 million (59%), followed by the Funds' Budgets with 149.216 million denars (33%), and the public revenues covered by performance audits amounting to 23.355 million denars (5%).

In the structure of audited expenditure covered by regularity, performance, and compliance audits, the highest share have expenditures from the Funds' Budgets amounting to 145.363 million denars (64%), followed by the Central Budget with 59.574 million denars (26%), and public expenditures covered by performance audits totaling 8.302 million denars (4%).

Compared to the 2023 Annual Work Program, there is a significant increase in audited public revenue, amounting to 86.703 million denars (24%), as follows:

- /// The Central Budget increased by 61.174 million denars, or 30% more than last year
- /// Funds' Budgets increased by 13.412 million denars, or 10% more than last year
- /// Beneficiaries of the Health Insurance Fund budget increased by 1.656 million denars, i.e., a 96% increase compared to previous years
- /// Political parties and participants in the 2024 presidential and parliamentary election campaigns were audited for 1.257 million denars, which is 68 times more than in previous years
- /// Other public enterprises, institutions financed by public funds, and legal entities with dominant state ownership were audited for 3.170 million denars, or 3 times more than in previous years.

Increases were also recorded in audited public expenditure compared to the 2023 Annual Work Program, particularly for the following types of entities and audits:

- /// Central Budget expenditures increased by 43.955 million denars, audited at nearly four times the volume of previous years
- /// Funds' Budgets increased by 15.734 million denars, or 12% more than the previous year
- /// Beneficiaries of the Health Insurance Fund budget funds increased by 1.640 million denars, or nearly double compared to previous years
- /// Political parties and participants in the 2024 presidential and parliamentary election campaigns were audited for 1.048 million denars, which is 56 times more than in previous years
- /// Other public enterprises, institutions financed by public funds, and legal entities with dominant state ownership were audited for 3.271 million denars, or 3 times more than in previous years.

AUDITED PUBLIC REVENUE AND PUBLIC EXPENDITURE

AUDITED PUBLIC REVENUE AND PUBLIC EXPENDITURE

TOTAL **451.728 MILLION DENARS** audited public revenue and **227.774 MILLION DENARS** audited public expenditure under the SAO 2024 Annual Work Program

	Audited public revenue	Audited public expenditure
Central Budget of the Republic of North Macedonia	264.348 203.174	59.574 15.619
Budgets of Funds	149.216 135.804	145.363 129.629
Budgets of local self-government units	4.073 5.243	3.760 4.888
Health Insurance Fund budget users	3.386 1.730	3.360 1.720
Election campaign participants-Local Elections	1.276 19	1.067 19
Public enterprises	1.381 14.681	1.534 10.947
Other institutions / legal entities in which the state is dominant shareholder	4.693 1.523	4.811 1.539
Audited public revenue with performance audit	23.355 2.851	8.302 181.154
Audited public revenue with compliance audit	0 0	3 50.446

 Annual program 2024

 Annual program 2023

in 000.000 denars

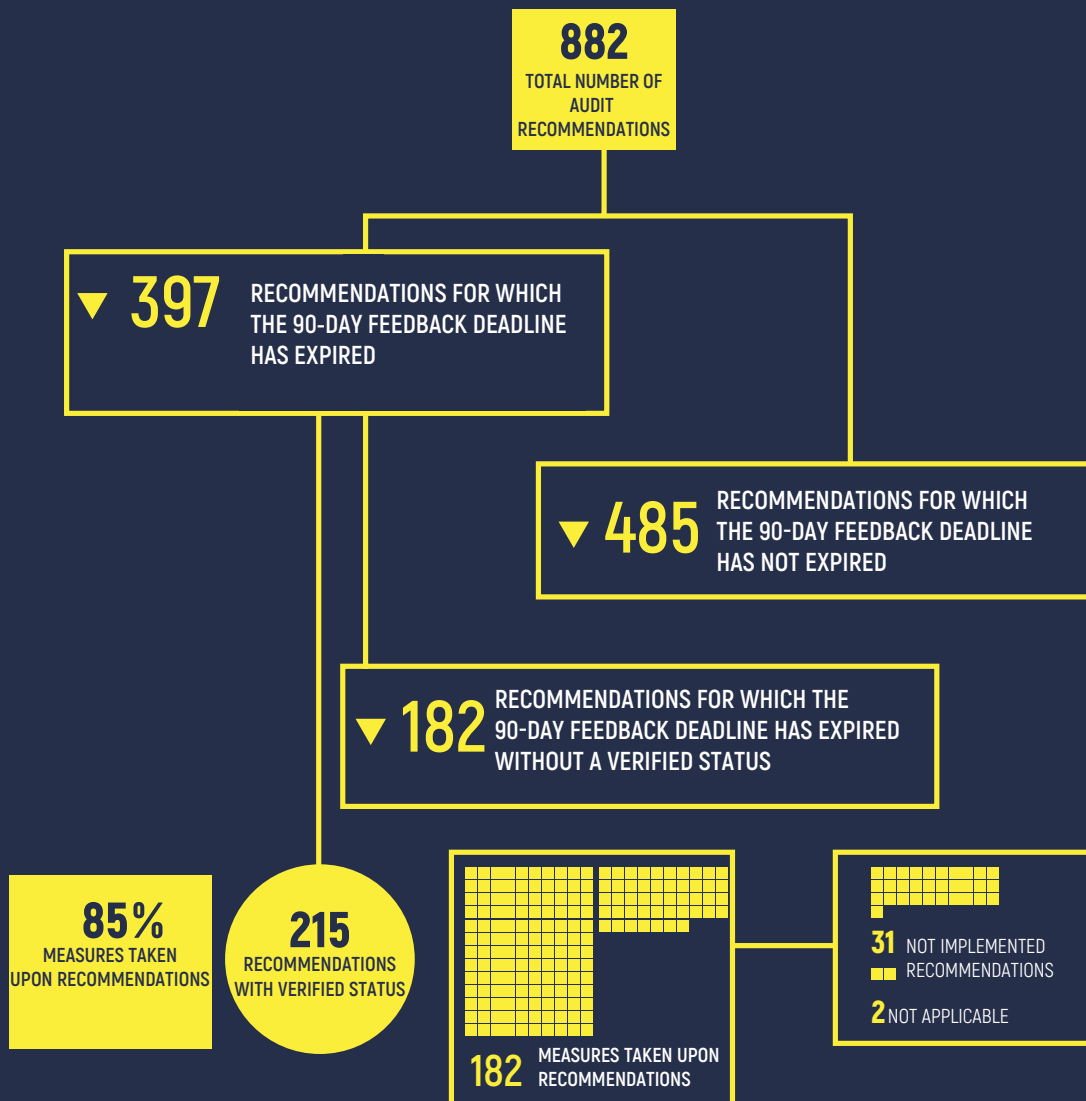
The scope of audited expenditure of the Budget of the Republic of North Macedonia for 2023 is 90%, which is 6% more than last year. The structure of audited expenditure includes expenditure covered with regularity audit of 209.363 million denars, i.e.,

66%, expenditure covered with performance audit in line with Annual Work Programs for 2023 and 2024 of 76.295 million denars, i.e., 24%, and expenditure covered with compliance audits of 16 million denars.

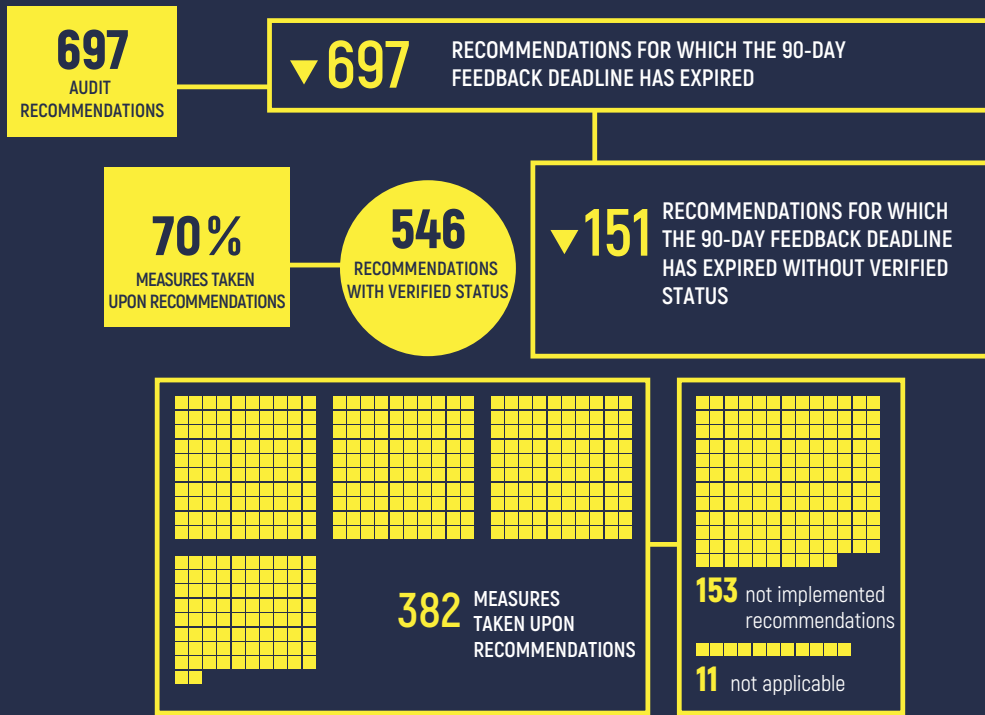
SCOPE OF AUDITED BUDGET EXPENDITURE			
Audited expenditure per budget type (in million denars)	Budget executed in 2023	Audited	Share in %
1	2	3	4
Expenditure of the Budget of the Republic of North Macedonia for 2023 (Final account of the Budget of the Republic of North Macedonia for 2023, Official Gazette of the Repub- lic of North Macedonia 169/2024)	318.575	285.674	90
Budgets of Local Self-Government Units	42.000	3.760	9

AUDIT RECOMMENDATIONS AND IMPLEMENTATION

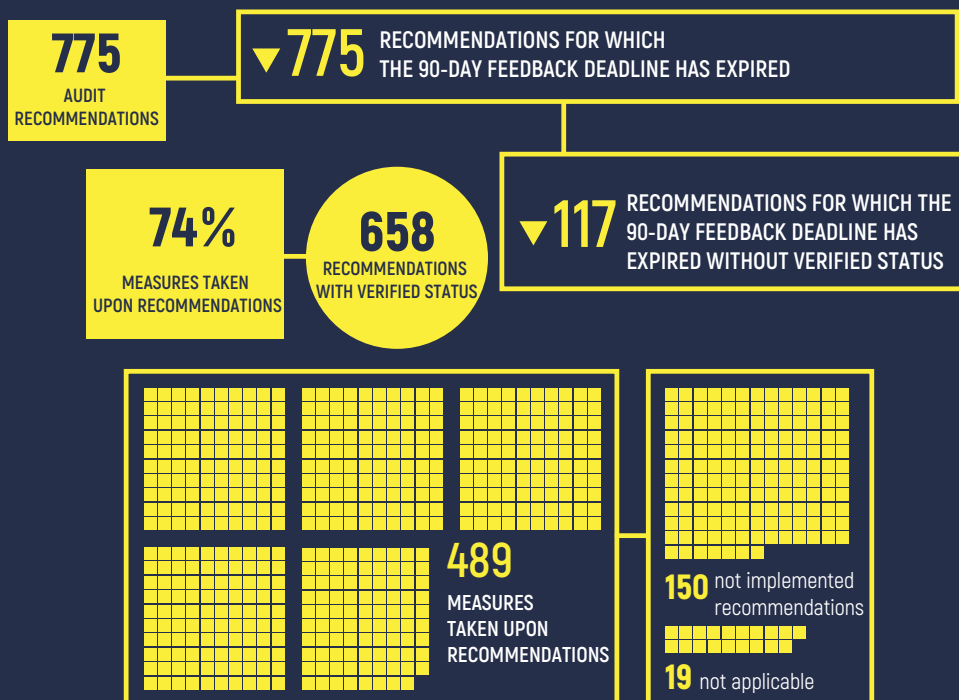
2024



2023



2022



5.1

AUDIT ADDED VALUE

The SAO Annual Work Program for 2024 outlines priority activities designed to achieve strategic objectives and work tasks, as defined by the SAO.

The activities undertaken to achieve strategic objectives ensure adequate oversight of audited public funds, promote employee professional development, conduct performance audits on various programs and projects for accountability and good governance, review the results related to the economy, efficiency, and effectiveness of public sector activities, inform stakeholders and the public about identified shortcomings in final audit reports, and enhance the quality of public sector services for individuals and legal entities.

Key results of the SAO operation in 2024 are reflected in:

- /// supporting the Assembly of the Republic of North Macedonia in fulfilling its competencies through identifying and presenting irregularities, instances of unlawful operations, and possible cases of corruption and abuse of office,
- /// providing clear and effective recommendations to state and other public sector institutions for improving public funds management,
- /// contributing to increased transparency and accountability in the use of public funds/ taxpayers' money, and thereby improving the quality of life of the citizens of the Republic of North Macedonia by delivering services that uphold the principles of service reliability, continuity and quality, transparency, availability and universal service, as well as protection of users and citizens,
- /// identifying irregularities concerning tax evasion, non-payment of public duties and fees to the Budget of the Republic of North Macedonia, thereby providing a return of invested funds from the Budget of the Republic of North Macedonia in the SAO,
- /// auditing awarding of public procurement contracts, with special focus on contract awards under conditions of energy crisis,
- /// providing guidance on the capital investments planning, securing the necessary funds and monitoring their implementation at the central and local level (with special emphasis on funds secured from international creditors), and verifying the effects of these investments,
- /// monitoring the public debt servicing and contributing to the public finance management.

in 000 denars

Audited assets/liabilities from the Balance Sheet	161.587.443
Unpaid/underpaid public duties/fees to the State Budget	2.000.186
Receivables from the state	942.206
Unpaid/underpaid fees to the budgets of the audited municipalities	275.059
Unlawful use of funds	6.203.277
Over-calculated VAT contributions	1.135
Corrective entries in the Balance Sheets	4.081.229
Identified shortcomings affecting the auditee's operations, unsettled obligations, and capital investments	8.608.961
Obligations from loans (other state bodies)	86.093
Cancelled /lost grants	5.680.570
Delayed/stalled investment grants	8.859.690
Paid/calculated commitment fee for non-withdrawn funds from credits/loans	1.400.077
Statute-barred (expired) receivables	2.769.475
Unenforced collection measures	801.314
Outstanding liabilities to suppliers	13.762.539
Value of claims in court proceedings where the audited entity appears as defendant and plaintiff	6.617.820
Amount from lost court cases	196.808
Amount of attorney, notary, and enforcement costs	12.042
Financial effects of the audit/funds paid during the audit / reduced interest	1.240.228
Other added audit value/untimely paid fees	650.837
Total amount of public procurements	14.762.907
Scope of audited public procurement	10.668.017
Total value of audited public procurements – execution	2.058.771
Total amount of identified irregularities in public procurements	1.779.860
Total value of concluded contracts with identified irregularities	1.426.548
Total execution of concluded contracts with identified irregularities	470.421
Procurements carried out without public procurement procedures	16.202

5.2

REGULARITY AUDITS

(AUDITS OF FINANCIAL STATEMENTS AND COMPLIANCE AUDIT)

5.2.1

BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

5.2.1.1.

2023 CORE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

Public finance management is one of the country's top priorities, providing financial security and sustainability for public finances. Considering the economic, social, and political significance of the Budget of the Republic of North Macedonia, its planning, preparation, adoption, and execution are a primary obligation of the Ministry of Finance. The goal is to maintain macroeconomic stability, ensure stable national economic development, and improve the quality of life for the citizens of the Republic of North Macedonia.

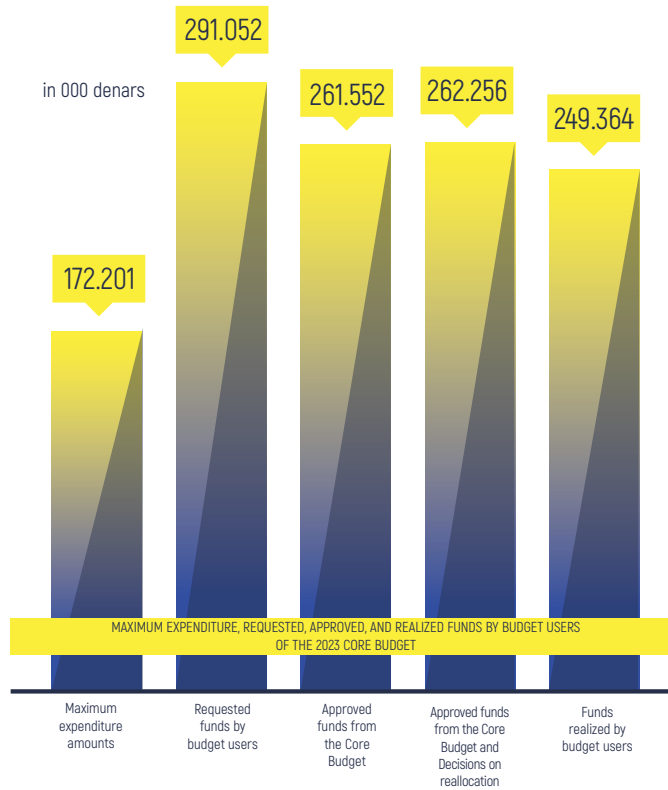
We determined that during the preparation and adoption of the 2023 Budget, the prescribed deadlines for key activities and for adopting the basic planning documents were met, with a slight delay in adopting the Decision on Determining the Strategic Priorities of the Government for 2023.



Analyzing the completeness of the documentation for 26% of budget users, based on which they express the required amount of funds, we found that 20% of them have submitted incomplete documentation for the 2023 Core Budget preparation, as in previous years. This indicates that it is necessary to continuously strengthen activities for completing budget requests by budget users with strategic plans, to align with the strategic goals of the Government, and to improve the quality of the overall state budget planning process.

The adopted Core Budget for 2023 amounts to 261.552.000.000 denars, which is 33.4% higher than in 2022 and 52% higher than the maximum approved funds/expenditures.





Additionally, two decisions were made to reallocate funds among central government budget users and funds, increasing the Budget by 0.3% to 262.551.901.000 denars. The total revenues, expenditures, and the budget deficit remain unchanged, with only the structure of revenues and expenditures by budget users being modified.

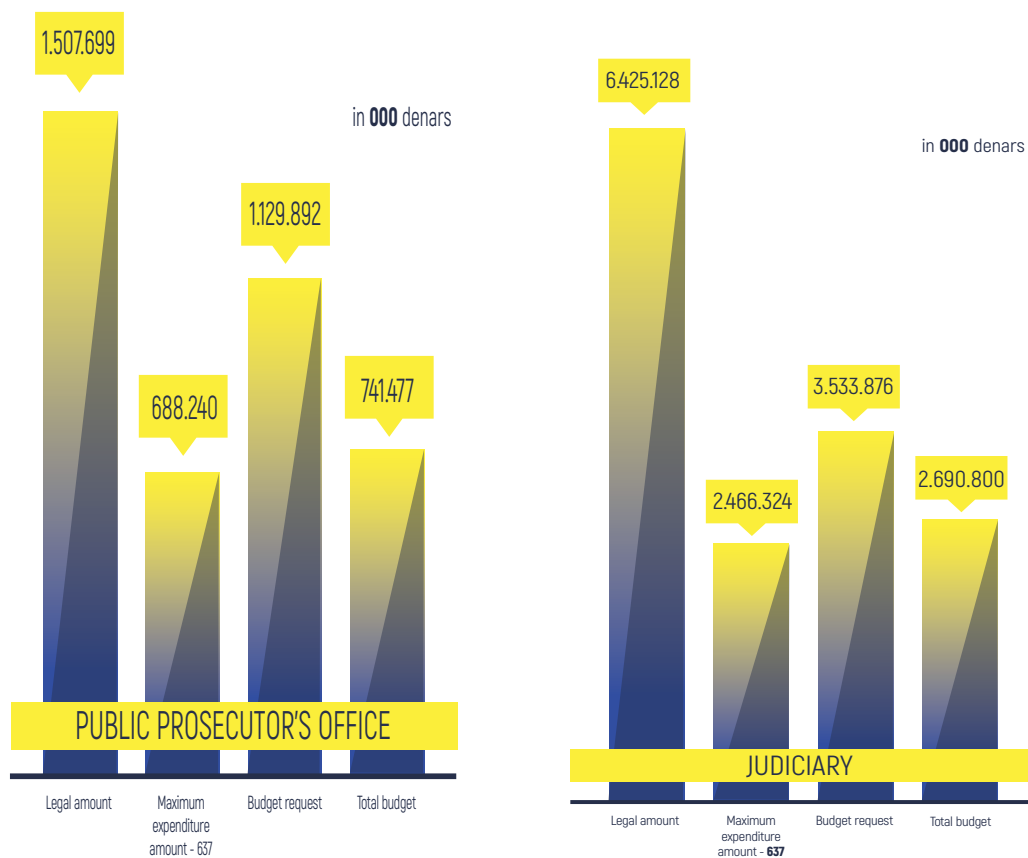
We pointed out the need to strengthen the process of aligning budget request proposals between the Ministry of Finance and the budget users, to minimize the risk that the planned funds may not reflect the actual needs of the budget

users. Additionally, we emphasized the importance of informing the Government about the reasons for discrepancies between the requested and approved funds for budget users.

The Law on the Judicial Budget, the Law on the Public Prosecutor's Office, and the Law on Balanced Regional Development are specific laws that regulate the amount of funds that must be provided annually through the Budget to ensure unimpeded functioning of the judiciary, the public prosecutor's office, and to promote balanced regional development.

JUDICIARY	BY LAW	0.8% of GDP	FUNDS PROVIDED BY THE BUDGET	0.3% of GDP
PUBLIC PROSECUTOR'S OFFICE		AT LEAST 0.4% OF THE STATE BUDGET		0.2% OF THE STATE BUDGET
BALANCED REGIONAL DEVELOPMENT		AT LEAST 1% of GDP		0.09% of GDP

It was found that, as in previous years, the 2023 Budget does not provide the legally required funds as follows.

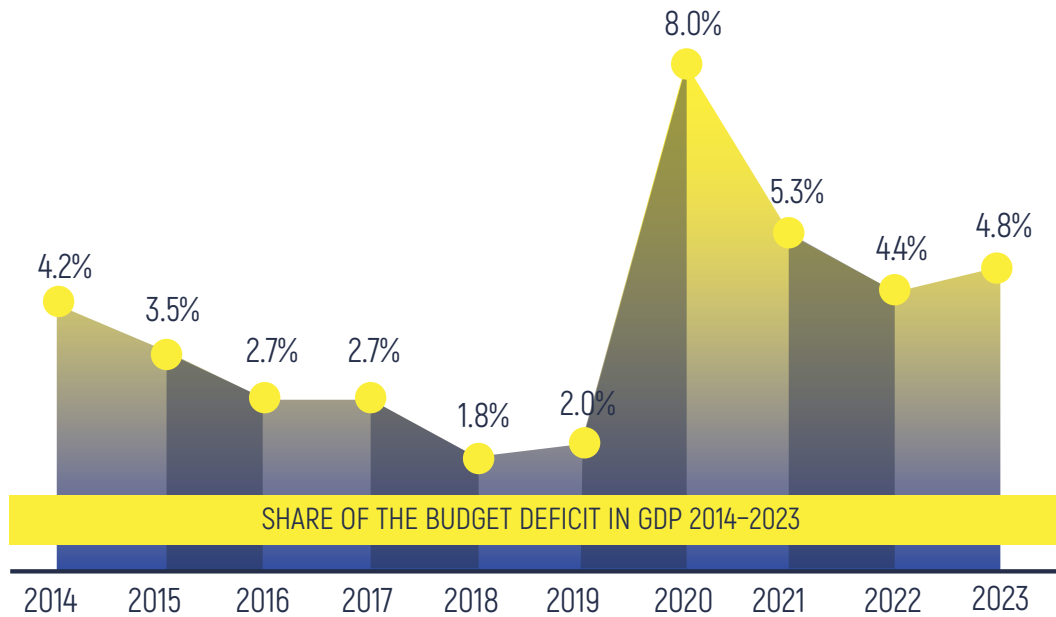


OA Subprogram - Balanced Regional Development. According to the legal framework, at least 1% of GDP must be allocated for the Balanced Regional Development subprogram, and these funds should be implemented through the annual programs planned in the budgets of the Ministry of Local Self-Government and the Bureau for Regional Development. We found that the share of approved funds for promoting balanced regional development through this subprogram in 2023 amounted to 0.09% of GDP, the same level as in 2022.

The new Law on Budgets (effective from 1 January 2023) introduced fiscal rules concerning the deficit and total general government debt, stating that:

- /// **The general government deficit** for the respective year must not exceed 3% of the nominal GDP.
- /// **The total general government debt** must not exceed 60% of nominal GDP.
- /// **The guaranteed public debt** must not exceed 15% of nominal GDP.

The General Government Budget Deficit for 2023, according to macroeconomic indicators published by the Ministry of Finance for 2023, amounted to 4.8% of GDP, which is higher than in 2022, when it was 4.4% of GDP. This increased deficit, driven by the ongoing economic crisis, exceeds both the legally established limit set by the fiscal rules and the projected percentage outlined in the fiscal strategies.



Source: Ministry of Finance

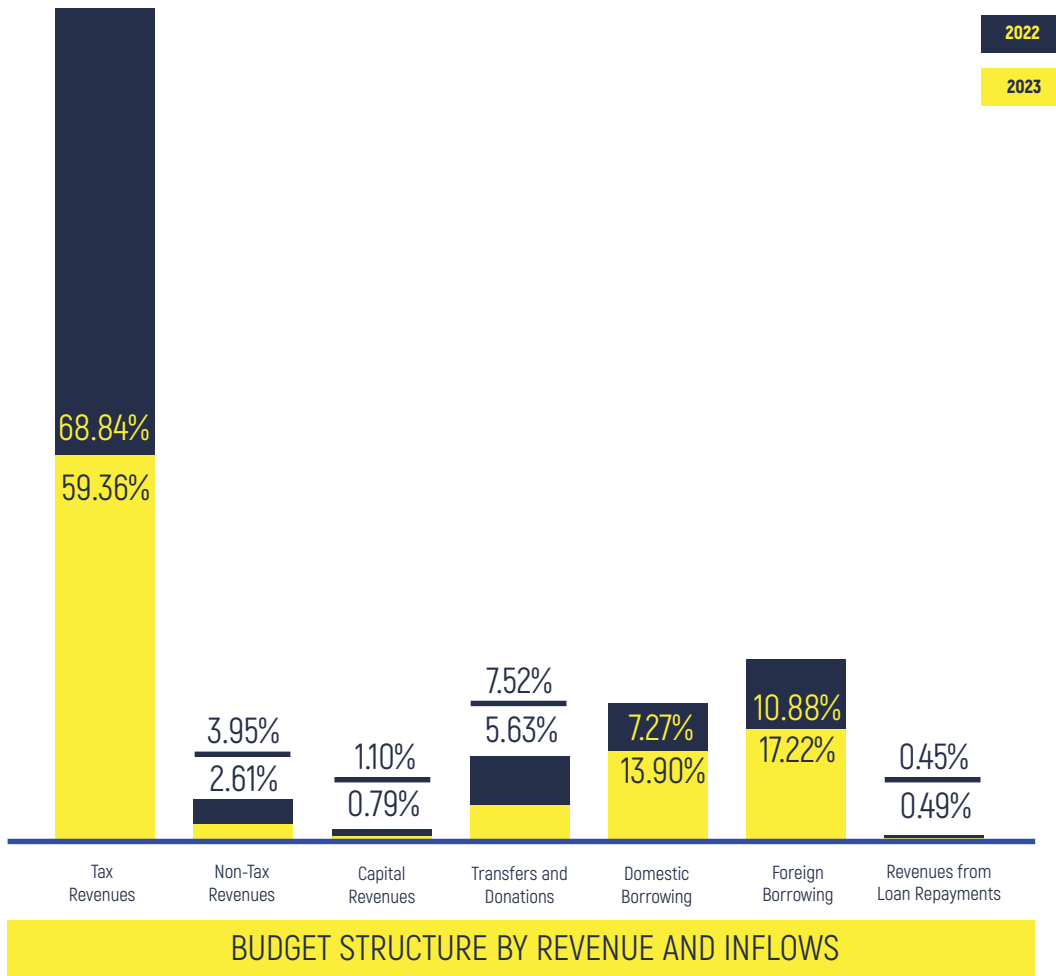
The total revenue and inflows in 2023 amounted to 260.125.128.000 denars, which is 29% more compared to 2022. This increase is largely due to the rise in domestic and foreign borrowing. The

graph below shows the structure of the Budget for 2023 and 2022 according to the types of revenues and inflows.

TOTAL REVENUE AND INFLOWS IN THE CORE BUDGET IN 2023

in 000 MKD

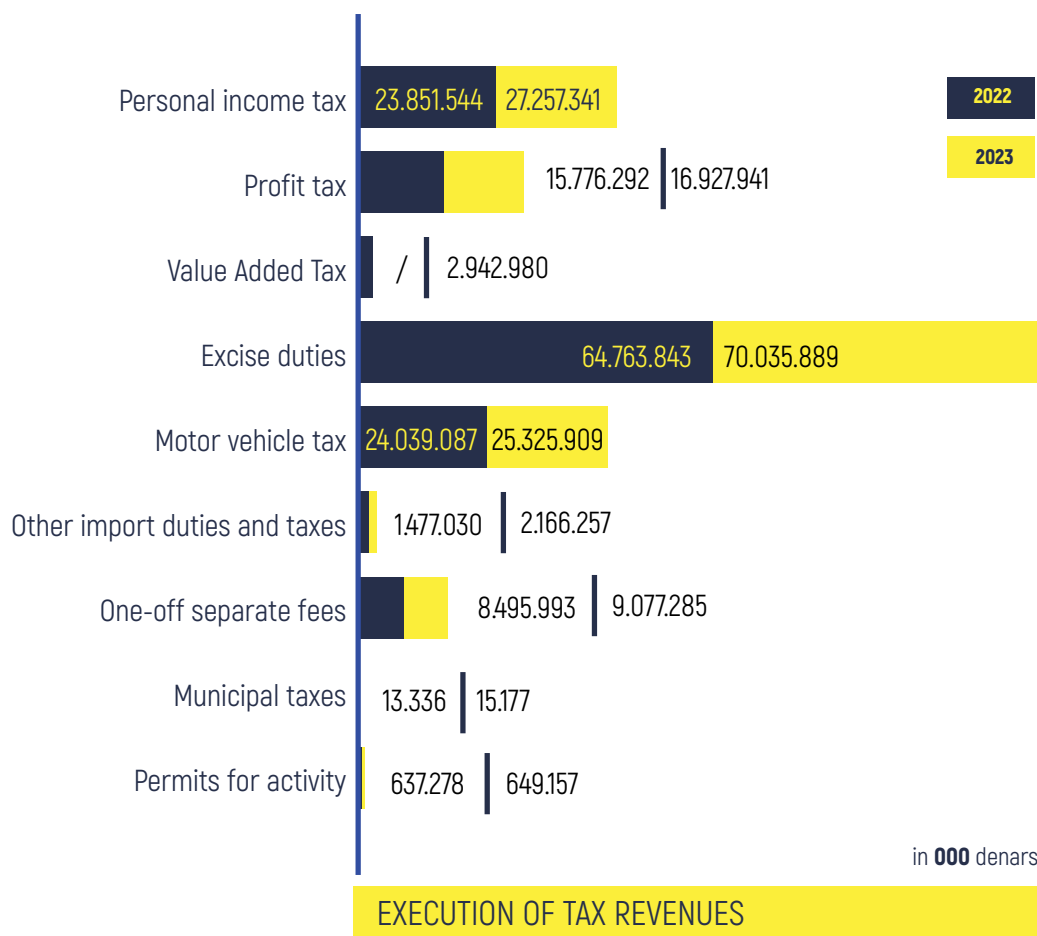
TYPE OF REVENUE	2023	2022	2023/2022
Tax Revenues	154.405.427	139.074.197	11%
Non-Tax Revenues	6.780.481	7.975.217	-15%
Capital Revenues	2.060.314	2.219.926	-7%
Transfers & Donations	14.651.839	15.184.119	-4%
Domestic Borrowing	36.156.026	14.680.857	146%
Foreign Borrowing	44.795.663	21.983.196	104%
Loan Repayment Revenues	1.275.378	906.379	41%
TOTAL:	260.125.128	202.023.891	29%



Tax Revenues in 2023, as in 2022, had the largest share in the Core Budget revenue structure.

In 2023, tax revenues accounted for 59.36% of the total Core Budget revenues.

The individual share of each type of tax is presented in the following table:



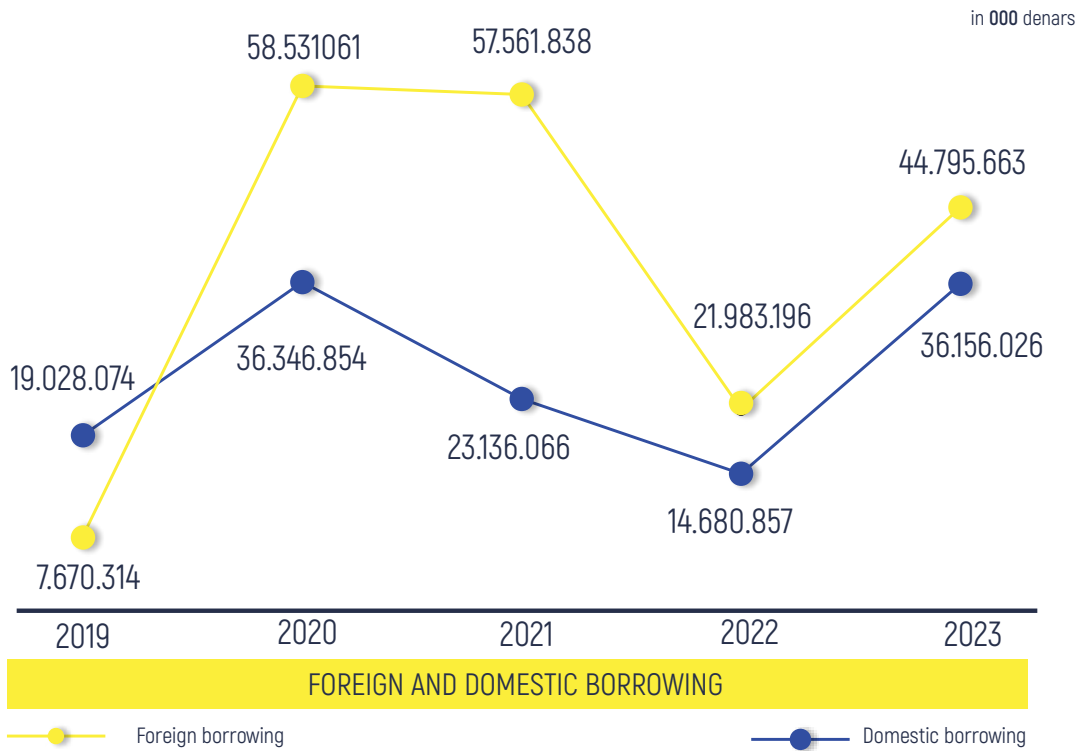
The **Solidarity Tax**, introduced as a new one-time tax in September 2023 under the Law on Solidarity Tax, generated revenue of 2.942.980.000 denars in the Budget. The purpose of this tax is, in conditions of unpredictable and unfavorable economic circumstances, for everyone to contribute to covering public expenditures in line with their economic capabilities. The funds from the collected revenues are used through the Government budget line, sub-program P1 – Measures for dealing with the COVID-19 crisis and other anti-crisis measures to support citizens, institutions, and the economy to overcome specific unforeseen situations.

Part of these funds, amounting to 962.913.000 denars, were approved by the Government decision in November 2023 to Railways of the Republic of North Macedonia – Transport (state-owned) for increasing the core capital. These funds were used by RNM Railways – Transport to settle obligations

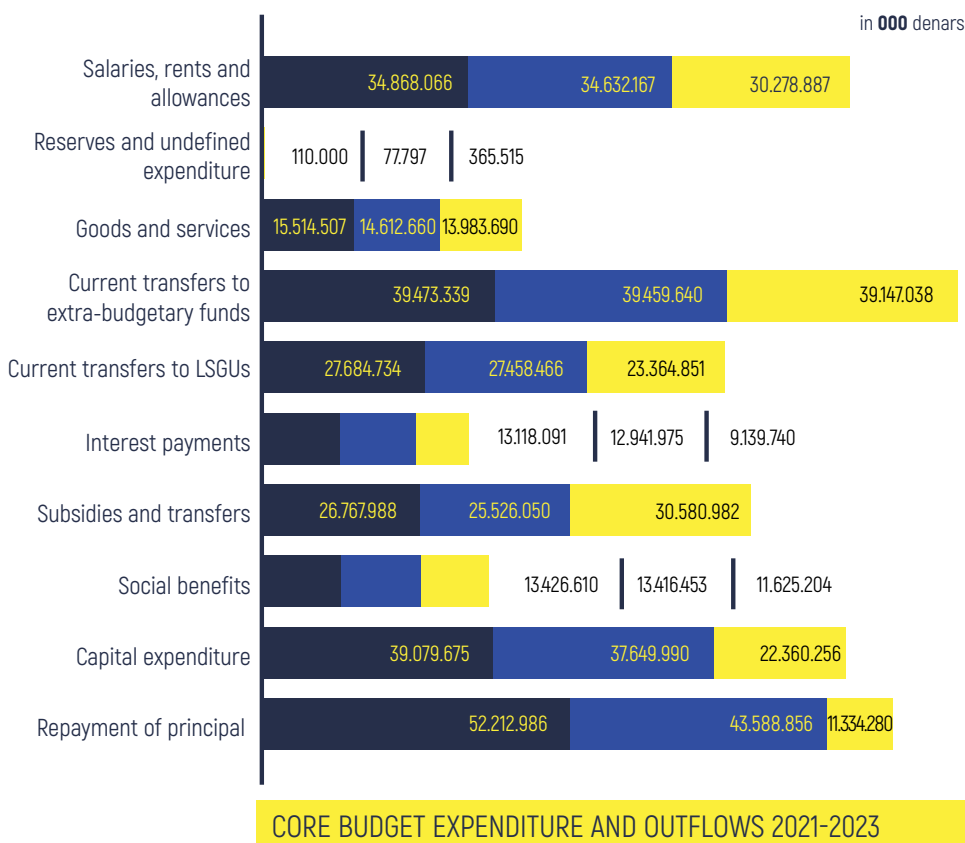
to Power Plants of North Macedonia JSC (AD ESM). In the report, we pointed out that, according to the Government's decisions declaring a state of crisis in electricity supply, the crisis ended on 30 April 2023.

In February 2025, the Constitutional Court of the Republic of North Macedonia adopted a decision annulling the Law on Solidarity Tax, and thus the amounts paid by the companies that were liable under this tax need to be refunded.

The total inflows from **domestic and foreign borrowing** in 2023 accounted for 31% of the total revenues of the Core Budget for that year. There is a noticeable increase in inflows from domestic and foreign borrowing in 2023. The 104% increase in foreign borrowing compared to 2022 is due to the inflow of funds from a Eurobond issued by the country on the international capital market in 2023.

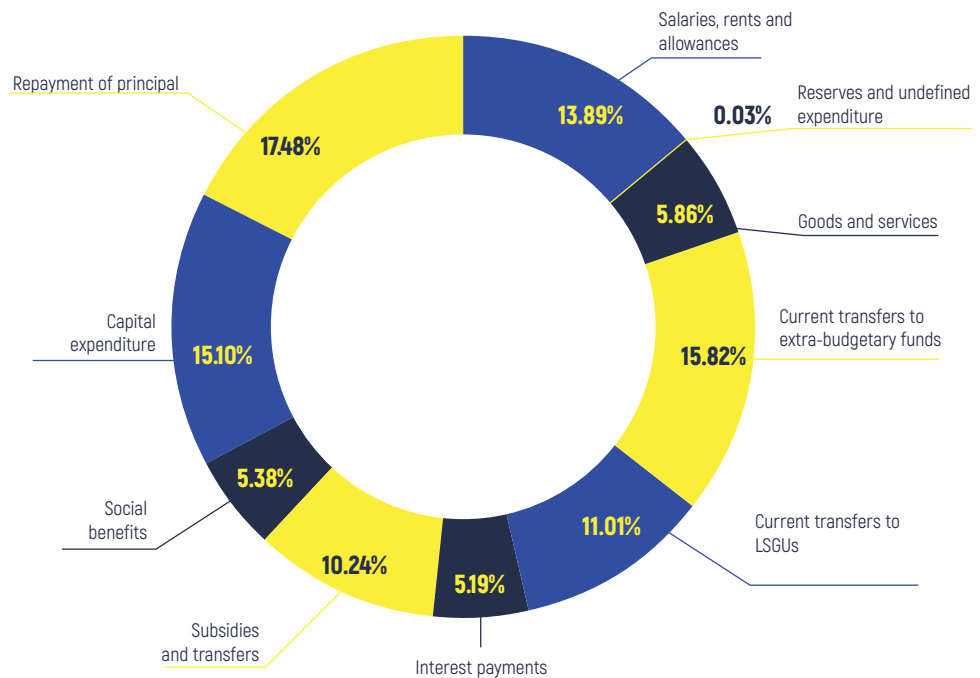


The total expenditure and outflows of the Core Budget for 2023 of 249.364.054.000 denars are 29.76% higher than in 2022.



Within the individual expenditures and outflows, the most significant increases were recorded in principal repayments by 284.58%, capital expenditures by 68.38%, current transfers to local government units by 17.52%, social benefits by 15.41%, and salaries, rents, and allowances by 14.38%. The largest decrease of 78.72% was observed in reserve and undefined expenditures, followed by a 16.53% decrease in subsidies and transfers.

The share of the individual types of expenditures and other outflows to the total executed expenditures and outflows in the Core Budget for 2023 is shown in the following chart:



SHARE OF TYPES OF EXPENDITURE AND OTHER OUTFLOWS IN THE TOTAL EXECUTED EXPENDITURES AND OUTFLOWS IN THE CORE BUDGET FOR 2023

To cover the deficit of the **Pension and Disability Insurance Fund (PDIF)**, 16.515.500.000 denars were paid from the Core Budget, which represents 21% of the total PDIF funds for pension payments. The structure of the sources of funds from which the

PDIF secures the necessary amounts for pension payments in 2023 shows no change compared to 2022, indicating that there is still an ongoing need for financial support from the Budget to ensure pension payments in the country.

STRUCTURE OF FUNDS' SOURCES FOR PENSION PAYMENTS

	Core Budget transfers - legal obligation	Core Budget transfers - deficit	Assets of Pension and Disability Fund
2021	21%	29%	51%
2022	20%	22%	58%
2023	19%	21%	60%

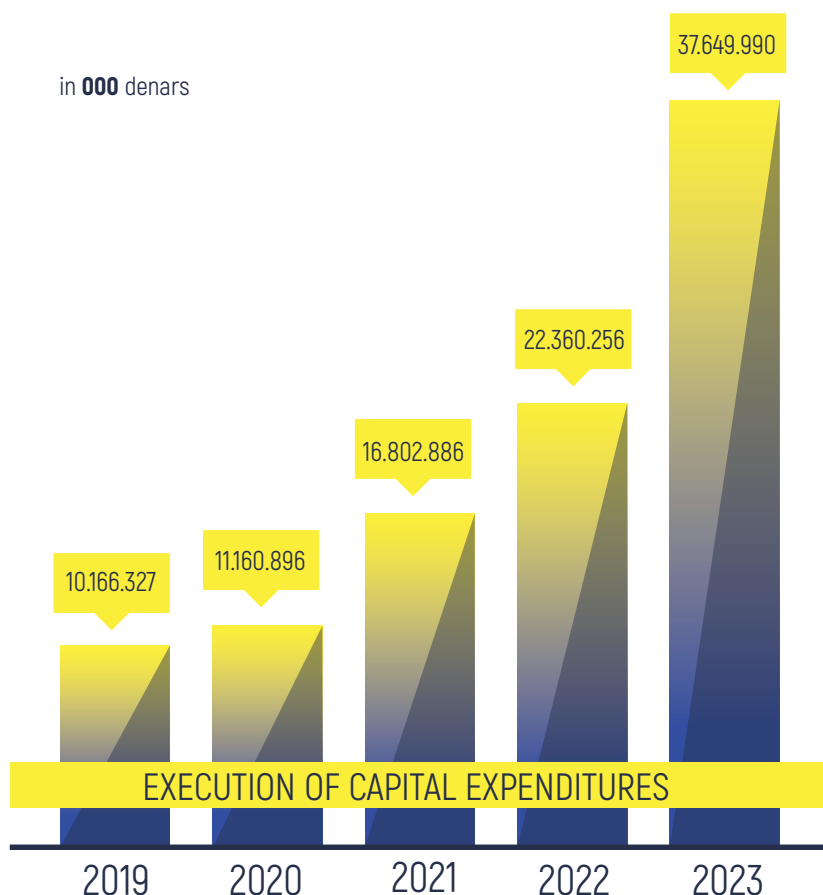
As **current transfers** during 2023, grants of 27.458.466.000 denars were paid **to the LSGUs**, which amounts to 11% of the total Core Budget expenditure, and an increase of 17.5% compared to 2022. The largest share of the transfers consists of block grants – 85%, VAT grants – 13%, and earmarked grants – 2%. We determined that, as

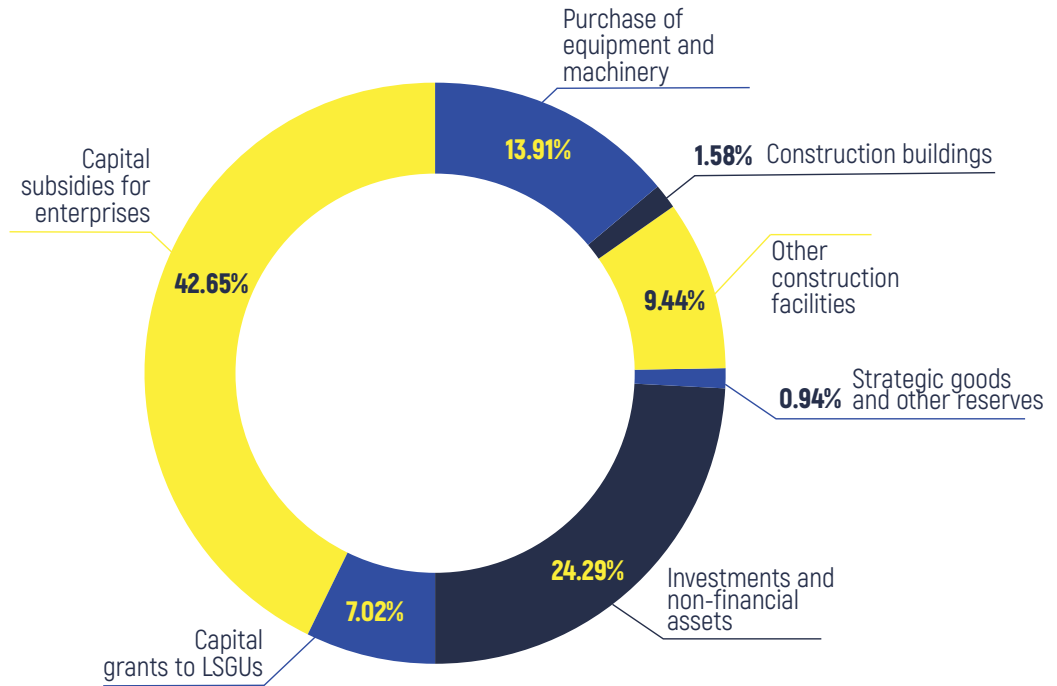
Capital expenditures in the Core Budget for 2023 were executed in the amount of 37.649.990.000 denars, i.e., 15% of the total Core Budget

of 4 April 2024, 11 municipalities acted under the Law on Budget Execution and returned 29.124.000 denars of unused funds to the Budget, while 28 municipalities did not return 28.059.000 denars of unused funds.

expenditure. Compared to 2022, this is an increase of 68%, and capital expenditures have been increasing steadily since 2019.

in 000 denars





STRUCTURE OF CAPITAL EXPENDITURE IN 2023

The largest portion of these expenditures relates to **Capital subsidies for enterprises and non-governmental organizations**, with 94% executed

through Budget Line 13001 – Ministry of Transport and Communications.



Capital subsidies

Capital subsidies for enterprises and NGOs
15.146.647.000 denars

Program **2M** –
Investments in road infrastructure

Corridor 10D – Motorway section Prilep-Bitola

Corridor 8 – Section Tetovo-Gostivar – Bukojcani and the Motorway Project Trebenishta – Struga – Kjafasan

94%
implemented by the Ministry of Transport and Communications

EXECUTION OF CAPITAL SUBSIDIES FOR ENTERPRISES AND NGOs IN 2023

Investments and non-financial assets: In 2023, 9.143.879.000 denars were executed for this purpose, which is 14% less compared to 2022.

Of this amount, 55%, or 5.041.869.000 denars, were executed through the Government.

962.913.000 denars

to increase the core capital of Railways of RNM-Transport in state ownership to settle obligations based on court settlements, final and enforceable judgments, and concluded agreements with JSC Power Plants of North Macedonia



3.874.700.000 denars

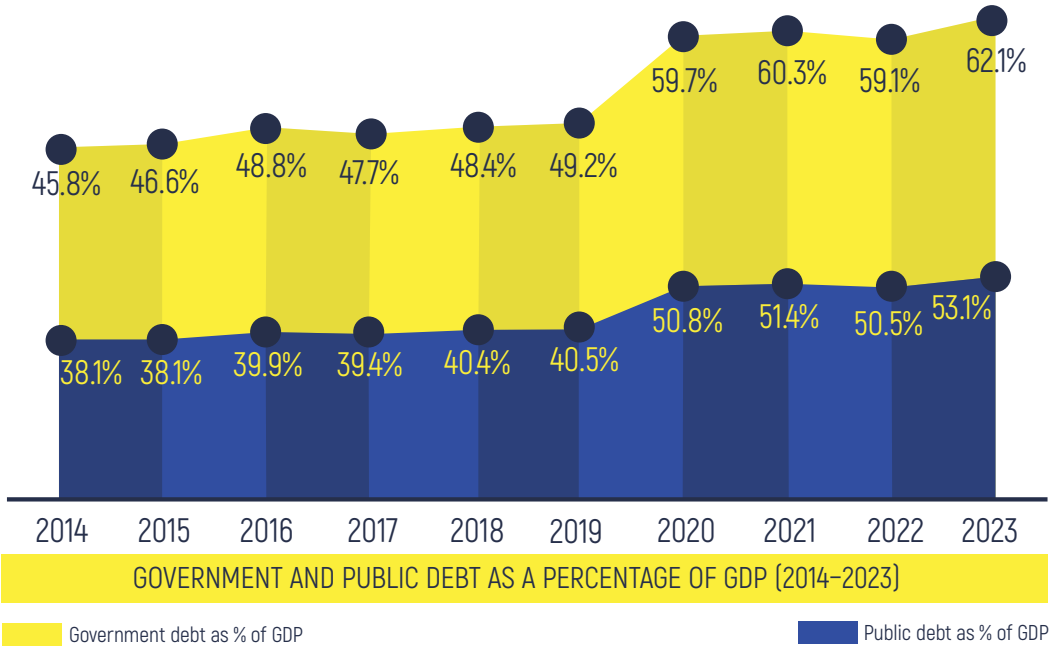
for JSC Power Plants of North Macedonia, for dealing with the crisis in the electricity supply

EXECUTION OF INVESTMENTS AND NON-FINANCIAL ASSETS IN 2023

We pointed out that the basis for allocating funds from the Government's programs and sub-programs needs to correspond with their intended purposes.

As of 31 December 2023, the **public debt**—defined as the total of government debt and the debt of public enterprises established by the state or by the municipalities, the municipalities within the City of Skopje, and the City of Skopje, as well as commercial companies that are fully or predominantly owned by the state or the municipalities, the municipalities within the City of Skopje, and the City of Skopje—amounts to 8.476.800.000 euros, according to data from the Ministry of Finance. On 31 December 2022, this amount was 7.702.900.000 euros, indicating an increase of 773.900.000 euros, or 10% in absolute terms. The public debt as a share of GDP as of 31 December 2023 is 62.1%, an increase of 5.07% compared to 2022, when it was 59.1%.

The government debt amounted to 7.256.200.000 euros on 31 December 2023, compared to 6.581.000.000 euros the previous year, marking an increase of 675.200.000 euros. The government debt as a share of GDP on 31 December 2023 is 53.1%, an increase of 5.14% compared to 50.5% of GDP in 2022.





We have identified unfavorable situations in the indebtedness of public sector entities, dynamics of project implementation, utilization of credits and loans, paid and incurred costs by state bodies, institutions, JSCs, and PEs. The data provided by the Ministry of Finance on the implementation of

projects financed with loans, the expenses incurred for their implementation, as well as their impact on the achievement of investment goals in the future, indicate inefficient use of funds and generation of unforeseen costs.

OVERVIEW OF BORROWING WITH LOANS/GRANTS, TOTAL WITHDRAWN AND NON-WITHDRAWN FUNDS AND COMMITMENT FEE FOR NON-WITHDRAWN FUNDS FOR CURRENT PROJECTS BY COMPETENT INSTITUTIONS, AS OF 31.12.2023

in 000 denars

							Realization dynamics, in line with the period of borrowing with a loan/grant
MoF	3.068.601	277.049	2.791.551	9%	91%	8.266	2 projects from 2021 and 2023 with regular implementation dynamics
MoTC	8.498.609	4.171.167	4.327.442	49%	51%	36.588	2 projects from 2019-2023 with regular implementation dynamics and 1 project from 2019 with slow implementation dynamics
MoEPP	6.456.975	0	6.456.975	0%	100%	0	2 projects from 2022 and 2023 with slow implementation dynamics
MoH	1.656.519	830.183	826.336	50%	50%	0	1 project from 2015, stalled
MoLSP	2.613.538	1.406.994	1.206.544	54%	46%	21.719	2 projects from 2018 and 2020 with regular implementation dynamics
MoJ Sanctions Enforcement Authority	2.828.770	1.291.395	1.537.375	46%	54%	0	1 project from 2010, stalled
MoAFWE	7.994.350	302.776	7.691.574	4%	96%	44.849	1 project from 2019 is stalled and 1 project from 2021/2022 with regular dynamics
MoES	4.875.635	2.689.050	2.186.585	55%	45%	15.801	3 projects from 2011/2022 and 2021 with regular implementation dynamics and 1 project from 2019 with slow implementation dynamics
JSC Development Bank of North Macedonia	9.224.250	3.964.091	5.260.59	43%	57%	0	1 project from 2023, with regular implementation dynamics
PESR	77.579.604	45.542.819	32.036.785	59%	41%	613.680	6 projects from 2014-2022 with slow implementation dynamics and 1 project from 2014/2019 stalled
PE ZRSM Skopje	46.684.472	5.014.016	41.670.456	11%	89%	459.227	2 projects from 2012 and 2014/2018 with slow implementation dynamics and 1 project from 2023 with regular implementation dynamics
SC ESM	8.571.552	1.302.939	7.268.612	15%	85%	65.226	4 projects from 2015-2023 with regular implementation dynamics and 1 project from 2018/2019 with slow implementation dynamics
JSC MEPSO	4.550.630	2.602.641	1.947.989	57%	43%	131.295	2 projects from 2013 and 2015/2016 with slow implementation dynamics
JSC NOMAGAS	2.559.668	0	2.559.668	0	100%	0	1 project from 2021 with slow implementation dynamics
M-NAV	600.806	129.227	471.579	22%	78%	3.426	1 project from 2022 with slow implementation dynamics
CITY SKOPJE	4.304.650	0	4.304.650	0	100%	0	1 project from 2021, stalled
PE WATER SUPPLY	12.039.754	922.425	11.117.329	8%	92%	0	1 project from 2019/2023 with slow implementation dynamics
	204.108.382	70.446.770	133.661.612			1.400.077	



Competent institution for project realization



Total amount of loans/investment grants



Amount of withdrawn funds



Amount of non-withdrawn funds



% of withdrawn funds



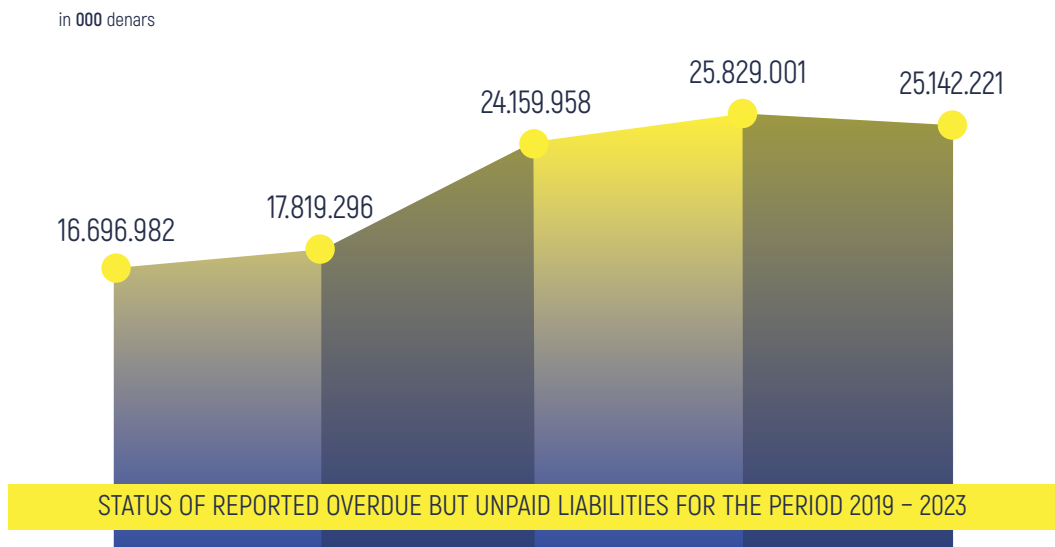
% of non-withdrawn funds



Commitment fee on non-withdrawn funds

The majority (38%) of the total amount of loans and grants is being implemented through the Public Enterprise for State Roads for the financing of seven projects, the implementation of which is progressing at a slow pace, as well as through the Public Enterprise for Railway Infrastructure of the Republic of North Macedonia, responsible for implementing three projects that account for 23% of the total approved loans and grants, two of which are progressing slowly.

The Law on the Recording and Reporting of Liabilities stipulates that public sector entities must report their liabilities monthly through the Electronic System for Reporting and Recording of Liabilities (ESPRL) to the Ministry of Finance, based on their accounting records, no later than the tenth of the month for the previous month. As of December 2023, the audit found that out of a total of 1,382 entities, 1,157 had submitted data to ESPRL, reporting overdue but unpaid liabilities in a total amount of 25,142,221.000 denars, which is 686,780,000 denars or 2.66% less compared to 2022. The largest share of the total liabilities is held by public enterprises and state-owned trading companies with 40.97%, followed by municipal public enterprises with 18.61%, and public healthcare institutions with 14.99%.



FINANCIAL INSTABILITY OF LSGUs

A municipality is in a state of financial instability if its account is blocked for more than six months, or if, over six consecutive months, the total amount

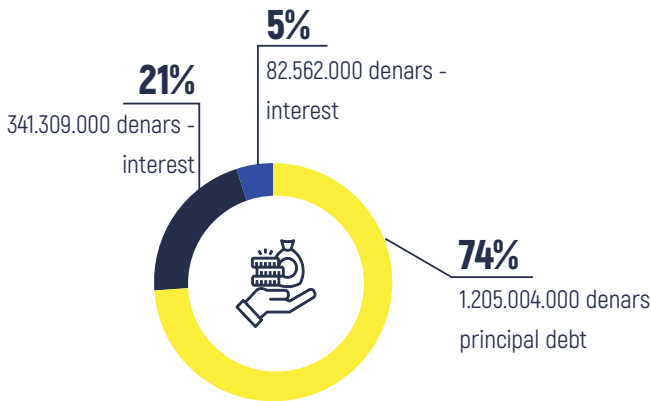
of outstanding liabilities over 60 days past due, recorded at the end of each month, exceeds 70% (60% as of 1 January 2024) of the actual revenues of the municipality's core budget from the previous year.

ELECTRONIC SYSTEM FOR REPORTING AND RECORDING LIABILITIES IN THE MINISTRY OF FINANCE
31.12.2023



3.612.801.000
denars

Total amount of reported liabilities of LSGUs



1.628.875.000
denars

amount of outstanding enforcement orders as of 31.12.2023



13

Municipalities with blocked accounts



68

Municipalities without blocked accounts

STATUS OF REPORTED LIABILITIES AND UNCOLLECTED EXECUTION ORDERS IN LSGUs

Although data indicate a high level of municipal indebtedness when revenue realization has a downward trend, as of the audit period, no municipality has been declared financially unstable. As a result, municipalities may continue generating new liabilities on various grounds and initiate new capital projects, which further deteriorate their liquidity and overall financial condition, thereby increasing the likelihood of requiring additional budgetary support and causing an outflow of budget funds.

Considering that the new Law on Budgets, which entered into force on 27 February 2022, has a deferred implementation date of 1 January 2025, many of the activities necessary to establish the required systems and bodies began with the Law's effective date – 27 September 2022. All secondary legislation must have been adopted by 27 September 2024. In the Report, we disclosed the slow pace of certain activities, which may affect the timely implementation of the law.

The Public Financial Management Reform Program 2022–2025¹⁵ is the Government's strategic document for developing the public finance management system in line with the reforms initiated in 2018. Its objective is to improve the fiscal framework, strengthen the processes of planning, execution, and reporting of public finances, increase revenue collection, improve the public procurement system, and strengthen internal and external control through enhanced transparency and accountability in operations.



¹⁵ In November 2024, the Public Financial Management (PFM) Reform Program was aligned with the priorities of the new Government Program for 2024–2028, so the Revised PFM Reform Program covers the period 2025–2028.

5.2.1.2.

MINISTRY OF FINANCE –

STATE FUNCTIONS



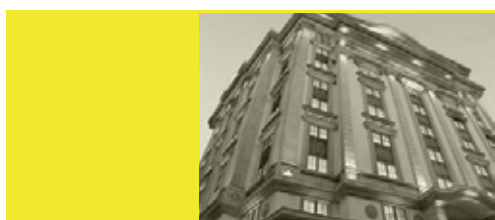
“State Functions” is a separate budget section within the Ministry of Finance in the Budget of the Republic of North Macedonia. The disbursement of funds from this section is regulated by the Law on the Execution of the Budget of the Republic of North Macedonia for each calendar year. These funds are used without the need for an approved financial plan. However, when the Government approves funds from this section for another budget user, those funds are treated as a financial plan, i.e., a spending authorization.

The funds provided under this section are used for:

- /// timely servicing of liabilities, repayment of principal and interest on domestic and foreign debt of the state,
- /// regular payment of the country's operating costs, based on previously submitted payment documentation,
- /// participation in the capital of international financial institutions,
- /// payment of VAT on capital investments financed by donations, financing of projects under various IPA components, and
- /// covering damages caused by natural disasters and financing unforeseen expenditures during the fiscal year.

In the section Emphasis of Matter, we presented several findings regarding the use of these funds, as follows:

Due to damages caused by natural disasters—hail, 50.718.000 denars were paid to 18 municipalities from the budget's contingency reserve based



on several Government decisions. Although the municipalities were obligated to submit a report on the use of approved funds to the Government and the Commission for Damage Assessment within 30 days of receipt of funds and to return any unallocated funds to the Budget, only three municipalities fulfilled their obligations. Due to the inaction of the remaining 15 municipalities, the Government lacks complete information on the earmarked use of the allocated funds and the amount of unused funds. Therefore, we emphasized the need for the responsible persons from the Ministry of Finance and the Government to take measures and actions to ensure that municipalities submit the required reports.

In 2023, 827.865.000 denars were paid from the “State Functions” section of the Ministry of Finance based on 28 Government decisions that were not published in the Official Gazette of the Republic of North Macedonia. We found that this is not following Article 3 of the Law on the Publication of Laws and Other Regulations and Acts in the Official Gazette of the Republic of North Macedonia, thus failing to ensure institutional transparency—a principle of good governance—and limiting access to information for stakeholders and the wider public.

To achieve energy efficiency objectives and support energy sector policies, the Energy Efficiency Fund was established in October 2023. The Fund's initial capital was to be provided by the state: 10 million euros and 5 million euros from part of the loan from the IBRD-World Bank, from 2021. Although 600.000.000 denars were transferred to the Fund in December 2023 from the “State Functions” section, the Fund is still not operational. This is because the World Bank has yet to approve the conditions of the agreement to be concluded between the Ministry of Finance and the Fund, as the contract is still being aligned between the contracting parties.

In January 2023, 378.446.000 denars were paid from the “State Functions” section based on court rulings from 2022, under which the Republic of North Macedonia and the Municipality of Karpoš

were jointly obligated to pay the plaintiff the purchase price and compensation for damages related to the purchase of construction land in the Municipality of Karpoš. Although the rulings call for joint compensation of damages, as of the audit period, no institution has undertaken any actions to recover the funds for the Budget. Therefore, we pointed out the need to intensify communication and coordination between the Ministry of Finance, the State Attorney's Office, and the Municipality of Karpoš to undertake recovery actions and initiate legal measures to reclaim funds to the Budget, including from the City of Skopje.

We once again emphasize issues that, although identified in previous audits and noted as requiring resolution, continue to persist. These relate to:

- /// The incomplete reporting of expenditures in the final account of the "State Functions" section of the Ministry of Finance for 2023, due to the omission of funds for repayment of foreign debt of the Republic of North Macedonia, amounting to 38.890.521.000 denars, which are reported in the Budget's Final Account, and

- /// The inability of institutions to recover funds from legal entities that received financing from IPA funds of the European Commission, where, due to irregularities identified by OLAF during the award process, the Republic of North Macedonia is obligated to return the misused funds to the European Commission. In 2023, 36.937.000 denars, or 600.000 euros, were returned to the European Commission on this basis.

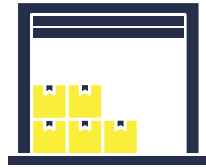
5.2.1.3.

AGENCY FOR MANAGEMENT OF SEIZED PROPERTY

The Agency for Management of Seized Property manages confiscated property and assets, as well as permanently seized items; with court approval, it also manages temporarily seized property, assets, and items. It carries out procedures for execution of confiscation of property and assets derived from criminal offenses; maintains a register of temporarily seized property, temporarily seized items, permanently seized items, and confiscated property; stores and safeguards the seized property; performs valuation of seized assets; leases out confiscated property; keeps records of all seized assets; sells seized property; and performs other responsibilities under the law. The Agency is accountable to the Government for its operations.

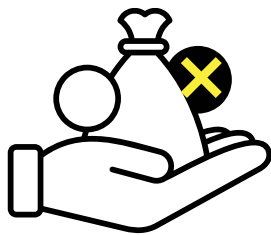
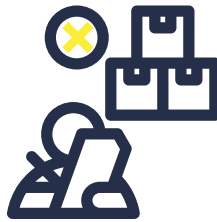
We conducted a financial audit along with a compliance audit of the Agency for Management of Seized Property of the Republic of North Macedonia, during which we identified several irregularities that affect both the financial statements for the reporting period and the compliance of the Agency's operations with applicable laws, bylaws, and internal acts, as shown in the infographic:





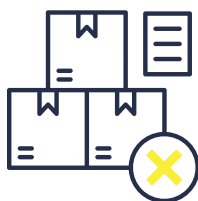
Part of the warehouses and land, used by the Agency since 2009 for storing and keeping seized property, are still used after 14 years without a government decision granting usage rights

Weaknesses were identified in conducting the annual inventory, as well as in reconciling the accounting records with the inventory-determined status



Weaknesses related to salary calculation and payment to employees were identified, mainly because the Agency does not have complete and consistent employee files. The rules for salaries and other compensation and the payment of overtime work for support staff are not adequately documented, and supporting documents for overtime payments are not reliable or verified

Expenses amounting to 1,168,000 denars were recorded without confirmation that they were within the limits established by the Agency's internal acts and Government decisions, and without complete supporting documentation



Goods amounting to 695,000 denars were procured without appropriate procedures being followed, as required by the Law on Public Procurement.

In terms of managing seized assets, the Agency does not operate by the principles of legality, cost-effectiveness, efficiency, transparency, responsible stewardship, accountability, competence, professionalism, and timeliness, as follows:

- /// Bylaws regulating the procedures and recordkeeping of seized property are not published in the Official Gazette. Although available on the Agency's website, they do not include an archival number, date of adoption, or the signature of the Board of Directors' President to confirm their validity.
- /// The bylaws specifying procedures for accepting seized items and maintaining records are not fully applied in practice.
- /// For seized items that the Agency cannot immediately store in its warehouses, there is no record kept regarding the type of property, its current location, or the responsible entity. As of 31 December 2023, 46 vehicles were stored at Customs posts and 689 vehicles at the Ministry of Interior facilities, none of which had been appraised.
- /// The practice of assigning confiscated items and vehicles does not ensure equal access for the institutions, as the Agency fails to notify central and local authorities, including public enterprises and joint stock companies established thereof, of available confiscated items.

Warehouse facilities lack proper electronic security equipment (e.g., perimeter fencing, electronic systems, alarms, motion sensors, surveillance cameras), limiting the prevention and detection of unauthorized activities;



The storage areas do not meet minimum conditions for protection of specific types of goods (e.g., medicines, flammable materials, textiles, furniture, footwear, food, vehicles) from fire, moisture, extreme temperature fluctuations, pests, etc.

- /// Some warehouses and storage yards contain outdated or nonfunctional equipment (e.g., forklifts) and lack equipment for transporting seized vehicles.
- /// Seized items are not organized by type, year of receipt, expiration date, or classification between temporary and permanent seizures.



Most seized vehicles are stored in the yard in Miladinovci and other warehouses for more than 7-8 years. Due to inadequate conditions, most vehicles are overgrown, non-operational, and damaged by weather or theft.

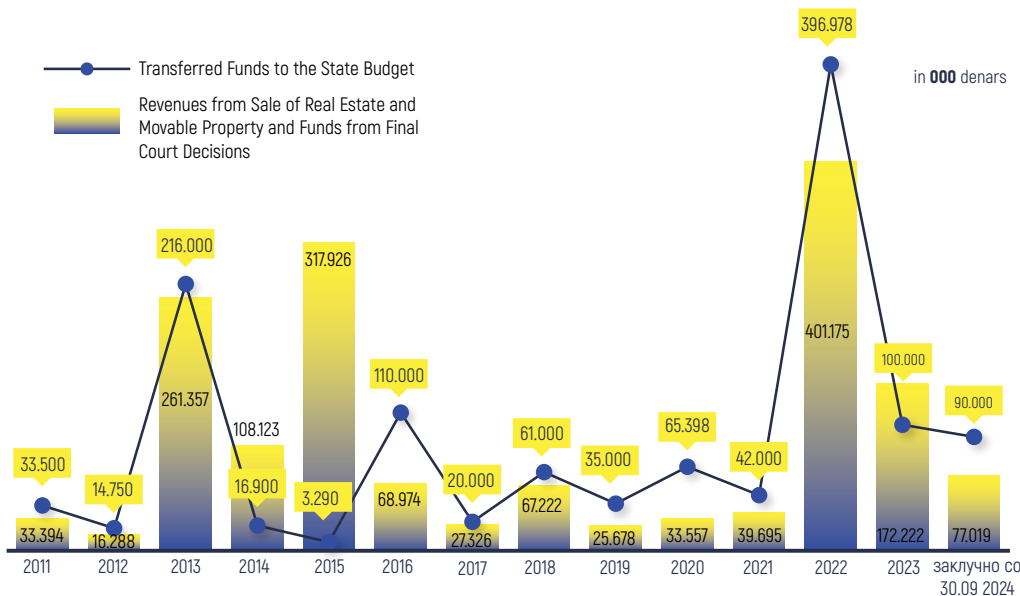
Many seized items and vehicles are unusable due to prolonged legal proceedings and the absence of

final court rulings. Even for items with final rulings, their degraded condition prevents the items from being sold or reassigned to other institutions.

There is no transparency in the sale process for real estate, seized items, or confiscated property.

Revenues from the sale of seized property and real estate, following final court decisions or administrative acts, must be paid directly into the State Budget. An analysis of the Agency's revenue from such sales for the period 2011 to 30 September 2024 shows that of the total generated revenue of 1.649.956.000 denars, only 1.204.816.000

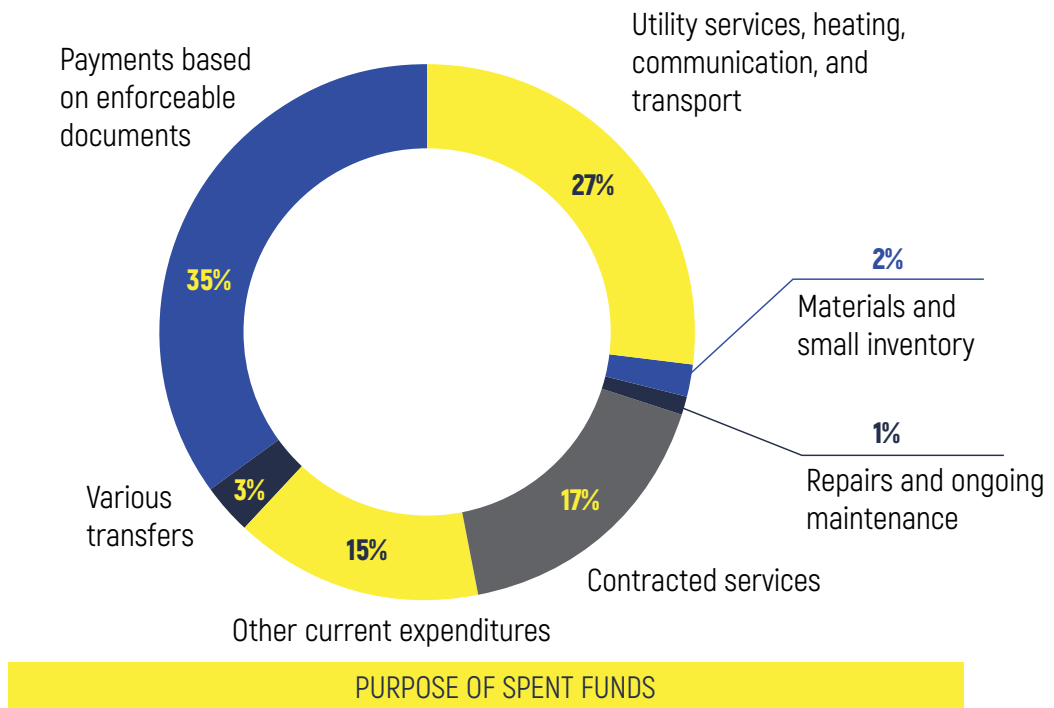
denars were transferred to the State Budget, i.e., a shortfall of 445.140.000 denars. As of 31 December 2023, the Agency's deposit account held unutilized funds amounting to 40.721.000 denars, which had not been transferred to the State Budget.



EXECUTED REVENUES AND FUNDS TRANSFERRED TO THE BUDGET OF THE REPUBLIC OF NORTH MACEDONIA

From 2013 until 30 September 2024, 10.519.000 denars from the executed revenues were spent on various purposes. A breakdown of the use of

4.771.000 denars spent in 2023 is presented in the chart below.



This manner of using the funds from the sale of confiscated items and real estate based on final court decisions or administrative acts, is not in compliance with Articles 29 and 34 of the Law on Budgets, as it leads to higher expenditures than the maximum approved budget allocations for central government budget users established each year.

In the section Emphasis of Matter, we disclosed findings related to the resources available to the Agency in the context of fulfilling its mandated responsibilities.

5.2.2.

JUDICIARY AND THE RULE OF LAW

5.2.2.1

STATE ATTORNEY'S OFFICE



The State Attorney's Office is a state body that undertakes measures and legal remedies for the legal protection of the property rights and interests of the Republic of North Macedonia and performs other tasks as determined by this and other laws. It exercises its competencies based on the Constitution, the Law, and ratified international agreements.

The State Audit Office conducted an audit of the financial statements of the State Attorney for 2023, along with a compliance audit, where the following was determined:

- /// A discrepancy between material and financial records concerning the acquisition value and value adjustment of equipment.
- /// The method of conducting inventory does not follow legal regulations.
- /// Inappropriate recording of long-term assets with an acquisition value exceeding 300 euros in the equivalent denar value.
- /// An undefined method of use and disposal of real estate and an unregulated manner of settling shared heating costs.

- /// The real estate housing the State Attorney's Office in the Tetovo area is not insured against fire and other hazards.

Inconsistencies were found in the process of conducting public procurement procedures.

The audit identified a shortcoming in the realization of revenues, which, according to the Law on the State Attorney's Office, are revenues of the Budget of the Republic of North Macedonia.

In the accounting records of the State Attorney's Office in 2023, revenues of 200.000 denars were recorded on various grounds, but the Office does not possess accurate data on the representation cost amounts that should be revenues of the Budget of the Republic of North Macedonia.

No responsible accountant has been appointed in the State Attorney's Office.

Weaknesses were identified in internal controls. Specifically, no individuals have been appointed to perform ex-ante and ex-post financial control, no functional internal audit unit has been established, and there is a lack of adequate staffing.



5.2.2.2

JUDICIARY

During 2024, audits of financial statements and compliance audits for 2023 were conducted in five courts:

- /// **Basic Civil Court Skopje,**
- /// **Basic Criminal Court Skopje,**
- /// **Basic Court Gostivar,**
- /// **Basic Court Prilep, and**
- /// **Court of Appeals Gostivar, where the following shortcomings were noted:**

Regarding property records in the Basic Civil Court Skopje, there is a lack of credible, accurate, and organized accounting documents to confirm the acquisition value of the building in which the court operates, as well as real estate assets not recorded in the accounting records due to the failure to perform a handover.

In the Basic Criminal Court, there is a lack of credible, accurate, and organized accounting documents confirming the right to use the old building, and real estate assets are not recorded in the court's accounting due to the lack of a formal handover.

In the Basic Court Gostivar, no documentation was presented to confirm the ownership or usage rights of the real estate (the building where the court operates), while in the Court of Appeals Gostivar, there is no credible accounting documentation to confirm the right to use the office space where the court operates.

In the audited courts, inconsistencies are present in conducting the inventory of assets and liabilities—an ongoing issue that prevents reconciliation between accounting and physical records verified through the inventory.

In all audited courts, the Rulebook on the systematization of job positions does not provide for an internal audit department, contrary to the criteria for average annual budget/financial plans in the last three years, which violates Article 30 of the Law on Public Internal Financial Control¹⁵.

Article 17 of the Law on Judicial Budget¹⁶ stipulates that internal audits of financial plan execution in budget users are to be performed by an internal auditor appointed by the Judicial Budget Council. Upon review, we found that no internal audits have been conducted by the Council in the audited courts over the past five years.

We emphasize that these conditions will be resolved with the adoption of the new Law on the System of Internal Financial Control in the Public Sector¹⁷, which prescribes how internal audits should be organized and established in the judiciary. Specifically, a functional internal audit unit must be established within primary budget users and must also perform audits in budget users where no such unit exists. Article 32 of the Law specifies the minimum number of employees in internal audit units depending on the average budget/financial plan execution over the past three years: up to 500 million denars - at least one auditor and a head; from 500 million to 2 billion denars or at least 80 employees - at least two auditors and a head; over 2 billion denars or at least 150 employees: at least three auditors and a head.

Regarding deposit accounts, except for the Basic Civil Court Skopje and the Court of Appeals Gostivar, no actions were taken to inventory and reconcile the accounting with the actual cash position and liabilities from court deposits.

In the Basic Civil Court Skopje, Basic Court Gostivar, and Basic Court Prilep, deposits have a known age structure from previous years, but the status of court cases related to these deposits (resolved/



¹⁵ Law on Public Internal Financial Control Official Gazette of the Republic of Macedonia No. 90/09, Law on Amendments to the Law on Public Internal Financial Control, Official Gazette of the Republic of Macedonia No. 188/13, 192/15 and Decision of the Constitutional Court of the Republic of Macedonia U.br. 64/2016, Official Gazette of the Republic of Macedonia No. 147/17

¹⁶ Official Gazette of the Republic of Macedonia No. 60/03, 37/06, 103/08 and 145/10

¹⁷ Official Gazette of the Republic of Macedonia No. 255 from 17.12.2024



unresolved) is undetermined, which affects the measures to return the court deposit or transfer the funds to the Budget of the Republic of North Macedonia.

Regarding confiscated cash, valuables, and other seized items, we found no established records of confiscated cash, nor was an inventory conducted.

The commission for reviewing overall operations did not conduct a comprehensive review of the deposit funds for 2023, and no oversight of financial and material operations was performed.

In the section Emphasis of Matter, we point to court proceedings in which the courts are defendants, initiated by employees based on miscalculated past work, salary bases, salary supplements, and claims for bonus payments.

Regarding case flow in the courts 18, after reviewing unresolved cases from the previous period, new cases, total cases in progress, resolved cases, unresolved cases at the end of the period, and the difference in unresolved cases at the start and end of 2023, we found that the courts failed to manage the influx of cases in 2023, increasing the backlog of unresolved cases.

In November 2020, the Ministry of Justice adopted forms for evaluating court employees, but they do not apply to court police. Due to misalignment of regulations with the Law on Court Service, the evaluation of the court administrator by the Court President is not being conducted.

In the Basic Criminal Court Skopje, Basic Court Gostivar, and Basic Court Prilep, it was disclosed that the Basic Courts of the Republic of North Macedonia and the Agency for Management of Seized Property need to take specific actions to take over items seized through final decisions in misdemeanor and criminal procedures.

The reports emphasize that the funds allocated from the Budget in 2023 for financing the judiciary do not meet the legally established percentage of 0.8% of the gross domestic product of the Budget of the Republic of North Macedonia. The approved funds of 2.690.800.000 denars represent only 0.3% of GDP.



¹⁸ Official Gazette of the Republic of North Macedonia, no. 42/2020

5.2.3.

TRAFFIC, TRANSPORT, AND COMMUNICATIONS

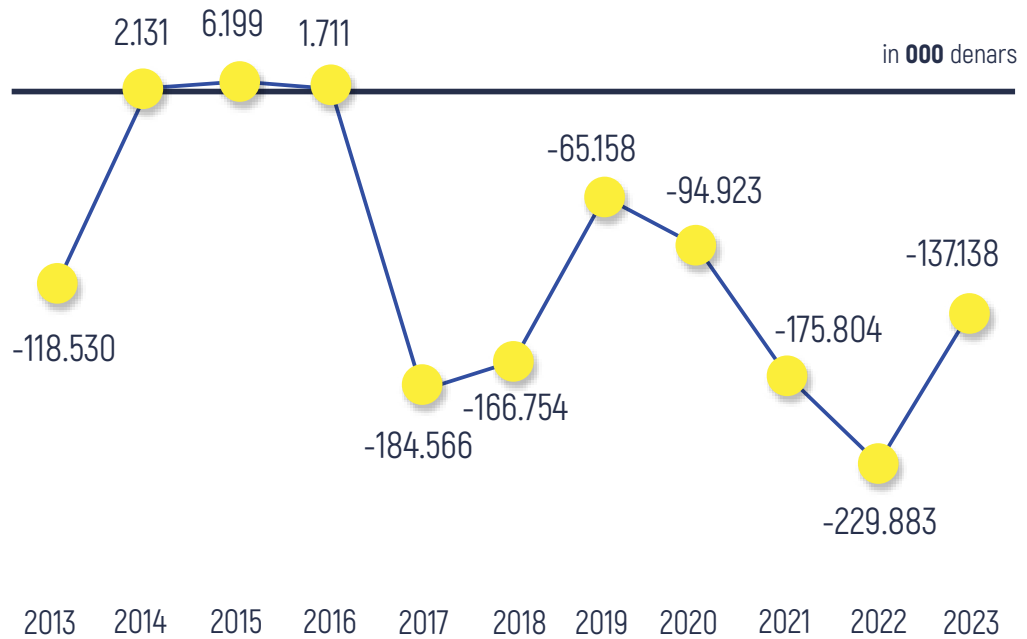
5.2.3.1

JSC POST OF NORTH MACEDONIA



The State Audit Office conducted a financial audit along with a compliance audit of the Joint Stock Company for Postal Services in state ownership, "Post of North Macedonia", for 2023.

The audit found that the company has been in an unfavorable financial position since 2017, consistently operating at a loss. The largest loss of 229.883.000 denars or EUR 3.726.000 was recorded in 2022.

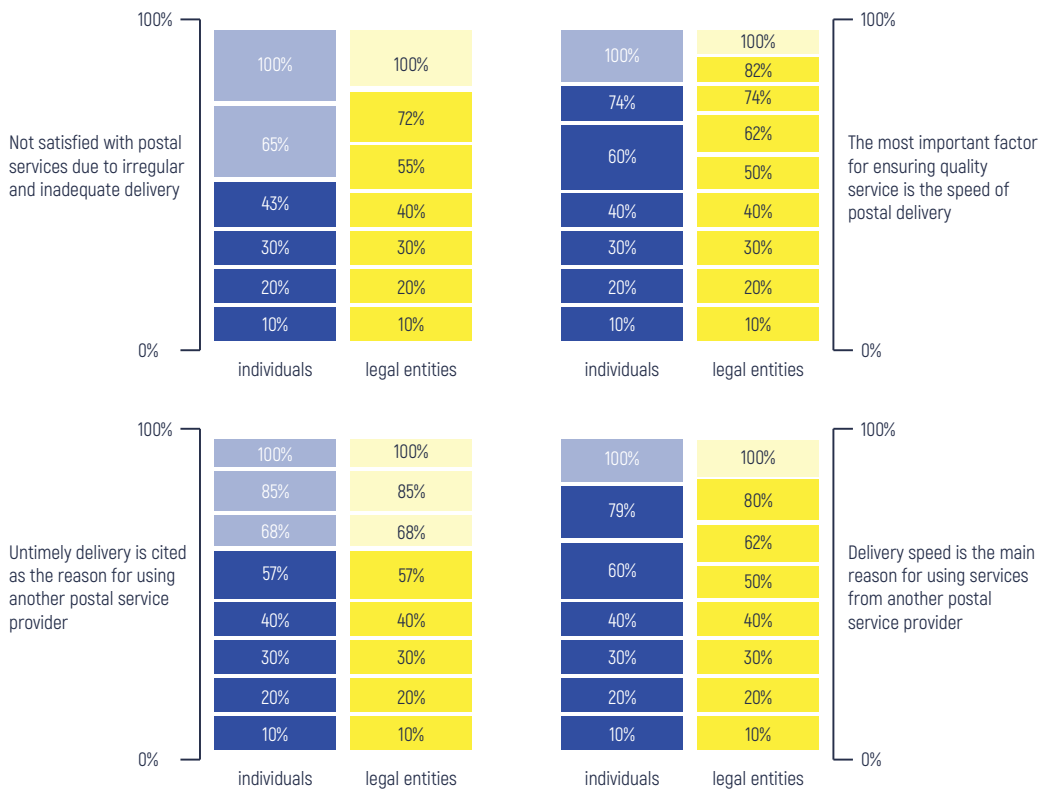


FINANCIAL PERFORMANCE RESULTS 2013-2023

The company faces significant indebtedness in terms of loans, credits, and accrued interest, which are not being serviced on time. This further deteriorates its financial condition and disrupts liquidity. As of the end of 2023, total short-term loan and credit obligations amounted to 219.650.000 denars, consisting of a short-term loan from MEPSO JSC for electricity transmission of 100.000.000 denars, and two short-term bank loans totaling 119.650.000 denars. For the matured but unpaid loans in 2024, contractual penalty interest of 24.45% or 6.670.000 denars has been calculated. Based on the analysis of

service quality covered under the universal postal service and parcel delivery time, it was found that deliveries are not timely. In 2023, 59.7% of shipments were delivered on the first day, while 30.5% were delivered in a period longer than three days. These results deviate from the standards set by the Universal Postal Union, which prescribes a minimum standard of 75% and a maximum target of 88% for the successful and timely delivery of shipments.

In 2023, the Agency for Postal Services conducted a customer satisfaction survey to assess the speed and quality of delivery. The results are presented in the following image.

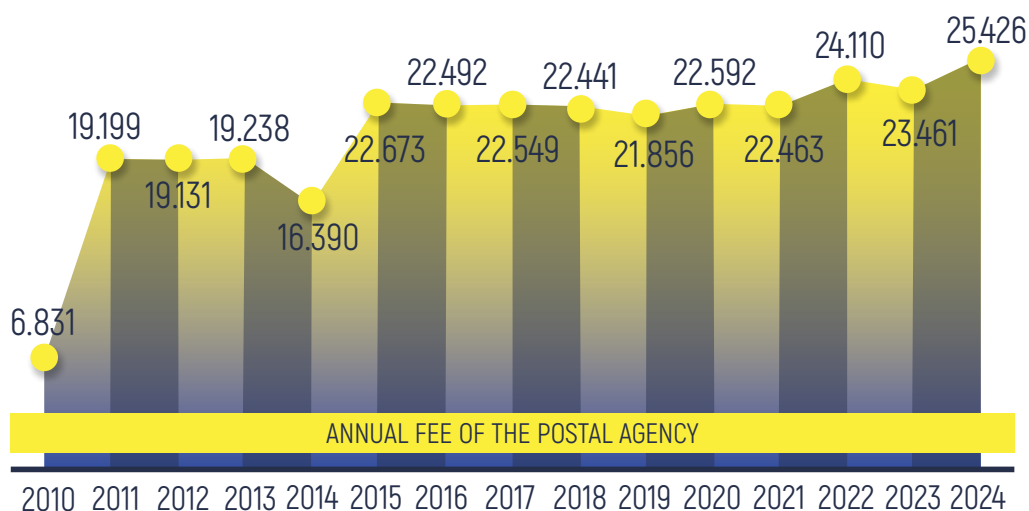


According to the 2023 Annual Public Procurement Plan, the company planned to purchase a mail sorting machine valued at 30.000.000 denars. This machine was intended to enable faster and more flexible mail sorting and improve the overall service process from start to finish. However, the procurement was not implemented.

The audit also found inaccurate and inconsistent records concerning the land and buildings owned by the company, affecting the data quality presented in the commercial books. Some of the buildings, including two resorts in Ohrid with a

total acquisition value of 6.375.000 denars (current value 2.782.000 denars), are in poor condition and require rehabilitation, and one of the resorts is being used illegally.

The property division process between JSC Post of North Macedonia and Makedonski Telekom, which began in 1996, is still not completed. Since 2017, the process has been halted, and as of the audit date, no further steps have been taken regarding the management of joint property between the two companies.



The Law on Postal Services requires postal service providers to pay **an annual fee to the Agency for Postal Services**. Due to financial difficulties, the company delayed the payment of the 2023 fee, amounting to **23.461.000 denars**, and consequently paid interest of 1.990.000 denars. All liabilities toward the Agency were settled in April 2024. Postal service providers pay this fee to a special account – **the Compensation Fund, which is managed by the Postal Agency and is used to finance the universal service**. If the costs of providing the universal service exceed revenues from the previous year, the company is entitled to compensation from the fund. However, to claim this compensation, the company must maintain separate **accounting for the universal service**, reserved services, and other postal services. The audit established that such separate accounting has not been established, and therefore, no request for reimbursement of net costs has been submitted to the Agency.

Concerning public procurement, it was found that JSC Post of North Macedonia incurred obligations for goods and services **without conducting procurement procedures** amounting to 3.702.000 denars, or approximately 60.000 euros. This exceeds the legally permitted threshold of 24.000 euros (in denar equivalent) by 36.000 euros.

In procedures for framework agreements with a single economic operator for property insurance services, conducted via open procedure in 2022 and 2023, two agreements were signed, with a total realization of 28.169.000 denars (of which 16.207.000 denars in 2023). The audit revealed that the company did not use the option under the Law on Public Procurement to divide the procurement into lots, which affects competition and the rational use of public funds. In addition, the insurance premiums were not paid on time (one month before policy expiration, the premium remained unpaid), which endangers the security of assets and funds, and could result in higher premiums in the future due to the company's deteriorated credit rating.

The audit identified frequent changes in the systematization act, particularly in the number of positions, work experience, education level, and type of professional qualifications required. Irregularities were found in staff appointments, work hour records, and calculations of bonuses, allowances, and rewards for some employees. The company also signed contracts with 276 postal carriers, but some were assigned to perform administrative tasks not specified in their contracts.

In September 2023, despite ongoing negative financial results, the company increased the monthly net salaries of department directors, the deputy general director, and the general director by 42% to 58%, which is not in line with the Law on Trade Companies. According to the law, "in the event of reduced profit or significantly deteriorated financial condition of the company, compensation and benefits provided in the management contract may be reduced."

The auditors pointed out the need for greater inter-institutional cooperation to renovate the damaged parts of the building housing the Head Office of JSC Post of North Macedonia. In 2013, the building was damaged by fire, seriously affecting the public service hall and other parts. Some sections have been renovated and adapted, but about 40% of the building remains unrestored, in varying degrees of disrepair. The public service hall and part of the building, which has great cultural and national significance, are abandoned and unusable. In 2021, the building was placed on the list of the seven most endangered monuments in Europe. Although there have been several initiatives for restoration, none have been implemented.



The building was not insured at the time of the fire. The destruction of the dome above the Counter Hall has caused the central part of the building to be continuously exposed to adverse weather conditions for the past 10 years, causing deterioration of this part of the building.

The fire caused extensive damage to the building and its equipment, with the roof of the building and the wall frescoes/murals being the most severely damaged



The Ministry of Transport has not prepared a Strategy for the Development of Postal Services, which is required to be adopted by the Assembly of the Republic of North Macedonia. As a result, it has not been possible to define priorities, objectives, and policies for the development of postal services, nor to appropriately direct activities on an annual or multi-year basis.

In 2021, the General Secretariat of the Government of the Republic of North Macedonia signed a contract for conducting a comprehensive assessment of the operations of JSC Post of North Macedonia and a feasibility study, for which an amount of 795.000 euros (in denar equivalent) was paid. The study aimed to determine opportunities for restructuring and rehabilitation of the company. Although the JSC Post of North

Macedonia owns the completed study, it has not been implemented. In the financial audit from 2021, which also included a compliance audit of the Government of the Republic of North Macedonia, the Authorized State Auditor disclosed that the contract was signed without following the procurement procedures required by the Law on Public Procurement. In 2022, an investigative procedure was initiated by the Basic Public Prosecutor's Office for Prosecuting Organized Crime and Corruption regarding this contract.

The audit also identified other shortcomings, irregularities, and inconsistencies of various kinds, which negatively affect the operations of the company.

5.2.3.2.

PUBLIC TRANSPORT ENTERPRISE SKOPJE (JSP SKOPJE)

An audit of the financial statements, along with a compliance audit for 2023, was conducted at JSP Skopje. The identified shortcomings are as follows.

JSP Skopje, in line with its legal obligation to provide free public city transport for full-time students at state universities, continued to deliver this service without compensation, even though the Government did not issue decisions approving funds from the Ministry of Education and Science budget for covering part of the cost for the academic years 2022/2023 and 2023/2024. Revenues were recorded on this basis, which, due to the uncertainty of collection, resulted in an unrealistic financial result/profit of 31.805.000 denars, which is subject to taxation.

JSP Skopje did not make timely payments to private line transport operators, and as of 31 December 2023, outstanding obligations totaled 93.254.000 denars. As a result, private transport providers operate at reduced capacity and do not meet the minimum of 80%-line coverage required during the calendar month.

Due to delays in paying invoices for fuel deliveries, an installment agreement was signed that is damaging, as it includes a penalty interest 50%

higher than the legal penalty rate, despite no such provision being stipulated in the public procurement contract. During the audit, at the request of JSP Skopje, the creditor granted a 50% reduction in the calculated interest, amounting to 12.583.000 denars.

Although the contractor for a project worth 142.466.000 denars (2.3 million euros) – involving communication infrastructure and an e-cloud platform for the control and management system of public transport – fully executed the contract by 31 January 2024, the contractor did not fully meet obligations related to 24/7 monitoring of vehicle location and uninterrupted functionality of a smartphone app compatible with Apple iOS. JSP Skopje did not take action to calculate damages or impose contractual penalties.

Due to construction deficiencies in the "Millennium Cross" facility on Mount Vodno, even ten years later, no technical inspection or official commissioning has taken place, despite the facility being in use for an extended period.

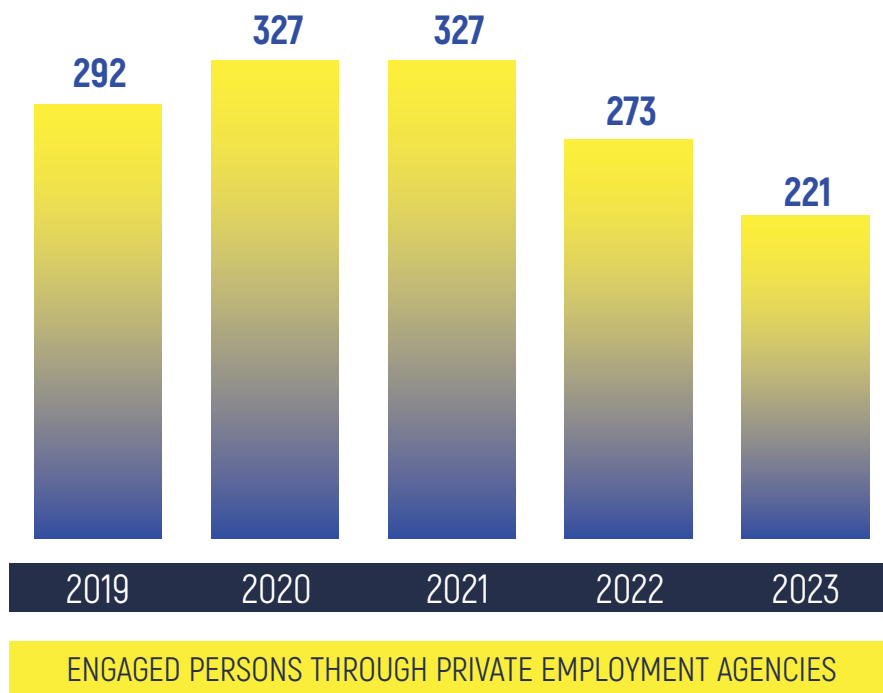
A land value of 165.767.000 denars was recorded, which is 608.033.000 denars less than the market value of 773.800.000 denars estimated by an authorized appraiser. Also, buildings were



recorded without secured ownership rights. The inventory of assets and liabilities was not fully carried out, and liabilities of 2.788.000 denars were written off without a decision from the Management Board.

The calculation and payment of salaries are not aligned with applicable laws, particularly for employees with civil servant status, the acting director, and the seniority bonus. Moreover, some employees do not meet the educational requirements for the positions they hold.

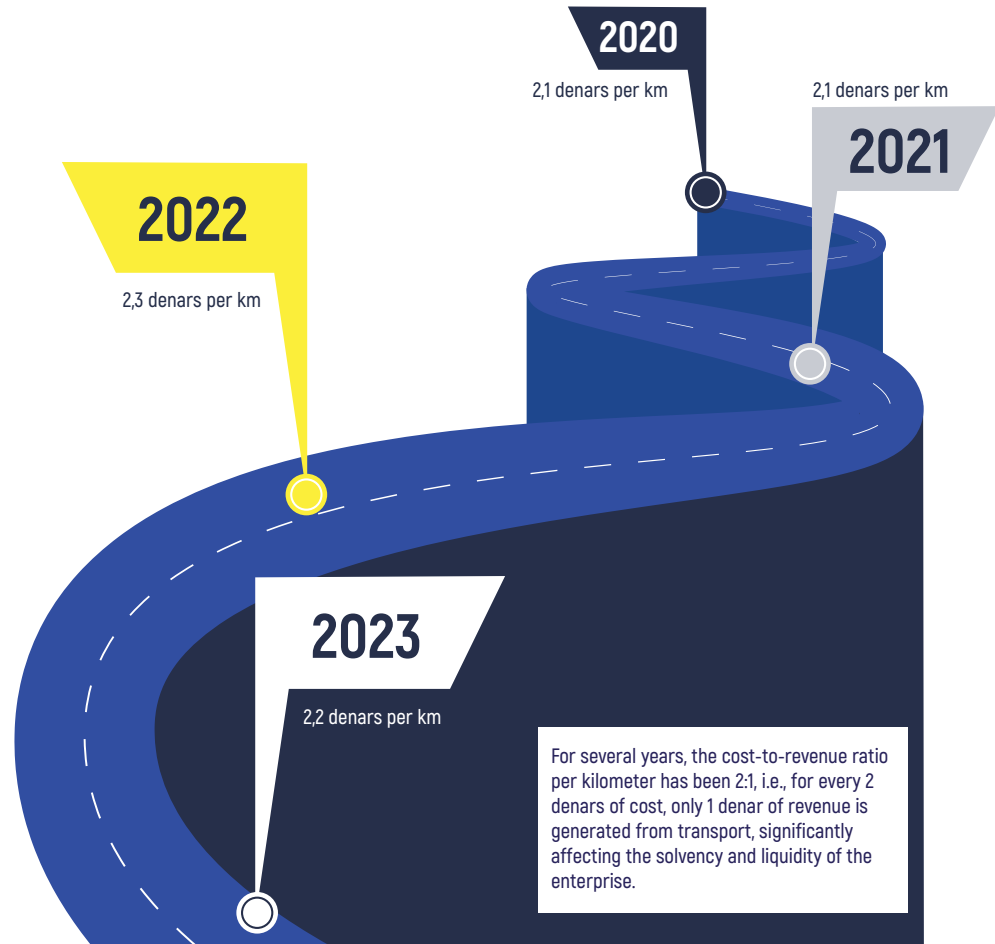
Due to the lack of approval of Annual Employment Plans by the City Council of Skopje, the enterprise in 2023 engaged 221 individuals (service providers/drivers), incurring expenses of 81.805.000 denars, indicating instability in human resources necessary for carrying out regular tasks.



The audit revealed a lack of transparency in property leasing procedures – lease contracts were signed without approval from the City Council of Skopje, without electronic public bidding, a published public call, formation of a commission, or valuation for setting starting prices for public bidding.

Despite the financial indicators of “JSP Tours Skopje” showing material uncertainty regarding its ability to continue operating profitably, JSP Skopje, as the founder, continually covers its operating costs through loans, which have not been repaid. As of the end of 2023, JSP Skopje reported receivables of 21.731.000 denars on this basis.

COSTS PER KM compared to REVENUE PER KM



Although the average age of the vehicle fleet as of 31 December 2023 was 12.05 years, no investments were made in 2022 or 2023 for improving the fleet, which is fundamental for the company's operations and providing quality services to citizens.

Subsidies from the founder, the City of Skopje, amounting to 673.870.000 denars (11 million euros), are not sufficient for JSP Skopje to achieve strategic goals for a sustainable urban transport system and the development of public city transport in Skopje.

The audit emphasizes the need for actions to address longstanding difficulties and issues in the enterprise's operations, to ensure continuity of service, improved quality and efficiency of public transport, enhanced environmental standards, and fulfillment of the enterprise's mission – providing quality, timely, reliable, and continuous services to citizens.

5.2.4

QUALITY OF PUBLIC SERVICES AND COLLECTION, SPENDING, AND USE OF PUBLIC FUNDS AND RESOURCES

5.2.4.1.

CENTRAL REGISTRY OF THE REPUBLIC OF NORTH MACEDONIA



ЦЕНТРАЛЕН РЕГИСТАР
НА РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА

Under the 2024 Annual Work Program, the State Audit Office conducted a financial and compliance audit on the Central Registry of the Republic of North Macedonia for 2023.

The audit revealed inadequately established accounting records for part of the construction facilities with a purchase value of 186.635.000 denars, which were allocated to the Central Registry through the transformation of the former Bureau for Payment Operations. This situation is due to the improper classification of the construction facilities as state aid, which affects the data presented in the financial statements.

Inappropriate recording was also identified in completed investments for the construction and reconstruction of buildings, amounting to 15.185.000 denars. Although the Central Registry possesses and has property titles for these buildings, no action has been taken to put them into use.



Photo: Furniture that has not been put into use

Although five years have passed since the acquisition of furniture valued at 1,360 thousand denars, it has not been put into use, posing a risk of damage and deterioration in quality.

In 2023, the land on which the administrative building "Lazar Pop Trajkov" Palace was built is not recorded in the Central Registry's business books. This land was allocated for permanent use to six state institutions by a government decision in 2013. Following the audit, the legal representative initiated actions to record the land in the Central Registry's records.

Passenger motor vehicles were sold without obtaining government approval, using an internal rulebook that is not aligned with the procedures stipulated in the Law on the Use and Disposal of State-Owned and Municipality-Owned Property.

In 2023, the Central Registry generated revenue totaling 367.738.000 denars from services related to registration, entry, processing, storage, preservation, use, and distribution of data. The Registry charges appropriate fees for its services as established by a tariff adopted by the Management Board with prior government approval. The audit revealed that the data on the number and types of services provided, as reported by the responsible department in the Registry, do not match the revenue figures in the accounting records, making it impossible to confirm the accuracy, completeness, and reliability of the reported revenues. This situation arises from several factors, including the lack of a software solution linking services to the collected fees, the absence of controls during revenue generation and recording, and the practice of offering discounts and free services in certain cases.

The audit also uncovered an outstanding obligation related to a long-term commodity loan totaling 86.093.000 denars. This debt originates from a 2007 agreement with the Ministry of Economy regarding the use of part of the funds approved by the International Bank for Reconstruction and Development under the Business Environment Reform and Institutional Strengthening Project. The loan was expected to be repaid by October 2021. A working group was formed in 2020 following government directives to assess the status and management of the debt, but no definitive conclusion has been achieved.

Discrepancies were noted regarding the provisions of the Law on the Central Registry and the Law on Administrative Servants concerning salary calculations and irregularities in the hiring process for administrative staff. Despite a negative financial outcome, salaries were increased twice in 2023 by 22%.

There are legal ambiguities regarding the definition of the Central Registry's legal status, determination of its basic capital value, precise identification of ownership rights (founder), and method of financial reporting, which impact its operations.

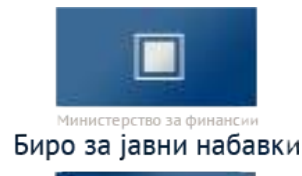
The report emphasized that three established registers – the register of debtors, the fiduciary register, and the register for sale of movable property with retention of ownership rights – are not operational in practice and do not generate revenue, despite the existence of technical capacity and conditions for their use.



The reason cited for the non-functioning of these registers is the lack of application of promissory notes/contracts used to secure claims in debtor-creditor relationships.

The audit identified many other issues, irregularities, and inconsistencies, including an incomplete inventory of assets and liabilities, improper

depreciation calculation, no action taken for legal disposal of written-off assets even though they were removed from accounting records, and the absence of monitoring of project implementation under the adopted 2023–2027 Development Strategy.

5.2.4.2.**PUBLIC PROCUREMENT BUREAU**

We conducted an audit of the financial statements of the Ministry of Finance – Public Procurement Bureau for the fiscal year 2023, specifically for budget accounts 603 and 631, along with a compliance audit.

The audit determined the following:

- /// Intangible and tangible assets in the financial statement (Balance Sheet as of 31.12.2023) are not presented realistically or objectively.
- /// Inventory of assets, receivables, and liabilities was not conducted within the legally prescribed deadlines, was incomplete, and no report was prepared, which resulted in no reconciliation between accounting values and physical inventory.
- /// Receivables and short-term liabilities to suppliers are not fully presented in the financial statements.
- /// No measures or activities have been taken to collect receivables, some of which date back

several years.

- /// The designed internal control system is inadequate to prevent risks of recording inaccurate and incomplete transactions.

Under section Emphasis of Matter, we report on public procurements for preventive maintenance and adaptive maintenance/upgrade of systems conducted as indivisible procurements.

We identified legal ambiguities in the Public Procurement Law and included them under the Other Matter section. Four of the identified weaknesses were resolved through amendments to the Public Procurement Law effective January 2025, while two remain to be addressed in the future.



5.2.5.

EDUCATION

5.2.5.1.

MINISTRY OF EDUCATION AND SCIENCE



РЕПУБЛИКА СЕВЕРНА МАКЕДОНИЈА
МИНИСТЕРСТВО ЗА ОБРАЗОВАНИЕ И НАУКА

We conducted an audit of the financial statements along with a compliance audit of the Ministry of Education and Science for the core budget account, the accounts for funds from the budget of loans from the World Bank ¹⁹ and the Development Bank of the Council of Europe ²⁰, as well as the donations budget account ²¹, for 2023.

Findings, irregularities, and inconsistencies were identified that affect the opinion issued by the authorized state auditor regarding the truthfulness and objectivity of the financial statements of the core budget account, as well as compliance with legal regulations, guidelines, and established policies, as follows:

- /// For student loans granted to students enrolled in undergraduate studies at public and private universities and higher education institutions during the period 1998–2010, recorded as long-term loans and borrowings issued domestically in the amount of 1.106.023.000 denars, no measures were taken for their collection or write-off due to the statute of limitations.
- /// The opening balances of positions in the balance sheet were not aligned with the closing balances at the end of the previous fiscal year.
- /// Liabilities toward suppliers were not presented chronologically, i.e., they do not accurately reflect the timeline of their occurrence.

- /// The inventory of assets, receivables, and liabilities was incompletely conducted, and reconciliation between the accounting and actual situation was not performed.

The programs for the construction and reconstruction of primary and secondary schools in 2023 were implemented without clear objectives, priorities, and performance indicators, as well as without a regulated procedure or method for allocating funds or criteria for selecting projects for school construction and reconstruction. The budget funds allocated for financing construction activities for primary and secondary schools and their execution are presented in the table below.



¹⁹ Project for the improvement of primary education.

²⁰ Project for the construction and equipping of 145 school halls and the rehabilitation of primary and secondary schools.

²¹ Funds from the European Commission - European Union Horizon Europe Program.

APPROVED BUDGET AND EXECUTION OF BUDGET FUNDS FOR CAPITAL INVESTMENTS IN PRIMARY AND SECONDARY SCHOOLS IN 2023

in 000 denars

Sub-program Title	Approved Budget	Revised/ Transferred Budget	Budget Execution	% Execution
Construction of Primary Schools	91.675	475.675	466.859	98%
Reconstruction of Primary Schools	241.920	142.482	110.060	77%
Construction of Secondary Schools	432	432	0	0%
Reconstruction of Secondary Schools	74.742	60.098	40.643	68%
Total	408.769	678.687	617.562	

The State Student Dormitory "Tetovo" in Tetovo was built with budget funds totaling 212.407.000 denars and was put into use without a technical inspection and without an occupancy permit. Additionally, kitchen equipment in the dormitory could not be used due to the absence of installed ventilation.



The State Student Dormitory "Tetovo" in Tetovo

Regarding scholarships for students studying at one of the top 100 universities abroad, 179.852.000 denars were disbursed in 2023. We found that there is no established system for engaging these individuals in the country after graduation, resulting in inefficient use of these funds. Due to exchange rate differences in 2023, a higher amount than contracted was paid for tuition fees – 3.801.000 denars and more – for 66 students, as the tuition calculation and payment were not made according to the exchange rate on the date of the competition announcement (as per contract) but according to the rate on the date of payment. In 2025, activities began to address these issues.

We identified weaknesses in the procedures and contract implementation for public procurement of capital investments in student dorms, secondary and primary schools, executed through the core budget account and the loan budget account – Project for Construction and Equipment of 145 School Gyms and Rehabilitation of Primary and Secondary Schools.

In the procurements for translation, professional editing, and graphic/technical preparation of textbooks for primary and secondary education for school years 2022/2023, 2023/2024, and 2024/2025, it was found that textbooks in Macedonian, after being graphically and technically prepared, were again processed after translation into four languages. The per-page cost of this service was higher than that for translation, proofreading, and editing. Although manuscripts/textbooks submitted by the Ministry of Education and Science (MoES) for editing and layout were already prepared by the authors (especially those for primary education), the contractor was paid per the number of pages based on the agreed price, instead of only for pages edited – leading to inappropriate use of budget funds. This practice has been ongoing for years because the MoES acts as a publisher without having a registered publishing activity. With the new Law on Textbooks for Primary and Secondary Education, adopted in January 2025, measures have been taken to address these issues.

For consultancy services procured under the loan-funded Project for Advancing Primary Education, which follows World Bank procurement rules, the audit could not verify the appropriateness of consultant fees nor whether the services delivered provided full value for money due to the lack of benchmarks and competitive financial offers.

In the section Emphasis of Matter, we disclosed the following:

- /// Allocation of block grants for primary and secondary education is carried out in the absence of realistic criteria, which raises concerns about ensuring funds for the efficient and uninterrupted execution of delegated responsibilities and regular servicing of school obligations.
- /// Construction activities for buildings of the Faculty of Physical Education, Sport and Health and the Faculty of Computer Science and Engineering at the Ss. Cyril and Methodius University in Skopje, for which 179.320.000 denars were paid in the period 2016–2019, remains incomplete, and its completion is uncertain. Based on an analysis and project assessment, an additional 1,349,720,000 denars and a realistic timeframe of 3 years would be needed to complete all construction phases.
- /// Court cases in which the MoES is the defendant could have significant financial implications in the future.
- /// Payments for graphic and technical preparation and translation of textbooks that had already been prepared and translated as learning materials with the same content through the 2021 Project for Improving Services in Primary Education – which involved payments of 25,395,000 denars (including printing) – and again in 2022 through the MoES budget account in the amount of 5,535,000 denars, although the textbooks are graphically identical to the learning materials (except for the cover, changed by the author).

In the section Other Matter, we reported on the following:

- /// Legal provisions that do not regulate the salaries of special advisors in the public sector.
- /// Foreign language textbooks for primary education have not been provided for the past six years.

In terms of internal controls, we found weaknesses in the internal control system related to payment processes and insufficient staffing in the Internal Audit Unit..



Ongoing but incomplete construction of buildings for the Faculty of Physical Education, Sport and Health and the Faculty of Computer Science and Engineering at the Ss. Cyril and Methodius University in Skopje.

5.2.5.2.

BUREAU FOR DEVELOPMENT OF EDUCATION



The State Audit Office conducted an audit of the financial statements along with a compliance audit of the Bureau for Development of Education for 2023.

The audit revealed the following:

- /// The Director of the Bureau is appointed and dismissed by the Government, upon proposal of the Minister of Education and Science, through a public call, for a mandate of four years. During 2023, the Bureau was led by two acting directors. The previous director served as acting director until 18 July 2023, for 5 years and 3 months, which does not follow the legally prescribed procedure for appointing a director.
- /// Based on internal regulations regarding compensation payments to engaged external expert associates for the development of curricula, programs, and teaching manuals, the Bureau paid out 13,160,000 denars in 2023 based on regulations adopted in a prior period by the Director of the Bureau, even though this falls under the jurisdiction of the Minister of Education and Science. Furthermore, the calls for applications for selecting external associates contain criteria that the candidates must meet, which differ from those stated in the internal acts. In addition, there are weaknesses and shortcomings in the calculation of compensation for the engaged individuals due to the existence of two documents regulating this matter in different ways.
- /// According to legal regulations, teachers and professional associates are required to dedicate at least 60 hours over three school years, of which at least 40 hours must be from participation in accredited training programs. Each teacher and professional associate must also complete 20 hours of training within three years in priority programs designated by the Minister, for which funds are provided in the Bureau's budget. We found that in 2023, one

accreditation process was conducted for training and service providers, and this was implemented to meet the needs for training teachers in secondary schools. This training covered 2,925 secondary school teachers in the country, and it was the only accredited training carried out in 2023. In this way, only 41.5%²² of the total number of secondary school teachers were covered, and the training lasted for 8 hours out of the planned 60 hours for three years. Regarding the implementation of accredited training for teachers in primary schools during 2023, 18 training sessions were conducted, covering 13,744 teachers, or 73%²³ of the total number of primary school teachers. According to projections made by the expert services, the Bureau's budget needs to allocate at least 62,000,000 denars for eight-hour training of teachers and professional associates in the country's primary schools. For this purpose, the Bureau's budget for 2023 provided only 5,940,000 denars, or merely 9.5% of the required funds.

The largest share of these activities' implementation was conducted by the World Bank project unit operating within the Ministry of Education and Science, which facilitated the allocation of funds totaling 37,114,000 denars during 2023.

²² Number of teachers in secondary education 7,051 [Source: State Statistical Office, makstat.mk]

²³ Number of teachers in primary education 18,831 [Source: State Statistical Office, makstat.mk]

5.2.6.

PUBLIC UTILITY ACTIVITIES

5.2.6.1.

PUBLIC UTILITY ACTIVITIES AT LOCAL LEVEL

An audit of the financial statements, along with a compliance audit for 2023, was conducted at the following public utility enterprises: PUC "Komunalec" established by the Municipality of Gevgelija, PUC "Bregalnica" established by the Municipality of Delčevo, PUC "Ohridski Komunalec" established by the Municipality of Ohrid, and PUC "Isar" established by the Municipality of Štip.

The audit of these public enterprises revealed several issues, with the most significant being the following:

PUC "Bregalnica" Delčevo and PUC "Ohridski Komunalec" Ohrid have not adopted accounting policies for preparing, presenting, and disclosing financial statements. PUC "Ohridski Komunalec" Ohrid did not prepare a semi-annual performance report for 2023, while PUC "Isar" Štip lacks a detailed financial plan and investment program, reducing transparency in activity reporting and financial performance.

The audited enterprises have not regulated ownership rights over land, construction, and infrastructure assets (water supply and sewage networks). The land used by PUC "Bregalnica" Delčevo is not recorded in their business books. Some infrastructure built by the municipality was not transferred for management to PUC "Komunalec" Gevgelija. PUC "Ohridski Komunalec" Ohrid showed irregularities in recording tangible assets, discrepancies between accounting and physical inventories, and incorrect depreciation calculations.

Due to missing documentation (e.g., building/reconstruction permits, completion reports, technical and quality supervision documentation, and commissioning records), completed facilities at PUC "Isar" Štip and PUC "Bregalnica" Delčevo are not properly recorded, depreciation is not calculated, and their objective value is affected, thus compromising the quality of financial reporting.

The share capital of PUC "Komunalec" Gevgelija and PUC "Bregalnica" Delčevo is not registered in the trade register and register of other legal entities of the Central Registry of North Macedonia. In PUC "Ohridski Komunalec" Ohrid, discrepancies exist between the accounting and registered share capital.

Audited public enterprises do not take timely action to collect receivables and do not assess their collectability as required by international accounting standards.

PUC "Ohridski Komunalec" Ohrid has unrealistic financial statement values due to mismatches between receivables and the billing system, obligations from enforcement orders, and unrecorded debts to the municipality for public cleanliness maintenance totaling 253,776,000 denars. Unrealistic liabilities were also found at PUC "Komunalec" Gevgelija (based on water use and discharge fees) and PUC "Isar" Štip (based on loans).



Discrepancies were found in the inventory of assets and liabilities, impairing alignment between physical and accounting records. PUC "Bregalnica" Delčevo and JPPUC KD "Ohridski Komunalec" Ohrid showed weaknesses in managing materials, spare parts, and small inventory items (due to obsolescence, excessive quantities, and poor storage).

Salary calculations were not aligned with legal requirements. Issues included: Incorrect point values for administrative staff (PUC "Komunalec" Gevgelija and PUC "Bregalnica" Delčevo); PUC "Isar" Štip applies a net salary approach, adding a supplement of 1% (up to a max of 20%) of the base salary for total work experience, instead of the legally required 0.5% per completed year; For overtime, night work, and Sunday work, PUC "Bregalnica" Delčevo and PUC "Ohridski Komunalec" Ohrid failed to notify the regional labor inspectorate.

PUC "Bregalnica" Delčevo continuously engaged individuals through a private employment agency for regular tasks for more than two years, incurring costs of 3.184.000 denars in 2023.

Water loss continues to be a chronic issue in the public enterprises:

///	54% at PUC "Komunalec" Gevgelija;
///	61% at PUC "Bregalnica" Delčevo
///	60% at PUC "Isar" Štip.

This results from outdated infrastructure, illegal connections, faulty meters, unmetered consumption (e.g., irrigation of public green areas), and flat-rate billing. This affects both the operational revenue of the public utility companies and the public revenues (VAT, profit tax, and fees) in the State Budget.

Public enterprises lack strategies and investments to reduce or eliminate water losses and do not undertake necessary control activities.

Delays in settling water usage and discharge fees by PUC "Bregalnica" Delčevo reduced State Budget revenues by 3.858.000 denars. Delays in remitting cleanliness maintenance fees by PUC "Bregalnica" Delčevo, PUC "Ohridski Komunalec" Ohrid, and PUC "Isar" Štip led to losses of 11.624.000 denars for Delčevo Municipality, 233.162.000 denars for Ohrid Municipality, and 10.420.000 denars for Štip Municipality.

PUC "Bregalnica" Delčevo discharges wastewater without a valid permit. PUC "Isar" Štip operates without a license for waste disposal and treatment. PUC "Komunalec" Gevgelija manages the City Market without official Council authorization.

Public enterprises do not set realistic waste management fees. PUC "Bregalnica" Delčevo, PUC "Ohridski Komunalec" Ohrid, and PUC "Isar" Štip do not track, measure, or document waste handling operations.

Expenses totaling 22,034,000 denars were unsupported by documentation: 17,466,000 denars by PUC "Ohridski Komunalec" Ohrid for fuel and vehicle repairs; 3,968,000 denars by PUC "Bregalnica" Delčevo for spare parts and fuel; and 600,000 denars in unjustified loans by PUC "Komunalec" Gevgelija.

Although public enterprises carry out their operations through programs, the activities implemented by PUC "Komunalec" Gevgelija and PUC "Bregalnica" Delčevo are not supported by documentation on the scope of services provided, and PUC "Bregalnica" Delčevo has not signed a contract to regulate the mutual rights and obligations with the municipality.

In the audited public enterprises, the internal audit units are either missing or non-functional. Concerning internal controls, written procedures

for document flow, task delegation, and control systems for approval, processing, and payment of accounting documentation are lacking.

Waste disposal at non-standard illegal landfills "Bukovo" and "Maucker" (Ohrid) and the temporary landfill "Treštena Skala" (Štip) is unsecured and prone to fires, posing serious health and environmental risks.



Illegal landfill
"Bukovo"



Illegal landfill for
construction waste
"Maucker"

Landfill
"Treshchena Skala"



For these reasons, it is necessary to intensify activities related to the establishment of an integrated waste management system in the Southwest, East, and Northeast regions. This includes the construction of central and local facilities for waste management

and a regional landfill, in the direction of organized waste management in accordance with national and EU standards.

The audit also reports on the financial instability and reduced liquidity of the PUC "Ohridski Komunalec" Ohrid, which has been operating with a blocked bank account for the past 18 years, with unsettled liabilities for 2023 amounting to 104.215.000 denars (approximately 1.689.000 euros), and continuous operational losses since 2021. Similarly, PUC "Isar" Štip has been irregular in settling its obligations under the agreement with the Ministry of Finance for the rescheduled debt amounting to 25.227.000 denars, as well as obligations related to funds collected from local self-contributions totaling 16.797.000 denars, which were designated for the construction of water supply reservoirs.

In PUC "Isar" Štip, a practice has been established of continuously appointing an acting director for more than two years without publishing a public announcement. This does not ensure transparency and competition in the selection process for the position and affects the governance and management of the enterprise.

The shortcomings identified in the public enterprises regarding the execution of activities of public interest impact the realization of the fundamental principles established by the provisions of the Law on Public Enterprises, particularly in the areas of reliability in service provision, service continuity and quality, transparency, accessibility and universal service, as well as the protection of users and consumers.

5.2.7.

LOCAL SELF-GOVERNMENT AND BALANCED REGIONAL DEVELOPMENT



In 2024, audits of financial statements along with compliance audits for 2023 were conducted in five local self-government units: the municipalities of Gevgelija, Delčevo, Mavrovo and Rostuše, Negotino, and Centar, as well as a compliance audit on the topic "Public Procurement of a Machine for Marking Horizontal Road Signage" in the Municipality of Veles. The following was ascertained.

In the audited municipalities, regularity audits identified weaknesses in the administration of property and inheritance/gift taxes. These include non-updated property registries, absence of control mechanisms during the receipt and processing of tax filings, lack of actions for calculating and collecting interest on overdue taxes, improper taxation of individuals who acquired new or additional property in previous years, incorrect assessments of property market values, and failure to tax new obligations from inheritance decisions and first-degree donation agreements.

The Municipality of Mavrovo and Rostuše did not issue any property tax decisions between 2013 and 2018 due to the loss of the taxpayer database and deletion of the registration system.

In administering communal fees, shortcomings were found concerning business signage, use of space in front of business premises, motor vehicle parking, use of music in public venues, temporary stays, and posting of advertisements and notices in public areas. In the municipality of Gevgelija, advertising billboards are placed upon request without public bidding, and no fee is charged for the space. In the municipality of Negotino, calculations for space-use fees are made solely based on submitted requests, without field

inspections or verification of the requested space through on-site measurements and sketches.

The municipality of Delčevo collects no revenue from communal fees for public music use, space in front of business premises, advertising, shop window displays outside business locations, or temporary stays. The municipality of Mavrovo and Rostuše has not determined or collected communal fees for use of business-front space or advertising in public spaces, and the municipality of Negotino does not collect fees for music in public venues.

Public enterprises managing public parking have not transferred collected parking fees to the budgets of the municipality of Centar (16.940.000 denars) and Negotino (973.000 denars). Furthermore, the municipality of Centar did not report claims for such revenue in 2022 and 2023.

Weaknesses in the waste collection, transport, and public cleanliness systems include underpayments of 11.624.000 denars in the municipality of Delčevo and 443.000 denars in the municipality of Negotino, while the municipality of Mavrovo and Rostuše is not generating income on this basis. The municipalities of Delčevo and Mavrovo and Rostuše have not signed agreements with public enterprises to define mutual rights and obligations for 2023.

The municipalities of Delčevo and Negotino charge a fee when operators apply for a B-integrated environmental permit but fail to calculate and collect annual fees for possession of such permits or regular inspections. The municipality of Gevgelija does not collect any fees related to the acquisition or holding of B-integrated environmental permits.

The municipality of Gevgelija lacks programs for environmental and public hygiene activities within its competence. The municipality of Mavrovo and Rostuše has no programs for maintaining public cleanliness or installing urban equipment. The municipalities of Delčevo and Negotino have no programs for general tourism promotion or information services to improve stay conditions.

Regarding green space management, urban municipalities have not developed strategies for green development or annual plans for planting and maintenance. They also do not collect revenues for maintaining public urban greenery.

The municipalities of Gevgelija, Delčevo, and Mavrovo and Rostuše were found to have irregularities in the leasing of municipal property, with contracts concluded without public bidding or initial price assessments.

Audits revealed weaknesses in the legalization process of illegally constructed buildings, including non-compliance with legal deadlines and failure to submit annual reports to the Ministry of Transport and Communications on how collected legalization fees were spent—these funds are intended for urban planning documentation and infrastructure improvements for the legalized properties.

The municipality of Mavrovo and Rostuše has not initiated urban planning procedures in the past five years, and administrative execution has not been pursued for demolition orders issued by the construction inspector.

Irregularities were found in the employment of individuals through private employment agencies, service contracts, and project-based work in the municipalities of Gevgelija, Delčevo, and Centar. Weaknesses in legal service contracts, with lump-sum monthly payments, were noted in the municipalities of Negotino and Centar.

The municipalities of Delčevo and Centar disbursed 18.855.000 denars to sports clubs, civic associations, foundations, talented students, and social aid without adopted programs or clearly defined criteria for the distribution of funds for social protection, education, sports, and civil society support. For municipally owned sports facilities, municipal councils have not passed acts to categorize the facilities or determine usage fees.

Without a municipal council decision, 5.748.000 denars was paid to the public enterprise "Parking Negotino" as a subsidy. Additionally, unsupported payments totaling 6.999.000 denars were made in the municipalities of Delčevo (1.057.000 denars for fuel, repairs, and servicing of passenger vehicles, and a transfer of funds earmarked for fire protection), Mavrovo and Rostuše (1.723.000 denars for representation, and travel and per diem expenses), and Centar (4.219.000 denars paid as allowance without evidence of winter street maintenance, fuel use and rent for non-functional reading rooms).

All audited municipalities showed inconsistencies in the reporting of receivables, including discrepancies between tax and accounting records, missing aging analyses, undocumented legal basis for receivables, and unrecorded or outdated uncollectible receivables.

Asset and liability inventories in the municipalities of Gevgelija, Delčevo, Negotino, and Mavrovo, and Rostuše remain problematic, preventing reconciliation between accounting records and physical asset status.

Municipal assets are not fully recorded, and ownership documentation is missing for much of the immovable property. In the municipality of Mavrovo and Rostuše, inconsistencies in financial statement balances were found due to poorly

maintained records. The electronic data system in the municipality of Gevgelija does not match financial statements, and long-term liabilities of 110.774.000 denars and a non-monetary contribution of 265.000 denars to the Foundation for Local Development and IT are unrecorded. The general ledger is not signed by the responsible accountant. In the municipality of Centar, capital expenditures of 70.894.000 denars are not tracked as tangible assets under construction that are to be transferred to the spending units once completed. In the municipality of Negotino, such expenditure is directly recorded as fixed assets, reducing transparency in investments.

The municipal council of the municipality of Centar has not issued decisions regarding the use of public schools and kindergartens, even though these are recorded in the accounts of relevant spending units.

Inventory tracking of materials and small items (e.g., office supplies, food, hygiene products, etc.) is deficient in the municipalities of Delčevo, Mavrovo and Rostuše, and Negotino.

In 2023, the municipalities of Gevgelija and Negotino used off-treasury account settlements (assignment agreements). The outdated website of the municipality of Gevgelija hinders local government transparency regarding the budget, implemented activities, and public service availability.

Procurement weaknesses were found in three municipalities related to non-division of procurement processes despite distinct specification components (municipality of Delčevo – 10.530.000 denars for building reconstruction; municipality of Negotino – 2.300.000 denars for street and road maintenance; municipality of Centar – 11.651.000 denars for kindergarten façade

and roof reconstruction) and disproportionate eligibility requirements (municipality of Centar – 113.295.000 denars for administration and lighting system procurement).

The compliance audit in Veles on the procurement of a machine for marking horizontal road signage revealed that in 2023, a procurement contract worth 2.596.000 denars (VAT included) was signed. The audit noted a lack of thorough market research, vague contractual relations between the Municipality and the public utility company "Derven" (which was assigned the permanent use of the machine), and the absence of planned activities for marking horizontal signalization in the PUC 2024 work plan.

Project implementation weaknesses include changes to project designs during construction without updated plans or designer approval (Municipality Centar), unreported below-threshold procurements (Municipality Gevgelija), and failure to request an updated bank guarantee after contract amendments (Municipality Delčevo).

Goods and services were procured without public tender procedures, with 2.761.000 denars spent (Municipality Gevgelija – 1.876.000 denars and Municipality Mavrovo and Rostuše – 885.000 denars).

The municipalities of Gevgelija, Delčevo, and Mavrovo and Rostuše showed weaknesses in financial management and control systems, particularly in written procedures, separation of duties, and control mechanisms. Internal audit functions were either absent or non-functional in all audited municipalities.

In the section Emphasis of Matter, audit findings highlight ongoing legal proceedings. The audited municipalities face lawsuits as defendants totaling 495.558.000 denars, while claims as plaintiffs amount to 158.667.000 denars.



The audit emphasizes that the ongoing delay in adopting the Law for Re-Proclamation of Mavrovo National Park and the approval of the protection zones, the Municipality of Mavrovo and Rostuše is unable to proceed with the development of new urban plans. The lack of urban plans, which were annulled by a Decision of the Constitutional Court of the Republic of North Macedonia, along with the inability to issue building permits, has contributed to the construction of many illegal buildings on the territory of the municipality, leaving room for their number to increase further.

Considering that the Municipality of Delčevo has been under constant financial blockage since 2008, with a total debt in 2024 of 162.218.000 denars, the mayors have not adopted a Decision to declare financial instability, nor a Plan of measures to overcome it. In 2012 and 2013, enforcement actions were carried out on properties owned by the municipality that serve the public interest, due to the failure to submit objections to the basic court against the enforcement orders.

The circumstances mentioned above impact both the revenue and expenditure aspects of municipalities, as well as how public funds, that is, taxpayers' money, are utilized.



5.2.8.

POLITICAL PARTIES AND ELECTORAL PROCESSES

5.2.8.1.

POLITICAL PARTIES – REGULAR OPERATIONS ACCOUNTS



The State Audit Office, as the competent authority for overseeing the financial and material operations of political parties, continuously audits the regular operation accounts of the largest parties in the country. Under the 2024 Annual Work Program of the State Audit Office, audits were planned and conducted on the financial statements of six political parties: VMRO-DPMNE, SDSM, DUI, Besa Movement, Alliance for Albanians, and Alternativa, which together accounted for 66% of the total public sources of funding for political parties in 2023.

Political parties secure funding for their operations from public and private sources:

- /// Public sources of funding – financial resources allocated through the Budget of the Republic of North Macedonia.
- /// Private sources of funding – membership fees, loans, donations, gifts, contributions, grants, sponsorships, legacies, and sale of promotional and propaganda materials.

The total revenue in 2023 for the audited political parties amounted to 434.135.000 denars, of which 279.114.000 denars or 64% were obtained from public sources, i.e., from the State Budget. These funds are allocated annually in a fixed amount in the Ministry of Justice's budget, from which they are disbursed to the parties.

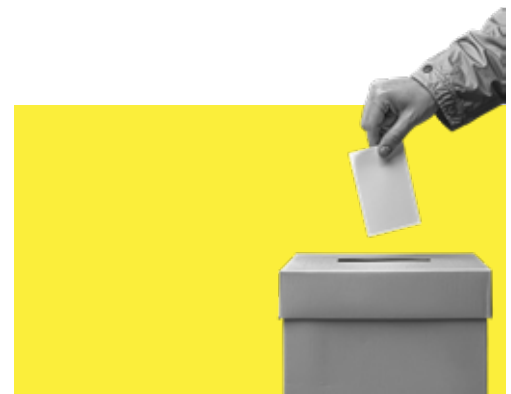
Total expenditures in 2023 amounted to 222.565.000 denars, of which 48% for material expenses, services, and depreciation; 32% for other expenditures; 17% for salaries and allowances; 3% for capital expenditures; and 1% for taxes and contributions.

To fulfill the objectives and activities defined in their statutes and by law, political parties are entitled to ownership of real estate, equipment, vehicles, and other movable assets.

The audits identified shortcomings that require increased efforts by responsible persons in the political parties, particularly concerning complete recording of assets, establishing records of tangible assets, and ensuring that the valuation of certain balance sheet positions in the general ledger is carried out following the accounting principle of modified accrual basis for recording business changes/transactions.

Under the section Emphasis of Matter, we disclose issues related to uncollected membership fees and unpaid obligations to suppliers from previous years.

Through the audits conducted, we consistently point to certain systemic weaknesses in the Law on Financing of Political Parties (presented in detail in the section Systemic Weaknesses of this Report), which require appropriate corrective measures.



5.2.8.2.

ELECTIONS 2024

The election campaign, as a public presentation of confirmed candidates by the competent electoral bodies and their programs, is a process that influences the formation of voter opinion in choosing a specific candidate. The State Audit Office is responsible for auditing the total financial reports of the election campaign accounts of participants in the election campaign, to confirm the accuracy and legality of campaign financing and the manner of spending public funds.

In 2024, Presidential Elections and Parliamentary Elections were organized and conducted in the Republic of North Macedonia.

Based on the 2024 Annual Work Program of the State Audit Office and Article 85 of the Electoral Code, we carried out audits of the total financial reports for the election campaign accounts of all seven participants in the presidential election campaign:

- /// Mr. Stevo Pendarovski,
- /// Ms. Gordana Siljanovska Davkova,
- /// Mr. Stevcho Jakimovski,
- /// Mr. Bujar Osmani,
- /// Ms. Biljana Vankovska Cvetkovska,
- /// Mr. Arben Taravari, and
- /// Mr. Maksim Dimitrievski,

as well as of all seventeen participants in the parliamentary election campaign:

- /// Coalition "For a European Future" led by SDSM
- /// Coalition "Your Macedonia" led by VMRO-DPMNE

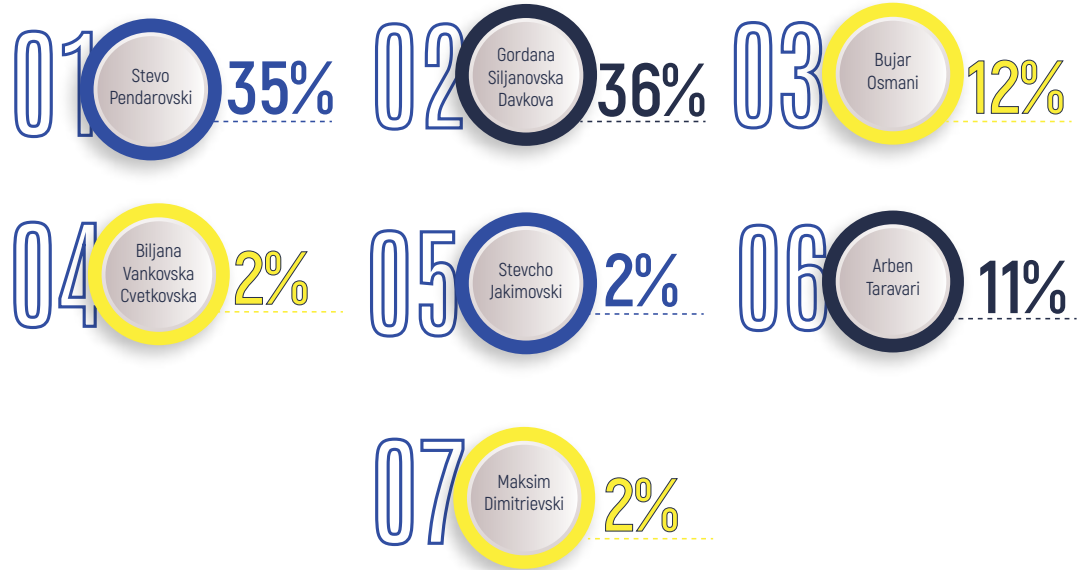
- /// Coalition "Bravely for Macedonia" led by Citizens' Option for Macedonia – GROM
- /// Coalition "European Front" led by DUI
- /// Political Party Levica
- /// Coalition VLEN led by Alternativa
- /// Movement ZNAM – For Our Macedonia
- /// United Macedonia
- /// Political Party New Alternativa Skopje
- /// Political Party AVAJA
- /// European Civic Movement
- /// Macedonian Era Third / Macedonian Independent Lists
- /// Your Party
- /// Rodina Macedonia
- /// Political Party DESNA
- /// Political Party DEMOKRATI Skopje and
- /// Workers' Party.

Our audit scope included total generated revenue by source and total expenditures by purpose, compliance with deadlines for opening and closing the election campaign account, registration, and deletion of the participant from the register of legal entities. We evaluated transparency and accountability through the submitted financial reports on revenues and expenditures for the election campaign to the State Audit Office.

PRESIDENTIAL ELECTIONS 2024

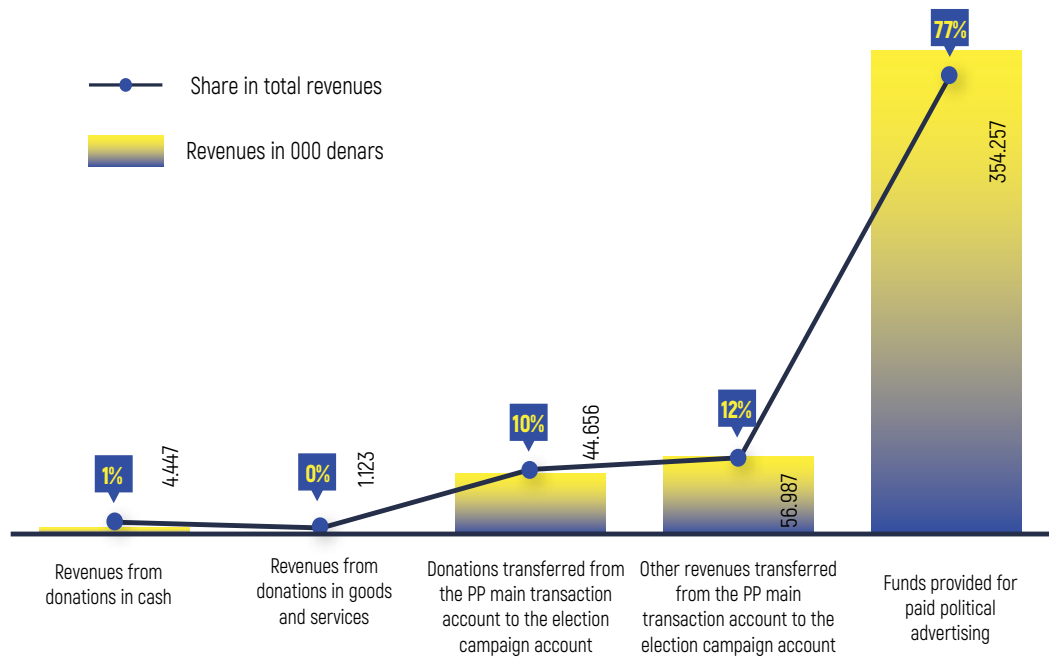
All seven candidates generated a total revenue of 461.470.000 denars. The candidates with the highest revenues were Ms. Gordana Siljanovska

Davkova and Mr. Stevo Pendarovski, who both participated in the second round of voting.



SHARE OF EACH CANDIDATE IN THE TOTAL GENERATED REVENUE

The amount and source-based breakdown of revenues for all seven candidates is presented in the following chart.



REVENUES BY SOURCES AND THEIR SHARE IN THE TOTAL REVENUE OF ALL CANDIDATES

Out of the total revenue, 354.257.000 denars or 77% were allocated for published paid political advertising (PPA) and were provided from the State Budget. These funds were disbursed directly to the media outlets that broadcast the paid political advertising through the State Election Commission. The largest share of funds for paid political advertising was spent on Ms. Gordana Siljanovska Davkova (36%), followed by Mr. Stevo Pendarovski (35%), Mr. Bujar Osmani (12%), Mr. Arben Taravari (11%), and Mr. Stevcho Jakimovski, Ms. Biljana Vankovska Cvetkovska, and Mr. Maksim Dimitrievski with 2% each.

- /// 1.123.000 denars were expenditures based on in-kind donations received, and
- /// 354.257.000 denars were expenses for the published PPA.

Unused funds from the election campaign accounts, which were reported as expenditures of 627.000 denars, were returned to the regular accounts of the political parties.

None of the participants incurred expenses exceeding the legally established maximum.

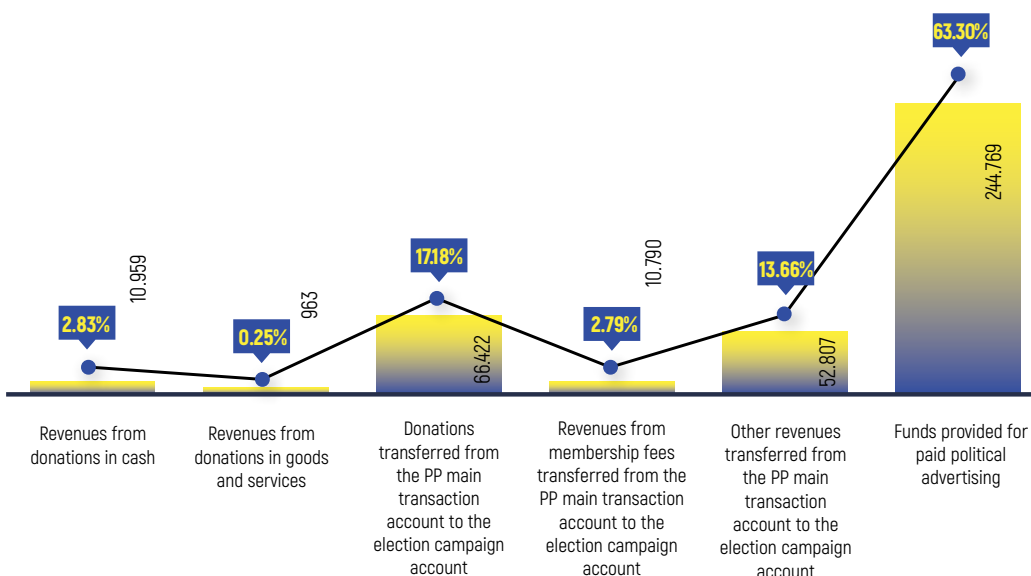
A total of 461.470.000 denars was spent on financing the election campaign of all seven participants, broken down as follows:

- /// 105.463.000 denars were payments from transaction accounts for procurement of materials, utilities, transport services, advertising and propaganda, representation, intellectual services, accounting services, organizing pre-election rallies, renting premises during the election campaign, payment processing fees, and other expenditures

The participants in the 2024 Presidential Election Campaign generally complied with the deadlines for opening and closing transaction accounts, registering and deregistering in the register of legal entities, and maintained transparency regarding the revenues and expenditures of the election campaign by submitting the required reports on donations received and the total financial report.

PARLIAMENTARY ELECTIONS 2024

For the election campaign for participants in the 2024 Parliamentary Elections, a total revenue of 386.710.000 denars was collected.



REVENUES BY SOURCE AND THEIR SHARE IN THE TOTAL REVENUE

The State Budget was the dominant source of funding for the election campaigns of participants in the 2024 Parliamentary Elections. Out of the total revenues and expenditures of the campaign participants, amounting to 368.710.000 denars,

244.769.000 denars, or 63%, were provided from the State Budget and disbursed directly to the media outlets that broadcast paid political advertising on behalf of the participants, through the State Election Commission.



The total expenditures made during the election campaign for the election of Members of Parliament in the Assembly of the Republic of North Macedonia amounted to 386.710.000 denars, broken down as follows:

- /// 140.241.000 denars - payments from transaction accounts for the procurement of materials, utility services, transport services, advertising and propaganda, representation, intellectual services, accounting services, organization of pre-election rallies, rental of premises during the campaign, fees for payment transactions, and other expenditures
- /// 963.000 denars - expenses based on in-kind donations received
- /// 244.769.000 denars - expenses for published paid political advertising.

Unused funds from the election campaign accounts, which were reported as expenditures totaling 717.000 denars, were returned to the regular accounts of the political parties.

None of the participants incurred expenses exceeding the legally established maximum.

Participants in the election campaign generally complied with deadlines for opening and closing transaction accounts and registering and deregistering in the register of legal entities.

All participants in the election campaign ensured transparency regarding the revenues and expenditures by submitting a total financial report to the State Audit Office, except for PP Nova Alternativa, European Citizens' Movement, and Macedonian Era Third.

5.2.9

NATIONAL SECURITY AND DEFENSE

5.2.9.1.

PROTECTION AND RESCUE DIRECTORATE



Through the audit on the financial statements, along with a compliance audit of the Protection and Rescue Directorate (PRD) for 2023, we identified several shortcomings that impact the financial statements and the compliance of operations with legal acts.

We found that the PRD is facing serious operational challenges due to **the lack of a National Strategy for Protection and Rescue, a shortage of qualified personnel, and inadequate management of assets and equipment.** This creates significant risks for national security, especially in cases of natural disasters and other emergencies where a rapid and effective response is crucial.

By Government Decisions in 2005, the PRD was assigned 198 facilities for use (100 shelters and 98 office spaces – offices, warehouses, garages, etc.). Only 24 buildings (12% of assigned facilities) have been recorded in the accounting books, but no title deeds or documentation on the valuation methodology used were presented. In 2019, the PRD submitted a request to the Bureau for Judicial Expertise for a value assessment of 32 buildings. The Bureau provided a valuation, **but as of the date of reporting on the audit, the buildings had not been recorded in the PRD accounting books. For the remaining 142 buildings (72% of the total assigned), no valuation or accounting registration has been initiated, despite a recommendation being made in the Final report of the authorized state auditor for the audit conducted in 2010.**

During visits to a portion of the shelters assigned to the PRD, located in the municipalities of Gjorče Petrov, Karpoš, Centar, Aerodrom, Gazi Baba, Veles,

and Štip, we found that the PRD does not perform regular maintenance. **Many shelters are blocked or closed off by tree branches and bulky waste; some are open and resemble dumpsites, while others are used as storage for old equipment.** Some shelters are non-functional due to faulty ventilation systems and lack of electricity, and water. **Additionally, one shelter is being used by a private legal entity, but no documentation regarding rental use was provided, nor was any income identified on this basis.**





Some of the PRD equipment stored in warehouses is non-functional, unusable, and technologically obsolete, incompatible, unchecked, unrepaired for an extended period, with expired service life. Part of the equipment allocated by the Ministry of Defense under the division balance sheet back in 2005 is over 40 years old.



The PRD has seven systematized positions for pilots, but as of June 2024, only three are filled. **After two pilots retired in 2024, only one active pilot remains.** Considering that more than 10 wildfires were active in the Republic in early July 2024, the PRD signed temporary contracts for three months with the retired pilots. **Due to the pilot shortage, PRD aircraft will not be operable, which will affect the overall firefighting response process.**

The PRD annually signs a public procurement contract for aircraft insurance. A brokerage company or external expert has been continuously engaged under contract, for which, in two years, a payment of 25% of the total contract value was made, equaling 12.787.000 denars. The obligations of the brokerage company include mediation in arranging insurance and reinsurance coverage for all insurance classes and participation in drafting the technical specification for the aircraft insurance procurement. Given that the insured subject – the aircraft purchased in 2010, remains unchanged and is continuously insured, no convincing evidence was presented to justify the need for a broker in the procurement process, nor were documents provided to confirm that the brokerage company fulfilled the terms of the contract.



The PRD has not adopted written criteria for determining needs and priorities for the procurement of firefighting equipment and fire suppression resources for firefighting units. **In 2023, 40 self-contained breathing apparatuses and 20 handheld thermal imaging cameras for firefighters were procured. These were not distributed to municipal firefighting units but instead stored in PRD warehouses. In March 2024, an additional 40 breathing apparatuses were purchased and are also stored in PRD warehouses.**

Since 2018, no National Strategy for Protection and Rescue has been adopted, although in 2021 a draft National Strategy for Protection and Rescue and an Action Plan for the period 2022–2025 were prepared. However, they are still not adopted,

which creates a risk of uncoordinated activities at the local, national, regional, and international levels in dealing with natural disasters and other emergencies and impacts the overall protection and rescue system in the country.



5.2.10

CONTROL MECHANISMS AND THEIR FUNCTIONING IN THE STATE SYSTEM

5.2.10.1.

STATE EDUCATION INSPECTORATE



The State Audit Office conducted an audit of the financial statements along with a compliance audit of the State Education Inspectorate for 2023.

Weaknesses and inconsistencies were identified in the implementation of inspection oversight, which affect the effectiveness and legality of controls in student dormitories and educational institutions.

According to legal provisions, the State Education Inspectorate is obligated to carry out inspection oversight at least once per year in student dormitories and to submit a report to the Ministry of Education and Science (MoES) and the Government within 60 days after the end of student accommodation.

The audit established that the last inspection oversight was conducted in 2019, after which no new controls or inspections have been performed, nor have reports of inspections been prepared. The lack of regular and extraordinary inspections in the process of student admission, registration, and accommodation, as well as in the accuracy of data in the documentation of student dormitories, impedes their proper functioning and the fulfillment of their purpose of providing adequate conditions for students. Furthermore, the audit found that no inspection oversight was carried out in 2024 either, which indicates non-compliance with the recommendations of the authorized state auditor, highlighted in the Final Performance Audit Report on the topic "Efficiency of measures, policies and projects for meeting the conditions under which state student dormitories operate".

The State Education Inspectorate also has a legal obligation to conduct regular, extraordinary, and follow-up inspections, as well as integral evaluations of the work of educational institutions. In 2023, a total of 7.691 inspection activities were planned, of which only 4.446, or 58%, were carried out. On the other hand, the Inspectorate has 138 systematized positions, 100 of which are filled, meaning that 27.5% of the required human resources are not provided. The greatest shortage is in the Sector for Inspection and Quality Evaluation, where there is a lack of education inspectors, which hinders the performance of its core activities. Due to retirements and resignations, certain regional units, such as in Ohrid, Gostivar, Kavadarci, and Resen, are completely non-functional. Additionally, some newly hired inspectors have not completed the mandatory training, which poses a risk for errors and weaknesses in operations. Along with the lack of technical-administrative staff, these problems undermine the efficiency of inspection oversight and hinder its full implementation.

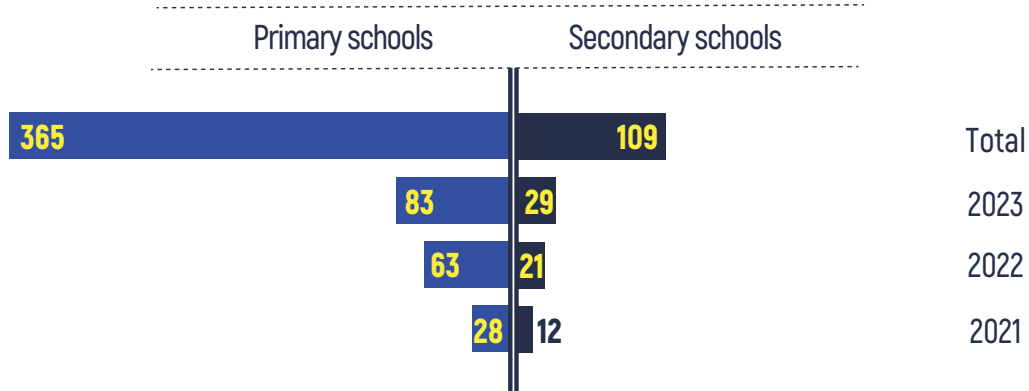
SYSTEMATIZED, FILLED POSITIONS AND AGE STRUCTURE OF EMPLOYED INSPECTORS 2021- 2024

No.	Year	No. of inspectors under the Systematization Act	No. of employed inspectors	Requests for employing inspectors	MoF approvals for new employment	Newly employed inspectors during the year	Outflow of inspectors		Average age of inspectors	Average age of all employees
							Retirement	Other grounds		
1	2021	76	65	5	5	0	4	0	50 - 60	46 - 55
2	2022	76	61	5	5	0	5	0	50 - 60	46 - 55
3	2023	75	56	2	1	1	2	1	50 - 60	46 - 55
4	November 2024	75	53	4	0	0	6	0	50 - 60	46 - 55
				16	11	1	17	1	50 - 60	46 - 55

The Law on Educational Inspection regulates the procedure for conducting inspection oversight, with one of the methods being the integral evaluation of educational institutions. It was found that some primary and secondary schools are not covered by integral evaluation every third school year, as stipulated by Article 20 of the Law. The reasons for this situation are the COVID-19 pandemic in

the previous period, as well as the lack of human resources caused by the continuous outflow of education inspectors due to retirement or other reasons. This situation affects the organization and implementation of teaching, the conditions in educational institutions, as well as the fulfillment and evaluation of the work tasks of teachers and professional associates.

NUMBER OF EDUCATIONAL INSTITUTIONS



INTEGRAL EVALUATIONS CONDUCTED IN THE PERIOD 2021-2023

Although the number of integral evaluations conducted from 2021 to 2023 shows a slight increase, it is still insufficient to fully cover all schools as stipulated by legal regulations.

It should be emphasized that the State Education Inspectorate also faces inadequate working conditions, a lack of modern software and IT equipment (hardware and software), and official vehicles necessary for carrying out field activities.



WORKING CONDITIONS OF THE EDUCATION INSPECTORATE

5.2.10.2.

STATE INSPECTORATE FOR TECHNICAL INSPECTION

The State Audit Office conducted an audit of the financial statements along with a compliance audit of the State Inspectorate for Technical Inspection (SITI) for 2023.

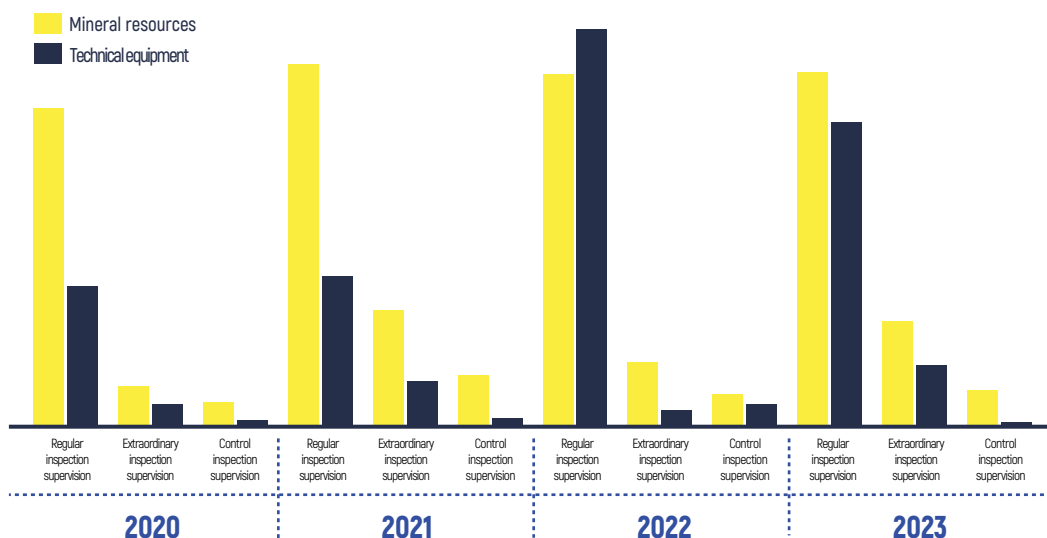
The audit identified the following:

- /// Weaknesses in the method of conducting the inventory of assets and failure to reconcile accounting and physical records,
- /// Files that generate revenue under the law are not properly stored and are not fully accessible,
- /// Planning of inspections is carried out without an appropriate risk assessment method in line with regulations, and



- /// Weaknesses and irregularities in the manner of conducting inspections, including incorrect application of laws, by-laws, and other general acts in the performance of work related to the exploitation of mineral resources and detailed geological research.

The State Audit Office also conducted a performance audit on the topic "**Efficiency of procedures for granting the right to exploit mineral resources and the implementation of signed contracts, with a special focus on marble,**" issued in 2024. The report highlighted findings concerning the work and jurisdiction of SITI, especially regarding how inspections are conducted—an issue that the latest audit confirmed remains unresolved.



TOTAL NUMBER OF INSPECTIONS CARRIED OUT ON THE EXPLOITATION OF MINERAL RESOURCES AND TECHNICAL EQUIPMENT IN THE PERIOD 2020–2023

The data presented in the above chart shows that SITI mainly carries out regular inspections.

The Department for oversight of exploitation of mineral resources and detailed geological research, out of 130 issued decisions with identified irregularities in the period 2020–2023, conducted only 44 follow-up inspections, or just 34%.

The Department for technical equipment oversight, out of 46 issued decisions with identified irregularities in the same period, conducted only 14 follow-up inspections, or 30%.

No cases of follow-up inspections were presented to the audit for 2020, 2021, and 2022. These findings do not align with the Law on Inspection Oversight, which stipulates that follow-up inspections should be conducted to verify whether the entities acted upon the issued inspection act fully, partially, or not at all, and this serves as the basis for imposing an inspection measure in line with the law. The current practice does not contribute to correcting the identified irregularities by the inspectorate.

According to the Law on Mineral Resources, to ensure proper exploitation of mineral resources, the concessionaire is required to perform geodetic or mining measurements once a year between September 15 and December 15 of the current year and prepare a geodetic report calculating the quantities of extracted mineral resources. This report must precisely define the quantities extracted and must be submitted to the Ministry of Economy²⁴ and SITI no later than 31 January of the following year. **It was determined that SITI does not keep records, nor has it taken coordination measures with the Ministry of Economy to undertake specific actions (such as issuing warnings) against concessionaires who failed to submit geodetic reports, except in cases where, during an inspection, it is found that the trader/entity did not submit the report—then a fine is imposed by the inspector.**

According to the Law on Mineral Resources, failure to conduct geodetic measurements and submit the report within the specified timeframe constitutes a misdemeanor punishable by a fine.



²⁴ Ministry of Economy and Labor - Law on Amendments to the Law on Organization and Work of State Administration Bodies, adopted in June 2024.

This situation negatively affects the quality and manner of conducting inspections and control over the exploitation of mineral resources, as well as the funds from fines collected for the Budget.

With the adoption of the Law Amending and Supplementing the Law on the Organization and Work of State Administration Bodies, passed in June 2024, SITI will continue to operate as a body within the Ministry of Energy, Mining, and Mineral Resources.

In the section Emphasis of Matter, we pointed out the issue concerning the shortage of employees in the Departments within the Inspection Sectors due to retirements and departures, which may affect the quality of SITI's performance of its responsibilities.

5.2.10.3.

SECURITIES AND EXCHANGE COMMISSION

We conducted an audit of the financial statements along with a compliance audit of the Securities and Exchange Commission for 2023 and identified the following.

There were issues related to consistent adherence to working hours, as no documentation was provided to justify absences. Additionally, regarding the provisions of the Collective Agreement at the employer level regulating remote work, no adopted act was presented.

The president and members of the Commission are elected and appointed by the Assembly of the Republic of North Macedonia. Regarding other matters, we emphasized the need to regulate the salaries and compensation of the president and commissioners (members) of the Securities and Exchange Commission by law. The Securities Law stipulates that the rights, obligations, and responsibilities of the president and members of the Commission are subject to the Labor Relations

Law. However, it does not specify how the salaries of commissioners who perform their function professionally are to be calculated.

A decision was adopted to determine the value and level of points for job positions within the Commission, allowing employees at the same job level to have different point values. This decision, nor any other act, explains the type, complexity, scope, and responsibility of the work for positions within the same job level, resulting in different point values for equivalent job levels.

Based on these findings, we emphasize that the salaries of employees in the Securities and Exchange Commission should be regulated by law or by a Collective Agreement, with a clear specification of the type, complexity, scope, and responsibility of the work for positions within the same level.



5.2.11

ECONOMY

5.2.11.1.

AGENCY FOR PROMOTION AND SUPPORT OF TOURISM



The Agency for Promotion and Support of Tourism in the Republic of North Macedonia is an institution established by the Government of the Republic of North Macedonia for promoting the country's tourism resources on foreign markets, as well as for managing and supporting projects aimed at overall tourism development²⁵.

The State Audit Office conducted an audit of the financial statements of the Agency for Promotion and Support of Tourism for 2023, along with a compliance audit. We ascertained the following:

- /// Weaknesses in the method of conducting the inventory of assets and liabilities, and unexecuted inventory reconciliation.
- /// Lack of established material and accounting records for the procured and distributed promotional materials.
- /// Failure to fulfill the objectives and competences of the Council in terms of providing expert opinion and support in the creation of the Annual Program
- /// Lack of consistent application of the provisions of the Law on Public Procurement.
- /// Within the "ABOVE"²⁶ project, with a budget of 167.803 euros (85% EU-financed, 15% nationally co-financed), the audit found that the APPT did not provide timely documentation and funds to pay all invoices before the project's final deadline (31.12.2023), and thus, not all

EU funds were withdrawn. The remaining obligations of 5.888 euros will have to be covered from the Agency's budget, negatively affecting its financial position.

- /// Recorded liabilities based on an invoice for broadcasting TV commercials are without adequate supporting documentation.

In the section Emphasis of Matter, we disclosed the following:

- /// Legal proceedings in which the APPT is a defendant, which may have financial implications.
- /// Incomplete fulfillment of the APPT responsibilities, as defined by the Law on the Establishment of the APPT. The Agency actively participates in subsidizing foreign tourist traffic and in 2023 disbursed 42 million denars for this purpose. However, it does not undertake sufficient activities to promote underdeveloped tourist regions, does not analyze the domestic tourism market, lacks a functional tourism information system, and maintains weak cooperation with local self-governments. The lack of funds and uncoordinated institutional efforts contribute to overlapping activities and insufficient efficiency in tourism.
- /// Identified weaknesses in the implementation of the APPT responsibilities under the Law

²⁵ Law on the Establishment of the Agency for Promotion and Support of Tourism in the Republic of North Macedonia" [Official Gazette, no. 103/2008, 156/2010, 59/2012, 187/2013, 41/2014, 83/18 and 3/25]

²⁶ Through the Interreg IPA CBC Cross-Border Cooperation Programme between the Republic of North Macedonia and the Republic of Greece 2014-2020, the APPT has concluded a grant agreement for the implementation of the ABOVE project.

on Mountain Trails, which regulates the conditions for their use, maintenance, and categorization. APPT has multiple responsibilities, including proposing a National Network of Trails and maintaining a registry. The Agency has initiated activities to establish this network and submitted a proposal to relevant institutions, some of which provided positive feedback, while others either did not respond or submitted objections. Due to the incomplete process and lack of detailed reports, the APPT obligations have not been fulfilled. In 2021, the Ministry of Environment and Spatial Planning initiated an amendment procedure for the Law, but no concrete solution has

been achieved to date.

- /// The Law on Tourism Development Zones (adopted in 2012) aims to encourage economic development through attracting investments in tourism. The APPT is responsible for establishing, developing, and monitoring these zones, but implementation has been inadequate. Only three decisions have been made to establish zones, and only one (in Dojran) included a public tender announcement for land alienation, which received no bids.



TOURISM DEVELOPMENT ZONE SARAJ – LAKE TRESKA (PHOTOGRAPHED BY DRONE)

- /// The Saraj- Lake Treska zone encountered legal and administrative obstacles, and the Government has not provided further guidance. A lack of financial resources and staff hinders the APPT in fulfilling its responsibilities, thereby jeopardizing the realization of the law's goals—tourism development, increased competitiveness, and employment.
- /// The Law on Motorhome Camps regulates the establishment, use, and management of motorhome camps to develop tourism through attracting domestic and foreign investments. The APPT is responsible for implementing the law. The Government made two decisions to establish motorhome camps in the Municipality of Veles and the Municipality of Petrovec. For

Veles, urban planning documentation has been prepared, but the land alienation procedure has not started; in Petrovec, the documentation is still under development.

- /// The APPT faces problems implementing the law, particularly regarding alignment with the Law on Construction Land, defining responsibilities, public bidding procedures, and categorization of motorhome camps. Based on this, the Government accepted APPT's submitted information and tasked the Ministry of Transport and Communications with forming a working group to amend the law. Although the group was formed, no specific activities have been undertaken to date. These issues hinder achieving the law's goal - tourism development through motorhome camps.



MOTORHOME CAMPS ON LAKE OHRID

- /// - Due to an unapproved budget by the relevant ministry, the Agency for Promotion and Support of Tourism is unable to use the funds available in the account, allocated through the Law on Games of Chance and Entertainment Games.
- /// - There is a need to introduce digitization of the subsidy process, due to difficulties in monitoring and control by those responsible for oversight and document approval, as well as for document storage.

In the section concerning weaknesses in internal controls, we report on the absence of written procedures regulating the process for receiving, approving, recording, and paying financial documents, the lack of established ex-ante and ex-post controls and a dual signature system, no established internal audit, and the need to implement a proper system for the separation of duties in first-instance administrative procedures.

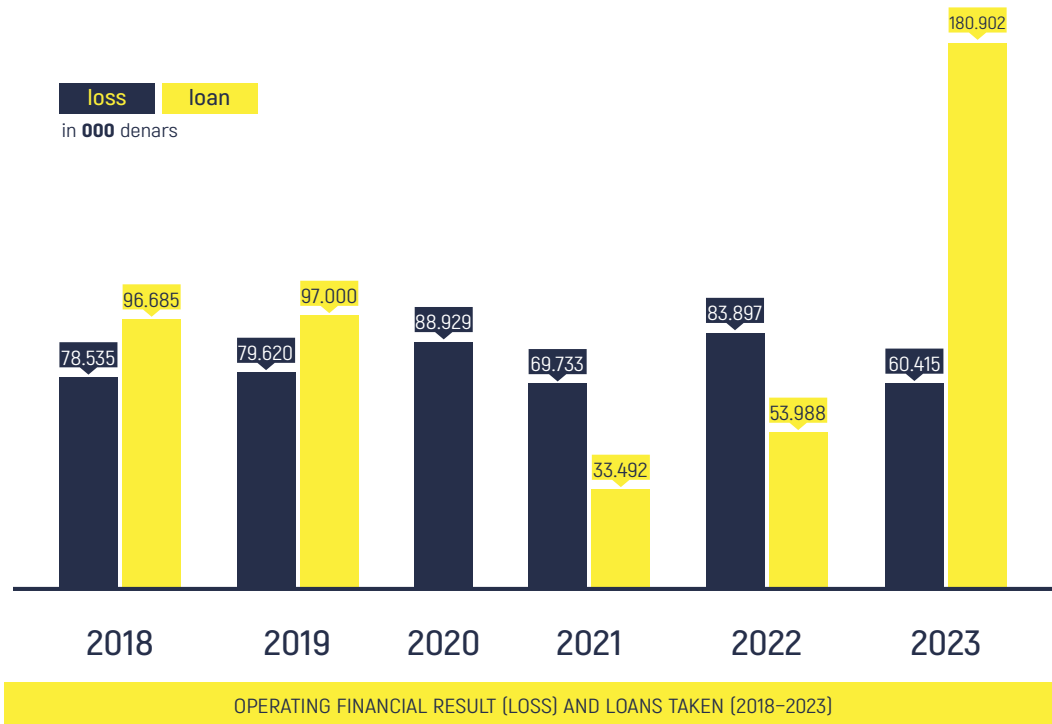


5.2.11.2.

TOURISM, HOSPITALITY, RECREATION AND SPORTS
COMPANY "ELEM TOURS" LLC SKOPJE

The State Audit Office conducted a financial and compliance audit of the Tourism, Hospitality, Recreation, and Sports Company "Elem Tours" LLC, Skopje, for 2023.

The audit report highlights the unfavorable financial condition of the company, which has been present since its establishment in 2012, **consistently generating operating losses. As of 2023, the accumulated loss amounted to 1.196.650.000 denars, representing 92% of the company's core capital.**



Although the company reported its lowest loss in the past six years in 2023, due to structural changes and reduced operations, it continues to present negative operating results, lacks liquidity, and remains in poor financial condition. To continue its operations and settle liabilities, it regularly enters into debt assumption agreements with its founder. From 2018 to 2023 (excluding 2020), tripartite agreements were consistently concluded between JSC ESM Skopje (debt assumer), Elem Tours LLC Skopje (debtor), and respective creditors. The total assumed debt reached a peak of 180.902.000 denars

in 2023. The liabilities recorded for repayment to the founder continued to rise, amounting to 268.382.000 denars in 2023.

In August 2022, Elem Tours LLC Skopje signed a contract with a legal entity— a newly established management company from Skopje—for outsourced services worth 20.000.000 denars, with a validity period until the end of 2022. The company was established immediately before signing the contract, which was retroactively effective for two months. The audit found that the

contract's execution continued into 2023, and total payments reached 34.052.000 denars, **i.e., 70% over the contract value**. Furthermore, an analysis of the number of outsourced personnel, their work activities, and the number of regular employees at the Popova Shapka Branch, compared to the low income from accommodation services during May–September 2023, did not provide assurance for the necessity or justification for hiring external contractors during that period. This calls into question the rational and economical use of public funds.

The audit revealed that Elem Tours LLC Skopje holds buildings and equipment valued at 284.377.000 denars, which are exposed to risk due to the business activity. However, the responsible person **failed to implement any procedures to obtain insurance for the company's assets** against theft, fire, or other natural disasters. This poses a risk of damage to company assets should such events occur.

Since 2018, Elem Tours LLC Skopje has implemented the "Hot Meal" project to supply meals to employees of JSC ESM, Bitola Branch (REK Bitola). In just the first two months of 2023, this project generated revenue of 11.217.000 denars from JSC ESM Skopje—36% of the company's total income. However, goods for

this project were continually procured without conducting a public procurement procedure, **contrary to the provisions of the Law on Public Procurement (LPP), potentially affecting the economic, efficient, and effective use of public funds**.

A field inspection of the existing accommodation facilities—Hotel "Molika" (Bitola), Hotel "Popova Shapka" (Tetovo), Hotel "Slavija" (Tetovo), "Sveti Stefan" Resort (Ohrid), "Mavrovo" Resort (Mavrovi Anovi), and Livadishte Motor Camp (Struga)—found that, except for Hotel "Molika" in Bitola, **the facilities are outdated and, in many cases, do not meet minimum technical accommodation standards**. The "Sveti Stefan" resort in Ohrid is non-operational due to electricity disconnection, while renovation of accommodation and hospitality capacities is underway at the Livadishte Auto Camp in Struga. A comprehensive analysis of the current state, alongside investments to improve the facilities' attractiveness and service quality, is necessary to increase capacity utilization and align with tourism standards.



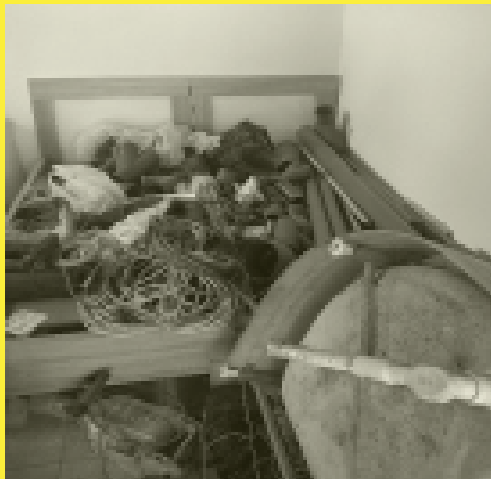
HOTEL "SLAVIJA", TETOVO



"SVETI STEFAN" RESORT, OHRID



"MAVROVO" RESORT, MAVROVI ANOVI



"LIVADISHTE" MOTORHOME CAMP, STRUGA

In October and November 2022, based on prior approval and a decision by the Supervisory Board of JSC ESM – Skopje, the Management Board of the founder decided to establish two new companies:

- /// Tourism, Hospitality, Recreation and Sports Company ESM Molika LLC – Bitola, and
- /// Tourism, Hospitality, Recreation and Sports Company, Ski Center Popova Shapka LLC – Tetovo

The restructuring of the company was accompanied by several weaknesses. While immovable assets were transferred to the new companies, movable assets (valued at 190.735 euros) were not assessed by a licensed appraiser. Furthermore, during the transfer of employees from the Popova Shapka

and Molika branches to the newly established companies, inconsistent procedures were followed, leading to the initiation of court proceedings.

The audit also identified other issues concerning inventory processes, payments without supporting documentation, improper record-keeping, and various irregularities and non-compliances, indicating mismanagement and misuse of public funds, as well as failure to fulfill the purpose for which the company was established.

5.2.12

AGRICULTURE, FORESTRY, AND WATER ECONOMY

5.2.12.1.

HYDROMETEOROLOGICAL SERVICE



The audit of the financial statements and the compliance audit of the Hydrometeorological Service (HMS) for 2023 revealed conditions, irregularities, and non-compliance issues that impact the opinions issued by the authorized state auditor regarding the fairness and objectivity of the financial statements, as well as compliance with legal regulations, guidelines, and established policies.

We identified irregularities in the manner of conducting the inventory as follows:

- /// It was determined that land is recorded only at one location with a value of 782.000 denars, while at 18 other locations it is neither recorded nor appraised.
- /// Four buildings are not recorded due to unresolved legal status, as they are illegally constructed structures.
- /// There is a discrepancy between the financial and physical records of fixed assets of 16.229.000 denars due to irregular recording and reconciliation of data.
- /// Of the twelve motor vehicles used by HMS, nine are not recorded in the physical and accounting records, indicating shortcomings in asset registration.

The audit established that due to inaccurate and outdated recording of procurements and issuance of materials, as well as the incorrect classification of fixed assets as inventory, there is a discrepancy of 5.901.000 denars between the financial and physical records of inventories of materials and spare parts, which are valued at 1.978.000 denars.

These differences were not ascertained by the inventory commission as of 31 December 2023.

As of the audit date, HMS had not acted upon the Government's decision of 25 November 2022, which approved the sale of eleven obsolete vehicles. The vehicles have neither been sold nor recorded in HMS accounting records. This failure to implement the Government's decision has resulted in a missed revenue opportunity for the State Budget.

The audit also noted a significant decrease in the number of employees from 2019 to March 2024, with 69 vacant positions and only 60% of the approved posts filled according to the Ministry of Finance's authorization. The shortage of qualified human resources and the retirement of employees, accounting for 70% of the workforce attrition, have impacted the functioning of HMS. The average age of employees has increased from 51 to 53 years, and the insufficient number of personnel may affect the quality of the institution's core operations in the future.

Based on the inspection of meteorological stations across the country and the analysis conducted, we found that of 19 meteorological stations, three are non-functional, and there is a risk of four more being closed due to staff retirement. HMS will operate at two-thirds of its capacity, with most facilities being in poor condition and non-functional. As a result, data will primarily be collected through automatic stations, which provide basic but not additional meteorological information.



MANUAL AND AUTOMATIC METEOROLOGICAL STATION

Regarding the budget account from self-financing activities, a key issue identified is that the legal provisions are vague, inconsistent, and create uncertainty in the calculation and realization of future HMS revenue. Urgent amendments and improvements to the Law on Hydrometeorological Activity are needed to ensure sufficient financial resources for equipment modernization and upgrade. Although HMS charges for its services based on a tariff schedule from 2009, the attempt to update the tariff in 2015 was unsuccessful. Over the past 14 years, the tariff has remained unchanged and is not aligned with the real market prices of services or inflationary trends.

We determined that from 2015 to 2019, no hail protection was carried out, exposing legal entities and individuals engaged primarily in agriculture and fruit growing to increased risks and damages on this basis.

In 2019, a new method of aerial cloud seeding for hail protection was introduced, which was applied in 2021 and 2022. However, in 2023 and 2024, this method was not implemented because no economic operators submitted bids in the public procurement procedures.

During 2023, 50.718.000 denars were paid out as compensation for damages caused by natural disasters.

To overcome this situation and reduce the risk to an acceptable level, the audit highlights practices from neighboring countries, which use different methods of protection, including combined systems and drones, which could serve as an example for the Hydrometeorological Service.



5.2.12.2.

PUBLIC ENTERPRISE "NATIONAL FORESTS" - SKOPJE

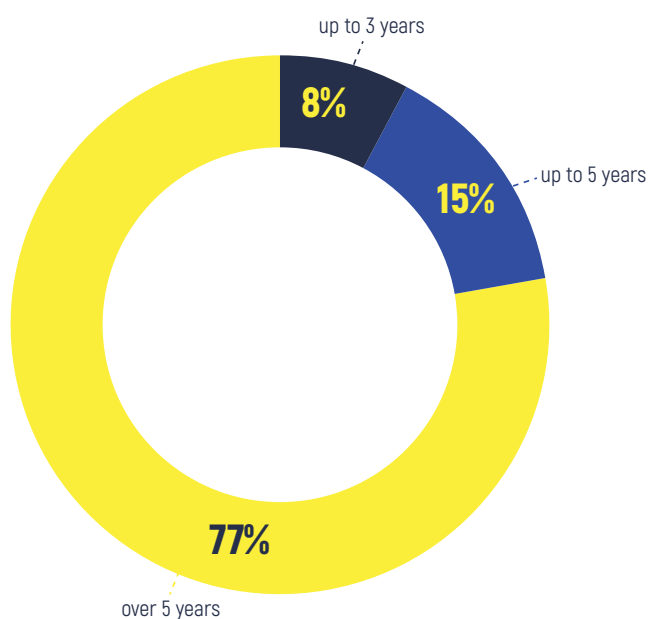


An audit of the financial statements, along with a compliance audit, was conducted for the Public Enterprise for Management of State Forests "National Forests" - Skopje for 2023. The most significant findings are as follows:

- /// . Biological assets were not valued at their fair value, i.e., no reduction or impairment was made for the areas located within the boundaries of the Shara Mountain National Park, which are managed under special forestry management plans, as well as for the areas affected by forest fires where the forest stock was destroyed.
- /// . Based on monthly reports of felled timber, the public enterprise allocates funds for basic and expanded reproduction. As of the end of 2023, it reported liabilities to the State Budget for expanded reproduction of 450.844.000 denars, and liabilities to a special account for basic reproduction (which has

not been opened) of 250.186.000 denars, while it claims 164.275.000 denars from the country for its participation in the "Tree Day" campaign. Considering the financial condition and reduced liquidity of the enterprise, and under IFRS requirements, no offsetting of these receivables against part of the liabilities has been carried out, which would have reduced the debt to the state to 286.569.000 denars.

- /// . Considering the age structure of receivables from employees on various grounds (identified shortages of technical and firewood, unsettled advances, unpaid daily turnover from sales, use of hospitality services, etc.), of which 95% date back to before 2018, and due to the lack of measures taken for their collection and the general statute of limitations, there is a high degree of uncertainty regarding the collectability of 36.460.000 denars.



AGE STRUCTURE OF RECEIVABLES FROM EMPLOYEES

/// For investment expenditures of 2.226.000 denars, originating from previous years and related to investment facilities in the subsidiaries "Bigla" Demir Hisar and "Ravna Reka" Pehchevo, no reliable documentation

was provided, the actual condition was not determined, and no assessment was done for justification for continuing investments.

"RAVNA REKA" PEHCHEVO



/// Although in 2024, seven greenhouses with a value of 12.785.000 denars were constructed and are currently in use, they are not properly recorded in the accounting books, and no depreciation is calculated for them. Additionally, the purchased raw material (peat) of 1.452.000 denars has not been properly classified as raw material inventory.

/// The long-term financial assets of 7.374.000 denars refer to investments made at the time of establishing two affiliated companies that were separated from the public enterprise in 2005. The company for sawmill production and wood processing has not been in the Trade Register since 2020. Regarding the company for fish breeding and production, following its separation from the public enterprise, transformations occurred, including the transfer of ownership shares, a name

change, and ownership by another legal entity. The Public Enterprise "National Forests" - Skopje does not possess the documentation for this procedure in its archives, but a review of the Real Estate Cadastre (AREC) registry confirms the property change registered in 2016, with ownership rights listed under IL No. 243 for parcel 375/1 in KO Klenoec, Kichevo.

/// Contrary to the provisions of the employment contracts, out of 355 permanent employees, 73%, or 259 employees hired as loggers, haulers, stackers, and forest workers, perform administrative tasks and job duties in the central office or branches.

/// In 2023, in the Forest Management Unit "Forestry" in Sveti Nikole, based on a request from the branch manager and granted authorization, a sales agreement was concluded for the sale of stumpage wood

assortments for 2.561.000 denars, including VAT, for oak firewood and logs. This was done in a non-transparent manner, without defined criteria for selecting the legal entity, nor was documentation required to demonstrate the company's qualifications for conducting silvicultural operations and verifying such documentation. This represents a deviation from standard procedures and poses a risk of entering into agreements with entities lacking appropriate capacity, knowledge, or expertise for the proper and efficient management and exploitation of forest resources.

- /// The financial indicators for 2023, total liabilities of 1.074.644.000 denars, and continued dependence on revolving short-term credit for salary payments indicate an increased risk of reduced liquidity of the enterprise. Therefore, a financial stability plan is necessary, including an assessment of liquidity risks, a timeline for debt repayment, reduction of reliance on short-term borrowing, prioritization of receivables collection, and cost optimization, to ensure long-term stability and sustainability of the public enterprise's operations.
- /// Although the electronic system for timber tracking, procured for 32.518.000 denars with ongoing monthly maintenance costs

of 167.000 denars has been in use since 2017 and technically set up on the Macedonian Telecom JSC Skopje platform with VPN access for the Public Enterprise "National Forests" – Skopje, it is not used by the relevant entities (State Inspectorate for Forestry and Hunting and the Forest Police), nor have all phases of timber tracking been implemented. This limits the possibilities for control, traceability, and transparency in timber management, from felling to final sale.

- /// The audit also reported insufficient forest protection (i.e., taking appropriate actions for prevention and risk management related to forest fires) and systemic weaknesses in dealing with risks such as diseases, fires, and illegal logging, as well as partial implementation and limited efficiency in the use of funds from the 2023 Forest Reproduction Program.

DESTROYED FORESTS BY THE PINE PROCESSIONARY



GARDENICKA RIVER

KARASLARI



BURN FORESTS



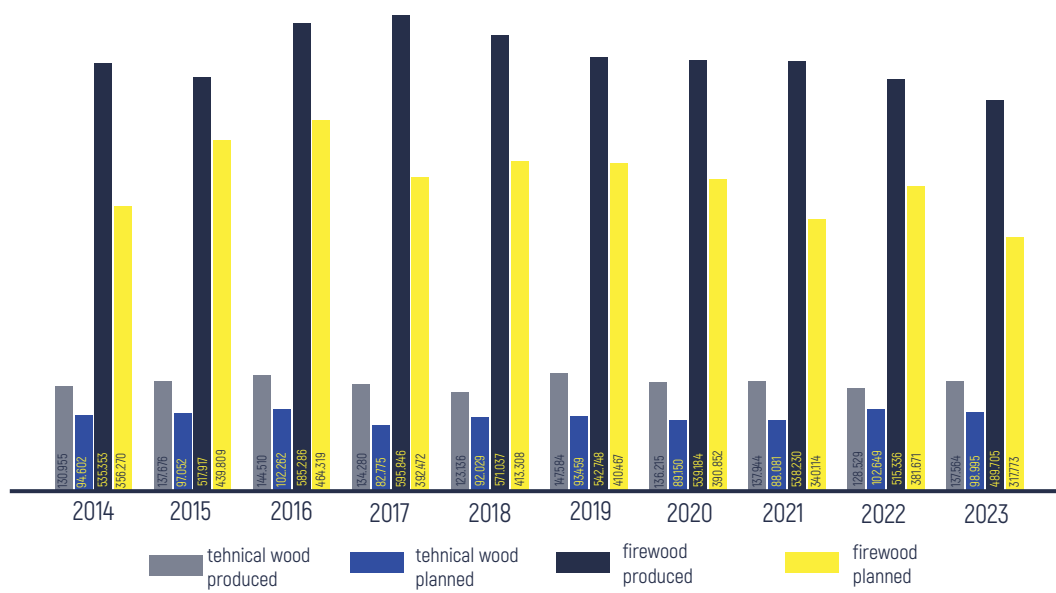
DELCEVO

BEROVO



The significant deviation in the realization of the production plan for technical and firewood, as well as in the financial plan for revenues from the sale of technical and firewood, is generally linked

to insufficient and outdated mechanization, a limited number of professional and technical staff, restricted accessibility of forest complexes, and the remoteness of the terrain.



REALIZED PLAN FOR PRODUCTION OF WOOD ASSORTMENTS IN M³ 2014-2023

Additionally, the enterprise performs only 42.45% of the felling phase, 34.04% of the hauling, and 32.13% of the transportation phase using its resources, which means that more than 50% of the production process depends on engaging external contractors.

These conditions point to the need for taking measures and action based on the recommendations to overcome the identified causes of the current situation in the public enterprise. This includes preparation of an appropriate business consolidation plan for the enterprise and introduction of new types of activities or finished products, thereby overcoming reliance on the sole traditional activity of felling technical and firewood.



5.2.13.

HEALTHCARE SYSTEM

5.2.13.1.

HEALTH INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA



The State Audit Office conducted a financial and compliance audit of the Health Insurance Fund of the Republic of North Macedonia for 2023 and identified several weaknesses.



Weaknesses in the operation of the Fund's **IT system**—due to the absence of an IT strategy, a lack of IT personnel, outdated server infrastructure, and insufficient IT system security—resulted in a cyberattack in February 2023, which disrupted the functioning of the entire healthcare system in the country.



In the procedure for referring insured individuals for treatment abroad, multiple weaknesses and irregularities were found. Specifically, **proper legal protection for applicants is not ensured, and no monitoring or evaluation system has been established for the success of treatment abroad**. Under this procedure, the Fund paid out funds amounting to **311.237.000 denars**.



Control activities for healthcare services provided in healthcare institutions are **not properly established or implemented, resulting in incomplete verification of invoices for delivered healthcare services**. The lack of a unified, integrated 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 errors and omissions.

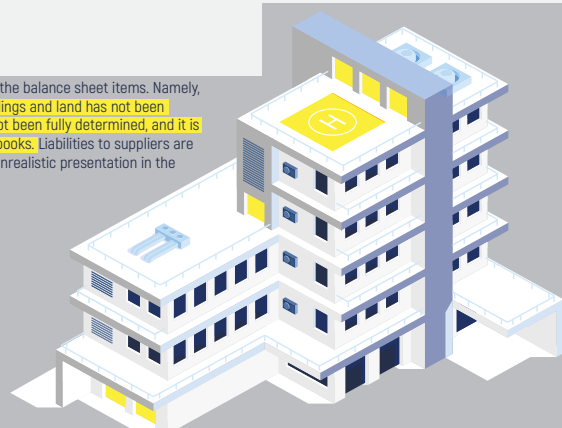
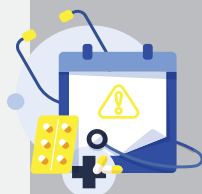


Claims related to advances paid for treatment abroad, which amounted to **300.292.000 denars** as of the end of 2023, are not subject to adequate control mechanisms for invoice **confirmation from foreign hospitals or for timely closure of advances**, leading to their continuous increase.



The newly implemented system controls in the Fund's IT system for **invoiced pharmacy prescriptions** and the existing manual method for prescription verification are neither comprehensive nor efficient enough, and **the ePrescription system has not yet been implemented**.

Multiple weaknesses were also found in the balance sheet items. Namely, **the legal ownership status of some buildings and land has not been regulated, the value of real estate has not been fully determined, and it is not entirely recorded in the accounting books**. Liabilities to suppliers are **not recorded promptly**, leading to their unrealistic presentation in the financial statements.



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

- /// Complete information is lacking regarding claims based on unpaid health insurance contributions, and the collection of these claims (incurred up to 2008) is uncertain.
- /// There is uncertainty regarding the outcome of court proceedings in which the Fund is a plaintiff or a defendant.
- /// The reference prices for healthcare services covered by the Fund are outdated and do not reflect actual costs.
- /// The Ministry of Health has not fully paid the contribution for mandatory health insurance for citizens who are not insured on any basis.

In the section **Key Audit Matters**, we highlight the payment method for provided services in healthcare institutions, indicating that actual procurement of services, as prescribed by the Health Insurance Law, has not been ensured. Specifically, within the established budget, instead of reimbursing executed services, the Fund is forced to provide full operational funding for all public healthcare institutions. As a result, two-thirds (77) of public healthcare institutions are classified as unsustainable due to significantly lower service output compared to the agreed compensation.

In the **Other Matters** section, we note that the list of medications covered by the Fund has not been updated according to the new methodology since 2014. In 2024, it was only supplemented with 8 medications.

5.2.13.2.

MINISTRY OF HEALTH



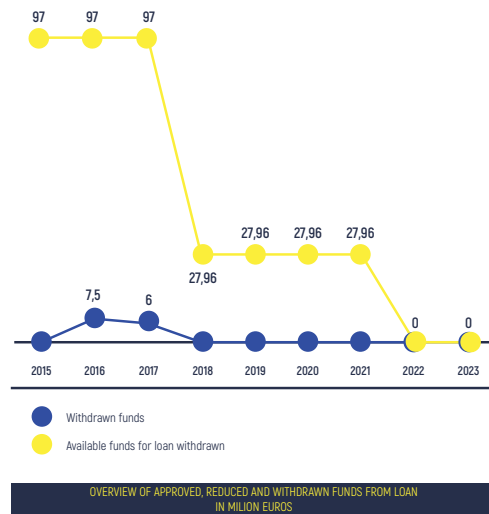
The State Audit Office conducted a financial and compliance audit of accounts 637, 787, and 786-72 of the Ministry of Health for 2023, during which the following was ascertained.

- /// A comprehensive overview of assets, liabilities, and expected revenues was not ensured, which affects the accuracy of the Ministry's financial statements.
- /// The 2023 budget allocated 5,294,146,000 denars for the implementation of 23 healthcare protection programs, which were insufficient to fully cover all obligations to public healthcare institutions (PHIs) implementing these programs, thereby affecting their liquidity. In addition, several inconsistencies were identified in the records, implementation, and reporting related to some of the individual programs.
- /// For the procurement of construction works as the second phase of the project for the construction of the General Hospital in Kičevo,

we identified shortcomings that generated significant financial implications on the total value of the facility, long-term delays in providing higher-quality healthcare services to the citizens of Kičevo, and a risk of additional costs depending on the outcome of court proceedings.



Unfinished building of PHI General Hospital Kičevo



Regarding the implementation of the project for the construction of a new Clinical Center in Skopje and in Štip, it was found that although the project started in 2015, activities have not yet been completed due to a Decision to cancel the construction component of the Clinical Center in Skopje and the extension of deadlines and termination of the construction contract for the Clinical Center in Štip. As a result, contract-holders initiated arbitration proceedings for compensation claims amounting to 45 million euros. On the other hand, the loan funds approved in the amount of 83.4 million euros have been withdrawn.



Unfinished buildings of the new Clinical Center Shtip

Despite the needs of the citizens, the unbuilt healthcare facilities have a negative impact on achieving the goals of providing better, more rational, and more efficient healthcare services to the public.

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

Incomplete construction works at the PHI Special Hospital for Orthopedics and Traumatology "St. Erasmus" – Ohrid and the PHI City General Hospital – Strumica, which began in 2015 and 2016, respectively. This situation is the result of prolonged project timelines, the signing of numerous annexes due to deficiencies in the project documentation, the rise in construction material prices, and the initiation of lawsuits before competent courts.



Incomplete construction works in one operating room and the elevator shaft in the building of the PHI Special Hospital for Orthopedics and Traumatology St. Erazmo – Ohrid, due to which the construction works have not been fully completed.





Completed construction works and installed equipment in a facility of the PHI General Hospital Strumica, which are not used because the facility has not been put into use.

- /// Due to the above, the construction of facilities has generated significant financial implications for the overall value of the projects. The prolonged construction timelines have delayed the delivery of higher-quality healthcare services to users for nearly 10 years.
- /// Insufficient vaccination coverage of the population, ranging from 56.3% to 87.7%, has been especially pronounced since the 2020 pandemic. This is attributed to citizens' mistrust of vaccine safety and delays in the administration of specific vaccines.

In the section **Key Audit Matters** we report on the status, staffing, funding, and operations of the Project Implementation Unit for the construction of the new clinical centers in Skopje and Štip, including unutilized funds on the account amounting to 571.251.000 denars and the likelihood of future expenses that must be covered by these funds.

5.2.13.3.

PUBLIC HEALTHCARE INSTITUTIONS (PHIs)



The State Audit Office conducted a financial audit along with a compliance audit of four university clinics within the "Mother Teresa" Clinical Center complex in Skopje for 2023. These included: the Clinic of Dermatology, the Clinic of Hematology, the Clinic of Neurology, and the Clinic of Radiotherapy and Oncology. We issued 16 audit opinions - 4 unqualified, 7 qualified, 4 adverse, and 1 disclaimer of opinion. The audit revealed the following:

- /// The PHIs did not establish accounting records for the inventory of medicines for rare diseases procured by the Ministry of Health, valued at 453.171.000 denars, or for donated medicines worth 161.169.000 denars. Furthermore, expired inventory of medicines for rare diseases was identified. As a result, adequate management and full insight into the inventory situation within the PHIs were not ensured.
- /// Deficiencies were found in the planning and implementation of conditional reimbursements for procuring specific medicines, equipment, and services, amounting to 178.938.000 denars. Weaknesses were noted in preparing plans for specific types and volumes of healthcare services. The need for medical equipment, medicines, and the number of patients covered was not based on expert body

proposals. In addition, PHIs had not adopted official protocols or criteria for treatment and prioritization of patients needing medicines procured through conditional reimbursements.

- /// Public procurement procedures for laboratory materials and construction-related works, for which liabilities of 215.339.000 denars were undertaken in 2023, were conducted to reduce competition and pose a risk of inefficient use of funds.
- /// Nurses, hospital orderlies, and reception staff were hired under service contracts without approval from the Ministry of Finance.

In the section **Emphasis of Matters**, we disclose the following:

- /// Regarding the implementation of conditional reimbursements for procuring medicines for the treatment of malignant diseases at the Clinic of Radiotherapy and Oncology, although there has been continuous growth, the funding is insufficient to include all patients who could receive this therapy based on medical indications. **Only 24% of patients receiving therapy in the day hospital are on biological therapy.**
- /// Medical equipment in some PHIs is either unused or underutilized. Specifically:
 - /// At the Clinic of Radiotherapy and Oncology, a linear accelerator procured in 2016 was installed in 2024 and commissioned after the testing phase in 2025. Another accelerator, donated in 2015, has not been used and remains stored in a warehouse, with its commissioning uncertain

due to technological obsolescence. The same clinic possesses a device for centralized cytostatic therapy preparation with a KATO software license, but it remains unused due to the absence of necessary components, unsuitable premises, and a lack of trained personnel.

- /// The Clinic of Dermatology owns two medical laser devices that are not fully utilized. These devices offer cosmetic and aesthetic services not covered by mandatory health insurance, and necessary approvals from the Health Insurance Fund and the Ministry of Health have not been obtained.
- /// Uncollected receivables from the Ministry for health services provided under healthcare programs amount to 397,081,000 denars, with their collection being uncertain.

Key Audit Matters:

- /// True purchase of healthcare services is not ensured, as the Fund is legally obligated to provide funding for the full operation of PHIs that, for various reasons, cannot deliver the agreed-upon volume of healthcare services.
- /// Nearly all oncology and radiotherapy services are delivered exclusively at the Clinic of Radiotherapy and Oncology, despite oncology departments existing in multiple medical centers across the country. This clinic lacks sufficient healthcare personnel to provide the current volume of services, leading to staff overload and impacting the quality of healthcare services for citizens.



5.2.14

CULTURE AND SPORTS

5.2.14.1.

MINISTRY OF CULTURE



Република Северна Македонија

Министерство за култура и туризам

The audit of the financial statements, along with a compliance audit of the Ministry of Culture for 2023, identified conditions, irregularities, and inconsistencies that impact the issued opinions.

Regarding the recorded book inventory of the Ministry, the audit determined that it originates from 17 capital projects for book printing carried out between 2009 and 2019, totaling 408.123.000 denars for 686.318 copies.

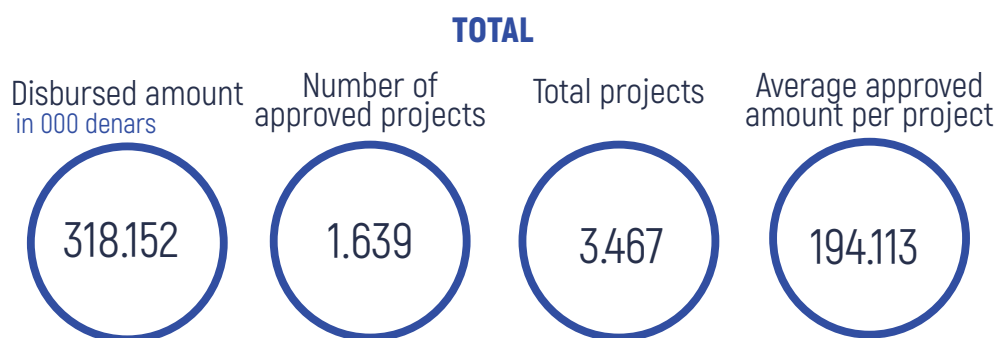
Due to the lack of a distribution plan for the printed and undistributed books, a significant storage problem has arisen, further complicated by the disinterest of state institutions in receiving the books, as their storage capacities are already full. Additionally, no inventory has been conducted to ascertain the actual condition of the books, in terms of quantity and storage conditions, which could potentially lead to damage or destruction of the books.



! The Government has adopted several decisions to permanently donate part of these quantities to various institutions, libraries, and academic institutions, but **there is neither interest nor space to accept additional quantities!**

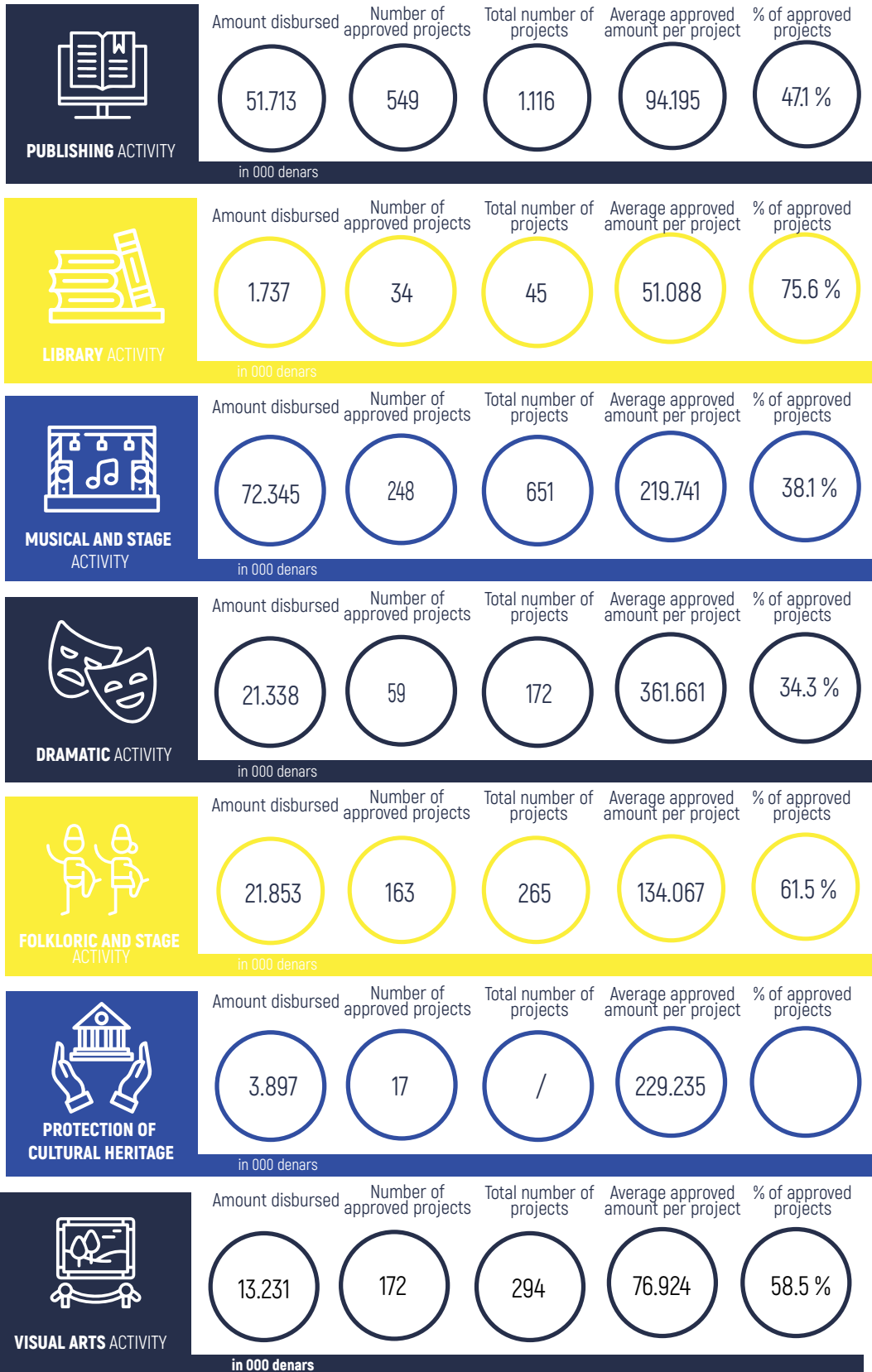
In terms of achieving priorities for the development and promotion of culture, it was noted that the last adopted National Strategy for the Development of Culture by the Assembly covers the period 2018–2022, leaving the activities for 2023, which are the subject of this audit, without clear guidance. The Ministry has not adopted an annual plan for either the previous period or for 2023, as previously noted in earlier audit reports. The lack of a long-term strategy for cultural development results in setting general priorities, which creates challenges in planning cultural activities. In December 2023, the Government adopted a new National Strategy for Culture for the period 2023–2028, which has not been adopted by the Assembly.

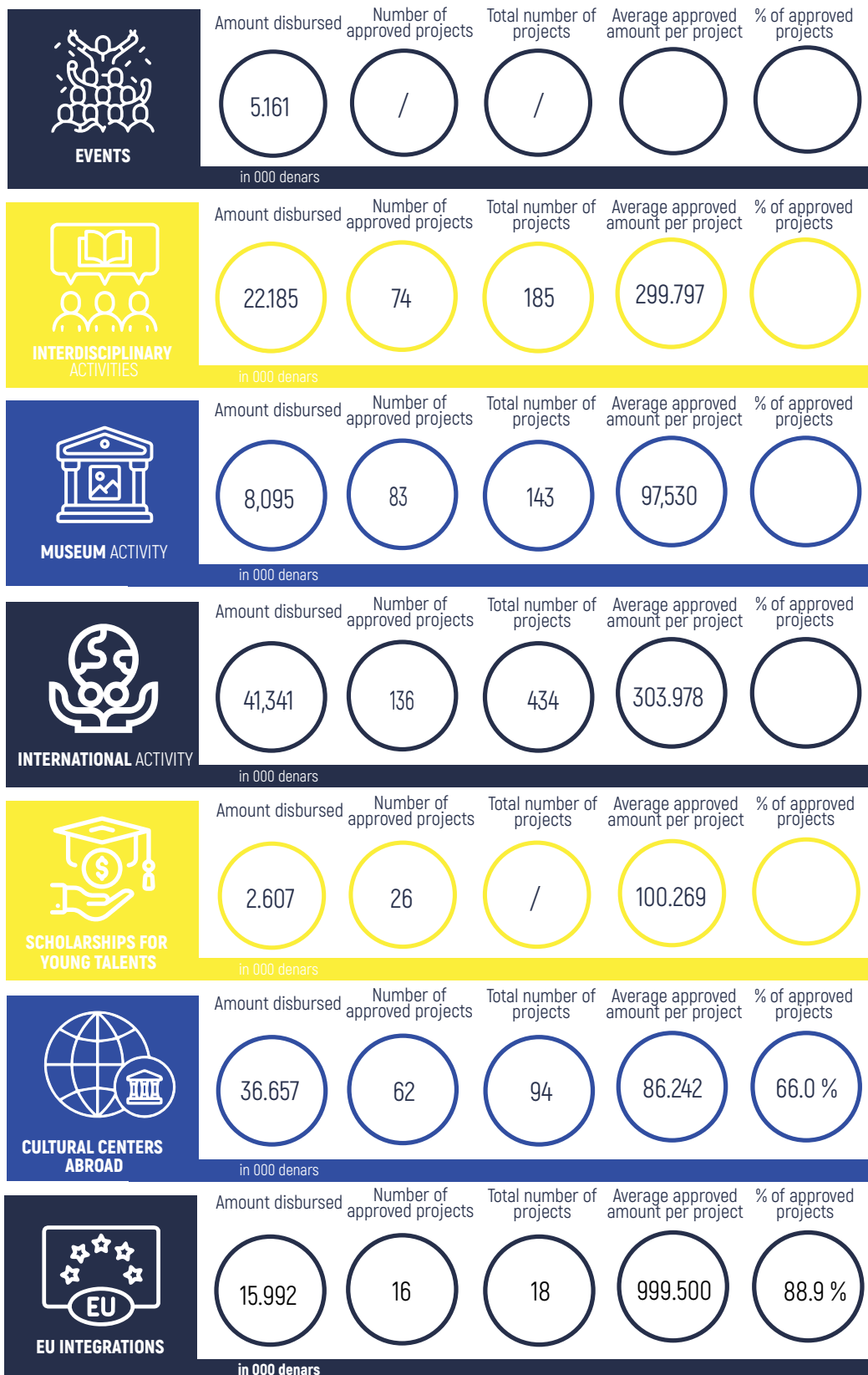
The audit also identified shortcomings in the allocation of funds for culture projects, which is carried out through an Annual Competition following the Law on Culture. Specifically, there are no clear qualifications required for the members of the evaluation commissions; the priorities in the competitions are often general and not based on long-term policies; and the criteria for evaluating projects are not strictly defined, creating room for subjectivity, incompetent appointment of commission members, and incorrect project categorization. These shortcomings result in low-quality fund distribution, as commissions award points to projects without specific guidelines and without criteria for deducting points from unsuccessful authors.



In 2023, the Ministry of Culture disbursed 318.152.000 denars for approved projects to other users, emphasizing the urgent need for clear rules and criteria in fund allocation. Despite reforms being a priority in this area, the proposal for a new law that could improve the system has still not been adopted.

A more detailed overview of each culture sector involving other users, including the number of projects and disbursed funds per activity, is presented in the following visualization:





As part of the Annual call for financing projects of national interest in culture for 2023, the Ministry of Culture supported 74 out of 185 applications for interdisciplinary projects, representing 40% of the proposals, with a total disbursement of 22.185.000 denars. Although the interdisciplinary field is not formally defined in the Law on Culture, the Ministry continues to finance projects outside the established categories, which creates inequality. Due to financial contracts that permit funding for more than two projects from a single legal entity, and the lack of complete documentation and evaluation of contract amendments, the transparency and fairness in the allocation of funds are undermined. These shortcomings lead to opportunities for irregularities and favoritism in certain interdisciplinary project activities.

Weaknesses were also identified in the allocation of funds for projects of national interest, especially in international cultural cooperation, indicating a lack of transparency. Part of the funds disbursed for projects were not awarded through regular calls, and some legal entities received support beyond the limit of four projects, which violates the competition requirements.

Eight projects have received 5.407.000 denars without objective justification for not submitting applications.

Although the Ministry has adopted Guidelines on financing, it does not provide sufficiently precise instructions, which creates a disadvantage for other participants in the calls. Urgent reforms and clear financing criteria are necessary to ensure fair treatment of all cultural projects.

In 2023, the Ministry allocated 37.392.000 denars as capital grants to nine municipalities for the construction of cultural facilities, with disbursement of funds made upon receipt of a request accompanied by supporting documentation. However, for the Municipality of Lipkovo, the Government decided to allocate an additional 30.000.000 denars for the "House of Culture" project in the village of Matejce. However, the payment was made without submitting documentation, which does not follow the conditions applied to other municipalities.

The audit also revealed weaknesses in the recording of funds and project documentation for capital structures from 2012 to 2023.

The lack of a fully functional internal audit organizational unit increases the risk of inadequate assurance and advisory services to the Ministry and national institutions in achieving their objectives.

The audit also identified unlawful compensation payments, as well as irregularities in two public procurements worth 18.455.000 denars, which could impact competition and equal treatment of economic operators.



5.2.14.2.**PUBLIC ENTERPRISE FOR MANAGEMENT OF SPORTS FACILITIES OWNED BY THE REPUBLIC OF NORTH MACEDONIA**

The Public Enterprise for Management of Sports Facilities, owned by the Republic of North Macedonia (hereinafter referred to as PE SOSS) is responsible for investing in and maintaining sports facilities, their use for sporting purposes, concluding lease agreements for parts of the facilities not used for sports, as well as planning and construction of new sports facilities.

Under the Annual Work Program of the State Audit Office for 2024, we conducted a financial audit of PE SOSS for 2023.

Based on the audit performed, we found that due to the following issues:

- /// PE is operating with a blocked bank account for an extended period (20 years),
- /// PE has insufficient financial resources,
- /// PE has a small number of employees lacking the necessary knowledge and skills,
- /// loss of documentation due to floods, and ongoing investigative procedures by other competent authorities,
- /// frequent changes of directors and members of the Management Board, absence of a Supervisory Board since 2017, and lack of transparency in operations,
- /// numerous changes in the legal regulations and insufficient compliance with legal provisions, i.e., lack of implementation in practice, the enterprise does not possess complete and relevant documentation for accurate, continuous, and comprehensive recording of its assets, liabilities, receivables, revenues, and expenditures. Consequently, it is unable to ensure proper legal compliance in its operations and fails to uphold the fundamental principles in the performance

of activities of public interest, such as service reliability, continuity and quality, transparency, accessibility and universal service, and consumer protection.

As a result, we were unable to confirm the reported values of:


Tangible assets – 1.971.377.000 denars (land, buildings, equipment, transport vehicles, assets in preparation): PE SOSS does not possess government decisions or title deeds as evidence of acquired usage or ownership rights for the allocated facilities. It lacks historical data on the value, and no inventory has been conducted for several years.

Neither the founding decision of PE SOSS, its Statute, nor the 2002 Law on Sports specifically defines or lists the sports facilities that fall under the management of PE SOSS. Furthermore, amendments to the Law on Sports in 2013 required the Government to adopt individual decisions to transfer ownership rights of sports facilities of local significance to local self-government units, but such decisions were never issued.

These circumstances have resulted in PE SOSS lacking accurate data and information about the state-owned sports facilities under its management, and being unable to register them in public records, which poses a risk of unlawful handling of state property.

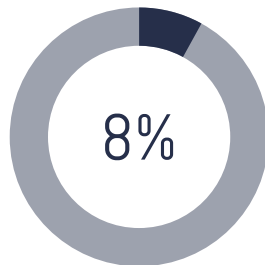
We were also unable to confirm that the revenue for 2023 in the amount of 6.212.000 denars originated from all active contracts following the agreed lease amounts.

REVENUE FROM LEASING PROPERTY BASED ON CONCLUDED CONTRACTS



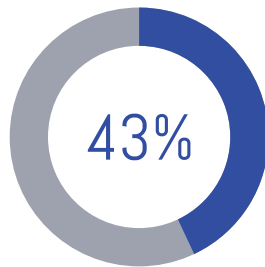
<p>PE SOSS does not maintain records of the leased properties (location, area, cadastral data, functionality of the property, information on concluded contracts and annexes to the contracts, duration and amount of the lease, method of payment)</p>	<p>1</p>
<p>We were not able to confirm that PE SOSS regularly issues monthly invoices for 56 contracts, because there is no updated information on the functionality of the leased properties or whether the lessee is operating or not</p>	<p>2</p>
<p>Use of the properties is allowed for up to 30 years, without a clause for their return upon expiration of the term, and they may be subleased</p>	<p>3</p>
<p>PE SOSS does not have documentation to confirm the investment/ current expenditures made by the lessees as a basis for exemption from paying rent</p>	<p>4</p>

Receivables from buyers under concluded contracts for leasing sports facilities and/or parts thereof:



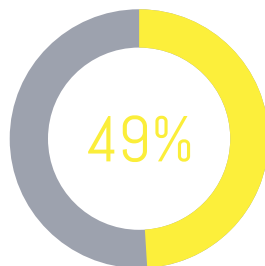
Or 16.553.000 denars under agreements or annexes to lease agreements concluded in the period 2002 – 2023

The invoices do not contain information about the number and date of the concluded agreement/annex to confirm the legal basis and accuracy of the lease amount.



Or 87.763.000 denars – recorded "collectively"

Not broken down by individual clients; carried-over balance from previous periods; PE COCC does not possess financial documentation.



Or 98.004.000 denars – recorded "by clients"

Carried-over balance from previous periods; PE COCC does not have documentation to verify the value, legal basis, age structure, and collectability.

There is a real possibility that 92%, or 185.767.000 denars of the recorded receivables may not be collected.

Regarding **unpaid salaries to employees and unpaid compensations to members of the Management Board amounting to 61.448.000 denars**: no acts or decisions were presented to determine or calculate the salaries of employees, no government approvals (as the founder), and no personnel files were available. In 2023, four individuals were employed, including two acting directors, and salaries and compensation were paid through cessions and assignments.

For **liabilities toward suppliers** amounting to 32.465.000 denars, we found that for 30% of this amount, or 9.890.000 denars, there was no information regarding the name of the supplier, making it impossible to determine the validity and legality of these obligations. Additionally, 9.426.000 denars, or 29% of the liabilities, were unpaid debts for electricity, water and sewage services, postal services, etc.

Liabilities for: value-added tax, personal income tax/payroll tax, profit tax, taxes and contributions for salaries and compensations, estimated

at 111.870.000 denars, are not reconciled with the balances in the trial balance and do not correspond with the data published by the Public Revenue Office on unpaid debts as of 31.12.2023 on the same grounds.

Despite amendments to the Law on Sports published in the Official Gazette of the Republic of Macedonia no. 148/13, under which the legal basis for PE SOSS's operation ceased as of 1 May 2017, the enterprise continued to operate uninterrupted. The governments of the Republic of North Macedonia, elected after the early parliamentary elections in December 2016, continuously appointed directors and Management Board members of PE SOSS through to 2023. Since the last dismissal of Supervisory Board members in 2017, PE SOSS has functioned without a supervisory body.

We analyzed lease agreements for some of the facilities assigned for use to other legal entities. To verify these findings, the State Audit Office contacted the competent cadaster agency and determined that:

- /// Facilities are leased for long periods (20–30 years), with low rental fees relative to the space provided, and the lessees are permitted to sublease the premises.



There is no documentation regarding changes recorded in the property title deeds related to ownership arising from legalization, privatization, or other grounds.

OPEN SWIMMING POOL "KALE" – SKOPJE

No documentation was presented to confirm the investment contributions made by the lessee as stipulated in the lease agreements.

PARTIZAN – CITY PARK



/// Public-interest property is being alienated through enforcement procedures.

/// Despite contract terminations, lessees continue to occupy the premises unlawfully.

The failure of local self-government units to take over these facilities has led to further neglect and deterioration, and misuse for non-sport purposes as well as unauthorized occupation.



"PARTIZAN HALL IN GJORCHE PETROV" – SKOPJE

/// There is no evidence that the property (approximately 781 m²), which, according to a co-investment agreement with GTD Beton Strumica AD Strumica, belongs to PE SOSS, was ever received into its possession, nor is there proof that the facilities were constructed.

We called the attention of the competent authorities (the responsible ministry and the founder of PE SOSS) to the need to identify all facilities under the jurisdiction of PE SOSS and their legal status, and to reassess the legal and financial implications of all lease agreements concluded between PE SOSS and third parties. This should serve as a basis for taking measures to minimize legal and financial risks and to safeguard state property.

In terms of continuity of operations, we disclosed the failure to take measures and activities to implement legal provisions by the Government and the Agency for Youth and Sports after the abolishment of PE SOSS. As a result, the enterprise continues to operate in 2024, retains an active status in the Central Registry, the employment status of staff remains unresolved, new liabilities and operating losses continue to be generated, along with further losses of state assets.

We emphasized the issue of a court-ordered payment of 78.363.000 denars that PE SOSS is required to pay to the lessee of the "Olympic Pool" facility in Skopje. The liability stems from a contract signed in 2004 and an annex from 2006, which extended the lease period until 2035 and provided for advance recognition and payment of rent for 373 months (31 years) of 20.682.000 (336.288 euros), based on invoices for investments made in the facility. The invoices were not submitted for audit, and it is uncertain whether PE SOSS possesses them.

5.2.14.3.

COMPANY FOR CONSTRUCTION, MANAGEMENT, AND LEASING OF THE MULTI-PURPOSE HALL "BORIS TRAJKOVSKI" DOOEL SKOPJE

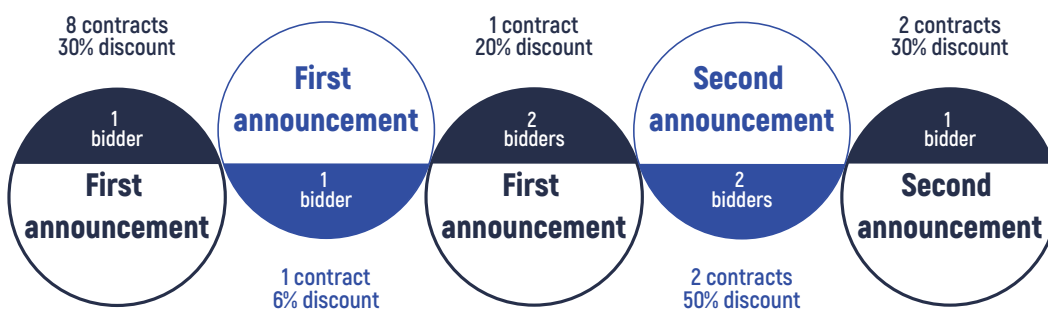


The State Audit Office conducted an audit of the financial statements along with a compliance audit of the company for construction, management, and leasing of the multi-purpose hall "Boris Trajkovski" Dooel (Single-Member Limited Liability Company), Skopje, for 2023.

The company's primary activity is to enter into lease agreements for the business premises under its management and to generate income from lease payments. Leasing is conducted through electronic public bidding in line with the Law on Sale and Leasing of Business Premises of the Republic of North Macedonia, which also serves as the basis for determining the rental price.

The audit found that the company had 24 active lease contracts, of which 3 were concluded between 2011 and 2013 without a public bidding process. These contracts were concluded for four years and were later extended through annexes under the same terms and conditions, without consideration of the current market conditions.

From the analysis of the concluded lease agreements, the auditors found that in 2 contracts, the rental price achieved through public bidding was higher than the initially set price; in 5 contracts, the price remained unchanged; in 14 contracts, the achieved rental price was lower than the initially estimated price, with discounts from 6% to 50%.



LEASE CONTRACTS WITH 6% - 50% DISCOUNT

In addition to the above revenue, the company also generates revenue from sales of goods and services on different grounds, which in 2023 represented 74% of total sales revenue. Compared to 2022, the revenue decreased by 3%, while compared to 2021, it

increased by 33%. The revenue for the period 2021-2024, by sales location, is presented in the following chart:



The analysis results show that revenues from the swimming pool, ice rink, small hall, bowling alley, congress hall, and ping pong center have continuously increased over the past three years,

a trend that continued into 2024. However, the Aqua Park shows a declining revenue trend, and in 2024, it was not operational and has not generated any income.

The expected revenue from the Aqua Park for 2023 was not achieved. The total realized revenue was 4.290.000 denars, which is 41% less than planned. In 2024, the Aqua Park was closed due to the economic unfeasibility of operations and the expiration of the ten-year warranty period on installed equipment and installations, during which the contractors guaranteed the quality of work.



The audit also highlights uncertainty regarding the continued operation of the installed "solar system", which consists of solar panels and heat pumps for heating the swimming pool. The company previously spent around 26.000.000 denars on the procurement of this system, while its current book value is 2.856.000 denars. The system was put into operation in 2014 and operated intermittently until 2023. Due to identified technical deficiencies in the solar panels, the system is non-functional, and no suitable replacement solution has been found.



Furthermore, the audit notes a missed opportunity by the company "BORIS TRAJKOVSKI" DOOEL Skopje to manage the parking lot, over which the company has obtained legal usage rights. As a result, no revenue has been generated for years from leasing the parking lot to visitors.

During the OSCE Chairmanship of the Republic of North Macedonia from 30 November to 1 December 2023, and following a government recommendation, the company provided the Ministry of Foreign Affairs (MoFA) with logistical support and assistance for adaptation and external arrangements of the company's premises for the event, executed by the MoFA. After public procurement procedures, MoFA signed several contracts with a total value of 124.234.000 denars. The audit found that no records (minutes) were submitted by MoFA confirming the works performed and goods/equipment installed and retained by the company. In addition, the terms of the cooperation agreement between the two institutions were not followed, as the executed works and installed goods/equipment have not yet been officially handed over to the company's possession.

The audit also identified other shortcomings, including weaknesses in cash handling, inventory recording of raw materials and supplies, and incomplete physical inventory, undefined supervisory responsibilities for the Supervisory Board, weaknesses in the systematization act and the acts regulating salary calculation, along with other irregularities and non-compliances.



5.2.15

LABOR AND SOCIAL POLICY

5.2.15.1

PENSION AND DISABILITY INSURANCE FUND OF THE REPUBLIC OF NORTH MACEDONIA, CENTRAL OFFICE SKOPJE



The State Audit Office conducted the mandatory annual audit of the financial statements along with a compliance audit of the Pension and Disability Insurance Fund of North Macedonia (the Fund) for 2023.

Despite the Fund being subject to annual audits, with this audit, we identified the following shortcomings:

- /// Failure to record assets as fixed assets in the accounting books, obtained through bankruptcy proceedings, amounting to 123.601.000 denars, for which the Fund has ownership or transferred right of use.
- /// The inventory of assets and liabilities was not conducted in full.
- /// Written off movable assets of 6.679.000 denars were deleted from the accounting records without a government decision and without conducting a procedure for their destruction or disposal.
- /// Lack of data on the total collected funds from excise taxes and on the completeness of revenues collected on this basis.
- /// At the end of each year, the account for payment and allocation of contributions

holds monetary funds, some of which are unidentifiable contribution payments and cannot be used for pension disbursements.

- /// A 20-year lease agreement for office space was signed without conducting the appropriate procedure.
- /// Weaknesses in the implementation of procedures and execution of public procurement contracts.
- /// Weaknesses in the process of assigning and verifying eligibility for housing in pensioners' residential facilities managed by the Fund.
- /// Weaknesses in the security and safety of the IT system.

In June 2022, following a public call and procedure, the Managing Board appointed a director of the Fund, but the Government did not give its consent, which is not in compliance with the Law on Pension and Disability Insurance. In March 2023, nine months later, the Government issued a decision not to give consent to the Board's appointment of the director, which negatively affects the quality of management, operations, and the exercise of the director's rights and obligations as defined by the law.

During 2023, procurement was carried out for ongoing maintenance and construction-craft works on the Fund's office buildings at the central office, branches, offices, and pensioners' homes. Contracts and annexes totaling 35.883.000 denars were signed, but implementation weaknesses were identified. Specifically, for positions offered at minimum prices, no orders were made during

the contract execution. The contract was executed only for a few work positions, which, compared to other bidders deemed unacceptable were priced 2 to 22 times lower.

The Fund continues to face a shortage of qualified and trained personnel in key operational departments, regional units, the IT Sector, and the Internal Audit Department, significantly affecting service quality and operations.

In 2023, the Fund engaged 206 individuals under service contracts for periods of 2 to 12 months. Consent was obtained from the Ministry of Finance for their engagement in tasks according to the job classification system. Payments made amounted to 50.377.000 denars. However, there is no attendance record for these individuals, creating a risk of payment to persons who were not present at work or did not fulfill their duties. The contracts did not include a requirement for reporting on completed tasks, which prevents assurance that tasks and obligations were met. Many contracts were not signed by the contractors.

Issues were also identified related to the execution of work obligations in regional units and their conditions, as follows:

- /// Lack of promptness in operations with unresolved cases dating back several years.

- /// The working time tracking system is non-functional.
- /// Inappropriate distribution of tasks between employees and contracted individuals, with some regional units being overburdened and requiring new hires.
- /// Poor hygiene conditions in offices and damaged Fund signage, with a need for building renovations, especially in shared facilities with the Health Insurance Fund.
- /// Files are stored in unsuitable conditions, risking damage from theft, humidity, flooding, and file destruction.
- /// Weak communication and coordination between regional units and the Central Office in Skopje.

CONDITIONS FOR STORING FILES IN THE FUND'S REGIONAL UNITS

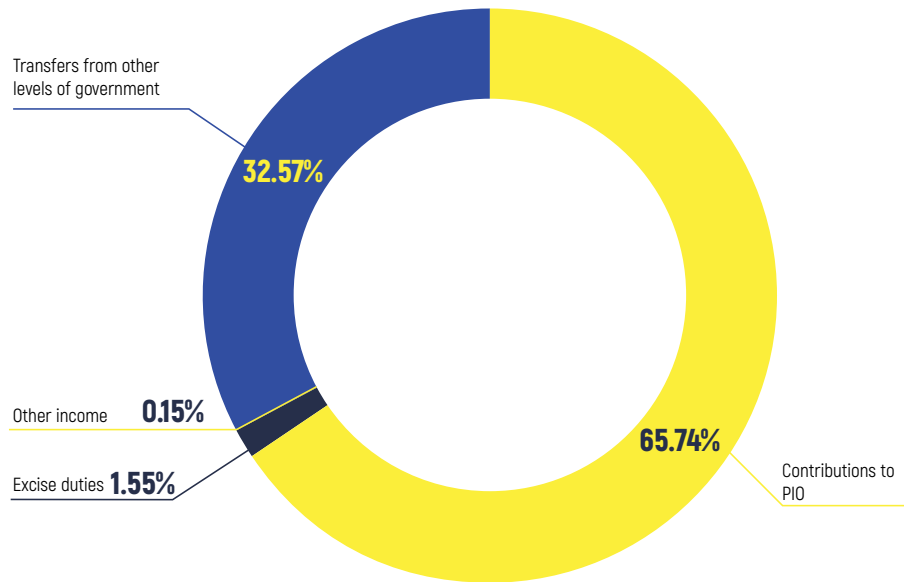


Weaknesses have also been identified in the functioning of the established internal controls within the process of handling pension files and the disbursement of pension benefits. This process is

conducted through an electronic system, and the weaknesses affect the timeliness and accuracy of the calculation and payment of pensions.

Concerning the key audit question about the ongoing financial shortfall faced by the Fund, it has been noted that revenues from collected pension and disability insurance contributions from salaries in 2023 increased by 13% compared to the previous year, 2022, reaching 63.340.987.000

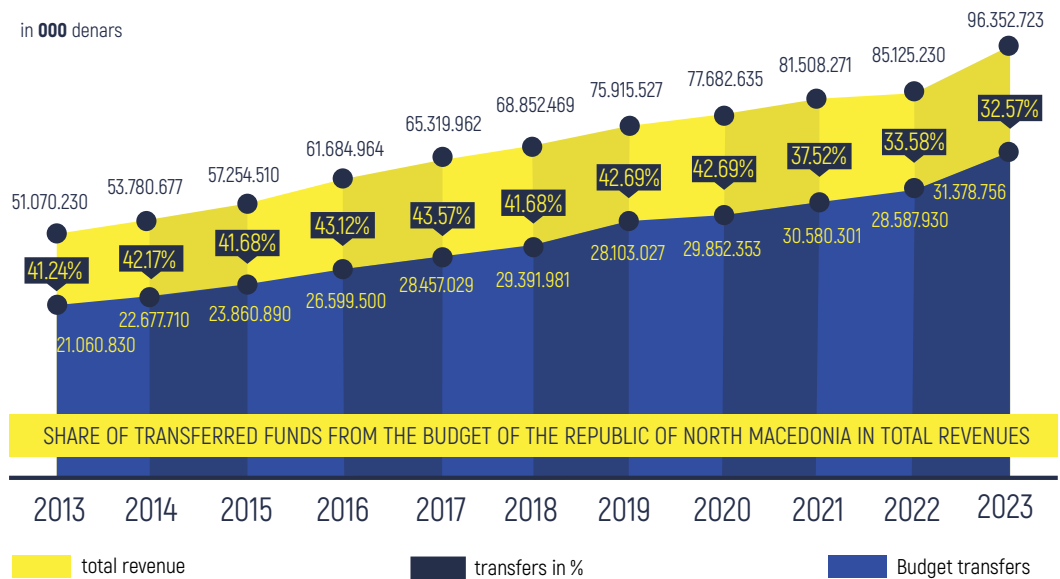
denars, i.e., 65.74% of the total realized revenues. However, the revenue growth achieved in 2023 is still insufficient to cover the expenses for social benefits, which continue to increase annually.



STRUCTURE OF THE PDIF REVENUE IN 2023

The trend of the share of transferred funds from the Budget of the Republic of North Macedonia in total revenues for the period from 2013 to 2023 is

shown in the following chart:



The above data indicate that the percentage of funds allocated from the State Budget increased continuously until 2018, and starting from 2019, it began to show a decreasing trend. In 2023, the share of transferred funds from the State Budget amounted to 32.6%.

In December 2023, the number of insured persons was 573.372, while the number of pensioners was 337.814, resulting in a pensioner-to-insured ratio of 1:1.70. This marks a slight decrease compared to 2022, when the ratio was 1:1.71.

In the section Other Matter, we note that the Law on Financial Support for Socially Vulnerable Categories of Citizens was adopted in December 2023, under which payments were made to beneficiaries of special allowance, beneficiaries

of compensation due to disability, single parents registered for guaranteed minimum assistance, and pension beneficiaries receiving pensions up to 19.000 denars.

Under the provisions of the said law, funds amounting to 1.243.322.000 denars were paid to pension beneficiaries during the pre-election period from February to April 2024. This conflicts with the requirements of Article 8-a of the Electoral Code, which stipulates that salaries, pensions, social assistance, or other payments and material compensations from budgetary funds or public funds that are not regular monthly payments cannot be made during the election period.

DISBURSEMENT OF FUNDS UNDER THE LAW ON FINANCIAL SUPPORT FOR SOCIALLY VULNERABLE CATEGORIES OF CITIZENS IN 2023 AND 2024

Description	Budget section			Total
	MLSP	"PDIF"	MES	
paid after 14.02.2024 after the announcement of the elections by April 2024 and in the Ministry of Education by June 2024 until the election of the new Government	102.902	1.243.322	404.325	1.750.549
Total: (MES payment by September 2024)	171.142	2.137.087	781.139	3.089.368

5.2.15.2

EMPLOYMENT AGENCY OF THE REPUBLIC OF NORTH MACEDONIA

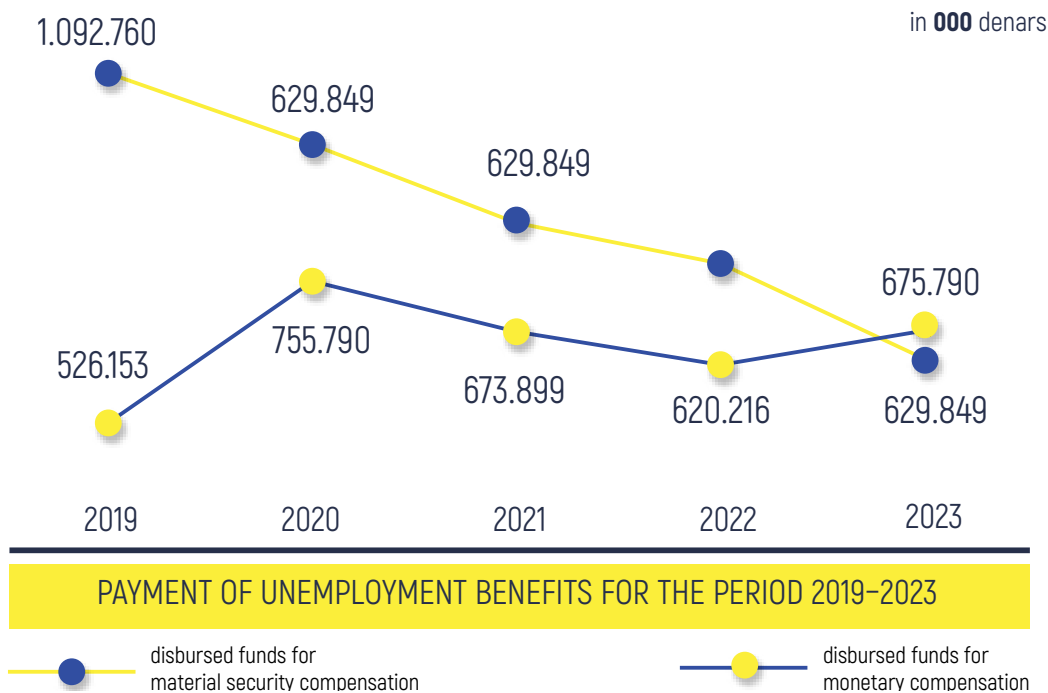


Photo source: Employment Agency of the Republic of North Macedonia

The financial statements and the compliance of operations with legal regulations, guidelines, and policies in place of the Employment Agency of the Republic of North Macedonia (EARNM) are subject to audit for each reporting period.

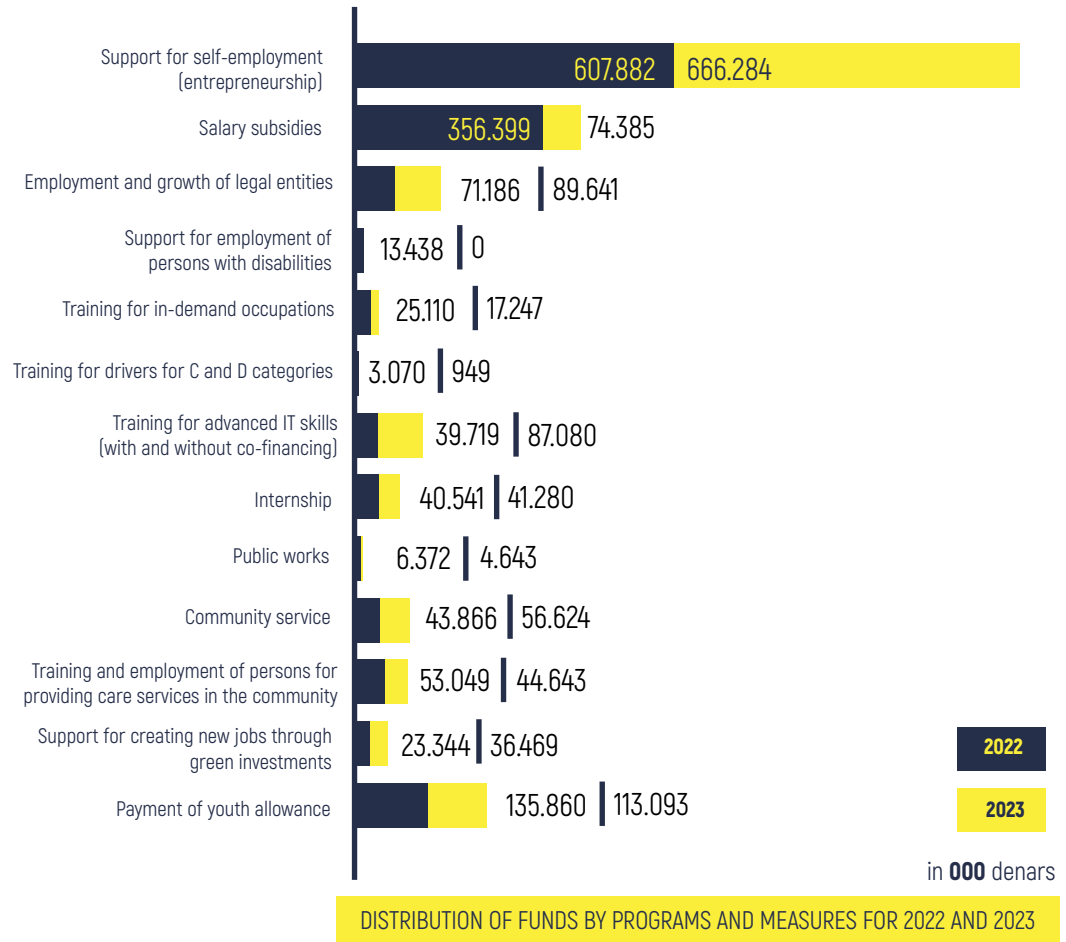
Despite the annual audits of EARNM for the reporting period 2023, we identified shortcomings in several areas, as follows.

For the payment of unemployment benefits in 2023, funds in the total amount of 1.305.639.000 denars, or 21.229.902 euros, were disbursed. These payments show a decreasing trend compared to 2022, with 102.071.000 denars less disbursed.



In the payments made under this expenditure category, it was found that for some of the audited cases, the documentation was incomplete, i.e., some of the required documentation was missing, due to the lack of diligence in the work of certain employment centers. Additionally, some documents are provided or prepared after the legal deadline, which is due to the absence of an established electronic data exchange and interconnected records between the Agency and the Pension and Disability Insurance Fund.

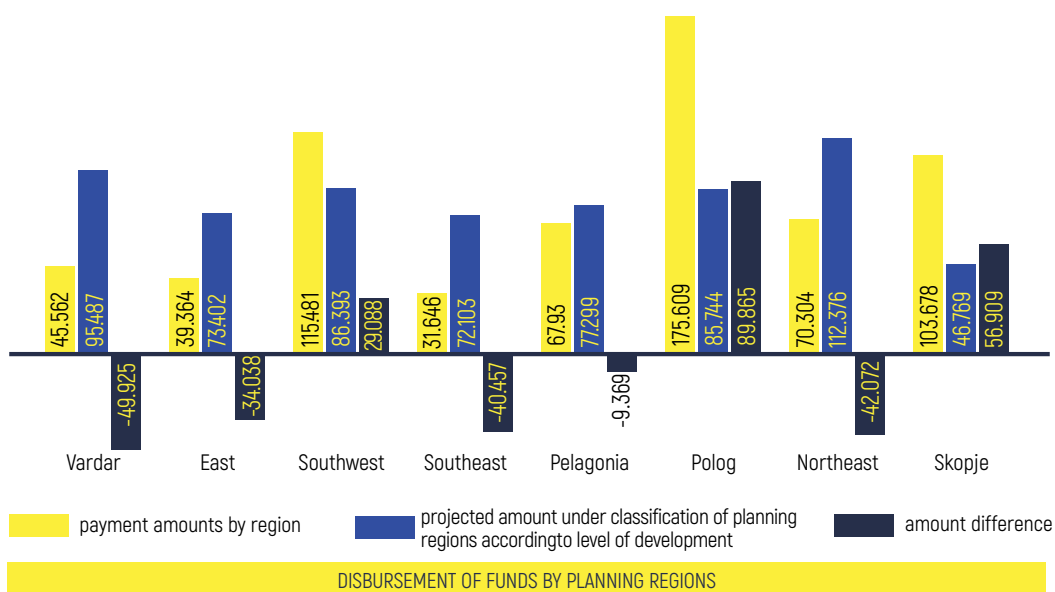
For the implementation of 14 employment programs and measures provided in the 2023 Operational Plan, funds amounting to 1.239.596.000 denars or EUR 20.156.033 were disbursed. This is a 13% decrease compared to 2022 (1.420.003.000 denars or EUR 23.089.480).



Most of the funds for active employment programs and measures are allocated to support measures for self-employment (entrepreneurship).

One of the criteria for granting funds for active employment measures is balanced regional development. However, in the allocation of these funds, the principle of balanced regional development across the eight planning regions, as defined in the operational manual and operational plan, was not respected.

In some planning regions, higher amounts were paid than the established participation percentages in accordance with the Decision for classification of planning regions by level of development. Typically, lower funds were paid to regions in the central and eastern parts of the country, while higher amounts than determined were paid to the Skopje planning region and regions in the western part of the country. In some cases, the excess amounts were up to four times greater than the total amount defined by the decision.



Regarding internal controls related to the earmarked and legal use of funds allocated for active employment measures, the audit found that they are neither adequate nor sufficient. Most of the inspection reports refer to formal checks with general wording, without a detailed description of the purpose for which the funds were used, i.e., the equipment procured with the subsidized funds.

In 2023, for the measure Training in advanced IT skills, 87.080.000 denars or EUR 1.415.935 were disbursed, representing an increase of 47.361.000 denars or 54% compared to 2022. The audit found that the number of candidates who successfully passed the prescribed exam after completing the training was low, 22% as of September 2024. Given the significant amount of funds used for this activity, the findings indicate that the measure did not achieve its full impact, as most candidates did not complete the training or pass the exam.

Weaknesses and deficiencies were also found in the public procurement processes for:

- /// Fuel (pellets), totaling 2.100.000 denars or EUR 34.146, where the market price of pellets at the time of delivery was more than twice as low as the contracted price.
- /// IT equipment procurement – personal computers, laptops, and printers – where a contract of 20.587.000 or EUR 334.800 was concluded and fully realized in 2024.

This raises concerns regarding the economic, effective, and efficient use of funds and compliance with the core principles of the Law on Public Procurement.

The audit also identified inappropriate regulation of salary rights for the Director and Deputy Director. Instead of regulating this through a management contract between the appointed director/deputy director and the Government, the right was regulated by a collective agreement at the employer level, which does not follow the Law on Employment and Insurance in the Case of Unemployment.

5.3

PERFORMANCE AUDITS AND COMPLIANCE AUDITS

5.3.1.

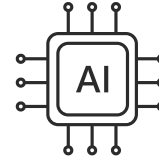
ARTIFICIAL INTELLIGENCE

5.3.1.1.

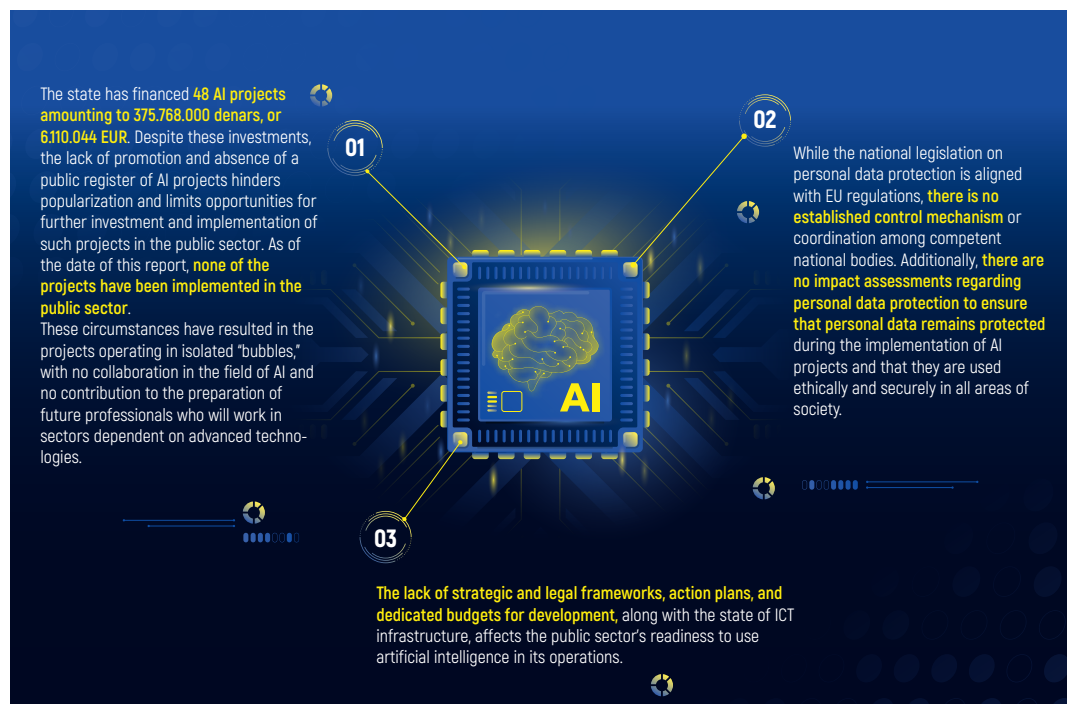
OPPORTUNITIES FOR THE USE OF ARTIFICIAL INTELLIGENCE IN THE PUBLIC SECTOR

We conducted an IT performance audit on the topic **“Opportunities for the Use of Artificial Intelligence in the Public Sector”** to answer the question: **Is the public sector prepared to use artificial intelligence in its activities?**

The IT performance audit was carried out under the Annual Work Program of the State Audit Office for 2024. This audit was also conducted as a parallel audit within the EUROSAI IT Working Group, coordinated by the SAI of Israel, with participation from SAIs of 11 EUROSAI member countries.



A national strategy and legal framework to establish the rules for implementing artificial intelligence (AI) projects in the public sector has not yet been adopted. This gap is currently being addressed by incorporating AI-related challenges into other national strategies. Due to the absence of a dedicated AI strategy, no action plans have been developed for applying AI in the Republic of North Macedonia, with defined timelines, responsibilities, and accountability. Additionally, a dedicated budget for the implementation of AI projects has not been defined. Investments in ICT infrastructure for advanced research resources, such as supercomputers, specialized servers for big data processing, and machine learning—or the development of technology centers—are minimal, which contributes to reduced interest in AI-based projects.



In December 2018, an Open Data Portal was established—a dynamic ecosystem of open data where uploaded information is accessible and utilized by various stakeholders across the public, private, academic, and civil society sectors. According to most global and regional indexes for digital maturity, open data, and national AI readiness, **North Macedonia ranks below average, primarily due to a shortage of advanced digital skills, insufficient investment in digital infrastructure, and a need for improvements in public administration.**

Between 2018 and 2023, **48 projects that use AI to solve specific problems** were funded through the Fund for Innovation and Technological Development. The total value of the funded projects amounts to **375.768.000 denars or 6.110.044,42 euro**, with the co-financing amount being 267.104.000 denars or 4.343.161,75 euro. In the absence of an AI project registry for upgrades and use in the public sector, as well as the lack of appropriate national strategies and action plans, education, and infrastructure development, AI is not expected to be implemented as a daily tool in the public sector soon.

The NLP (Natural Language Processing) projects being developed in North Macedonia hold significant importance for the perception of AI in the country, particularly regarding the preservation of the Macedonian language and its dialects. These projects have the potential to improve automatic text processing in Macedonian and to aid in the

development of advanced tools in healthcare, legal services, education, and business.

The Republic of North Macedonia has a foundation for monitoring the ethical components of AI projects. However, there is no formalized mechanism to fully regulate all aspects of ethics in the implementation of AI.

The recommendations refer to activities to be taken by the Ministry of Digital Transformation, in cooperation with the Government of the Republic of North Macedonia and other systemic stakeholders – **to establish a strategic and legal framework for AI implementation; to improve the existing ICT infrastructure; to create a centralized database of AI projects for further development and implementation in the public sector; to strengthen digital maturity and readiness for AI use in the public sector; to improve communication and collaboration between public administration, academia, and the business sector for AI project development; to establish a mechanism for the protection of personal data during the implementation of AI projects.**



5.3.2.

IT SYSTEMS AND DATA SECURITY AND PROTECTION

5.3.2.1.

COMPLIANCE OF DATA SECURITY PROCEDURES FROM THE CENTRAL POPULATION REGISTER

The State Audit Office conducted an IT compliance audit on the topic **"Compliance of Data Security Procedures from the Central Population Register"** at the Ministry of Digital Transformation, the legal successor of the Ministry of Information Society and Administration (MISA), for the period 2019 - 2024.

Based on the scope and the evidence obtained through the application of audit techniques and methodology, we obtained reasonable assurance to express the following conclusion:

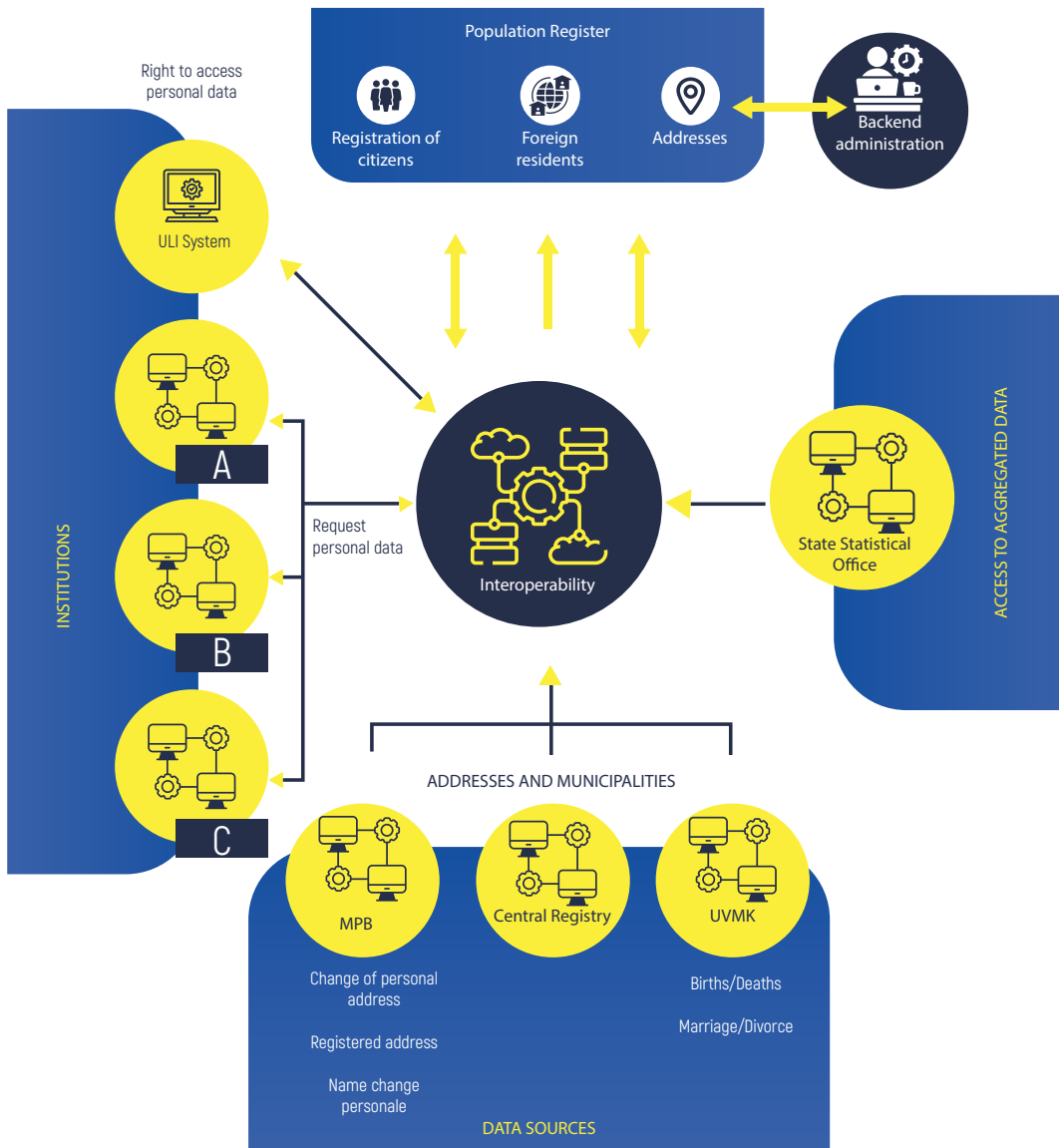
Based on the audit performed, we concluded that except for the issues concerning human resource capacity, undefined sensitive job positions, lack of procedures for activities related to the operation of the Central Population Register (CPR), absence of procedures for determining compliance with data quality standards, lack of defined standards for IT security implementation, and the absence of systemic controls for data exchange between institutions that would prevent bypassing of the CPR, all material aspects comply with the relevant legal and sub-legal regulations, strategic documents, agreements, and established policies.

The Central Population Register is an integrated database of personal data concerning the population of the Republic of North Macedonia and is maintained in electronic form by the Ministry of Digital Transformation²⁷. This integrated database is generated through the automatic integration of data from individual databases managed by the competent authorities: the Ministry of Internal Affairs, the Ministry of Digital Transformation – Civil Registry Office, and the agency responsible for managing the address register of the Republic of North Macedonia.



²⁷ On 17 December 2024, amendments to the Law on Civil Registry were adopted, whereby instead of being an authority within the Ministry of Justice, the Administration becomes an authority within the Ministry of Digital Transformation. Official Gazette of the Republic of North Macedonia No. 255/24



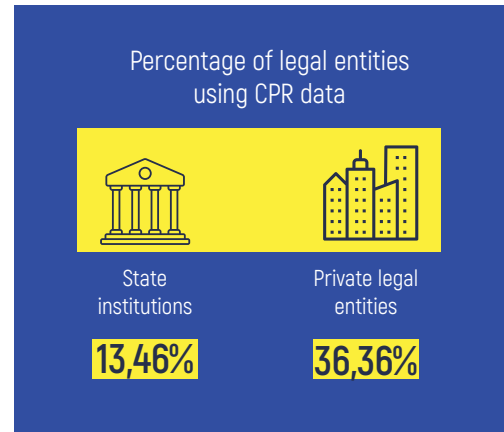


According to the provisions of the Law on the Central Population Register, the proper maintenance of individual databases is regulated, as well as the access to and processing of the data contained in the register by other entities concerning the personal data of the citizens of the Republic of North Macedonia, as well as data on foreign nationals with regulated residence in the Republic of North Macedonia for more than one year.

The audit covered the following areas:

- /// Legal framework, and
- /// Security of personal data in the CPR and the data sources.

From the analyses conducted on the implementation of laws and bylaws relating to the Central Population Register, we found a lack of mechanisms to verify standardized data quality in the data sources, absence of a Rulebook on standards and rules for the security of information systems used by the electronic communication authorities, and inconsistencies regarding the integration and synchronization of data from the sources in real time. **Furthermore, the register of legal entities with access to the CPR does not contain complete data on these entities.**



The audit found an insufficient number of employees engaged in performing tasks across several sectors and departments, a lack of heads for multiple departments and sectors, undefined sensitive job positions in the act for job classification in the Ministry of Digital Transformation, and the absence of procedures for CPR-related activities by both MISA and the Ministry of Digital Transformation.

Based on the analysis of submitted data and reports on accessed data from the CPR, we found that since the register's establishment, **19.769.806 data calls have been made**, of which **44.261 were unsuccessful**. The success rate of the calls was 99.78%. In 2024 alone, **1.634.415 calls were made**, with **23.658 unsuccessful**, resulting in a success rate of **98.55%**.

In terms of personal data security within the CPR and its data sources, **we found an absence of systemic controls for data exchange between institutions to prevent bypassing of the CPR**. There is also **a lack of written procedures for granting access to legal entities using the data**, as well as control mechanisms to confirm compliance with the minimum administrative security standards of the systems at the data sources.

In the section Emphasis of Matter, we point to the implementation of amendments to the Law on the Central Population Register, which define that "inspection supervision over the application of the provisions of this law, other regulations and general acts adopted based on this law shall be

carried out by the department responsible for inspection supervision within the Ministry." The Ministry has not amended its internal organization and job classification acts to enable fulfillment of its legal competencies for inspection supervision.

To overcome the identified issues, recommendations were made aimed at taking measures and activities to improve the situation regarding human resources, preparation and approval of written procedures for the CPR and other systems under the responsibility of the Ministry of Digital Transformation, preparation of manuals and introduction of mechanisms for checking data quality standards, detailed controls to verify minimum physical and administrative security requirements, implementation of systemic controls for data exchange between institutions, and introduction of an automated and coordinated mechanism for monitoring notifications of mismatched personal data contained in the individual databases.

5.3.2.1.

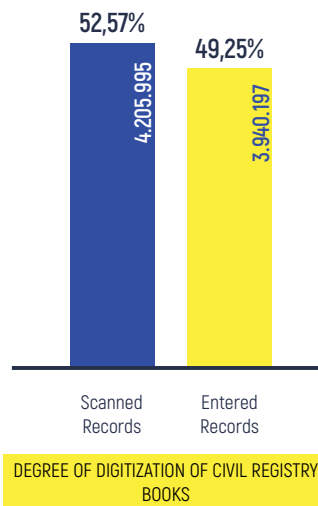
DIGITIZATION OF CIVIL REGISTRY BOOKS

The State Audit Office conducted an IT performance audit on the topic **“Digitization of Civil Registry Books”, to answer the question “Will the digitization of civil registry books and processes in the Civil Registry Office simplify and accelerate services for citizens, and will their quality be improved?”**

In 2014, the implementation of the electronic civil register started, and in 2019, the digitization of civil registry books began in the Civil Registry Office. The degree of digitization of the registry books currently stands at 52% scanned entries and 49% entered records from the planned scope of activities, meaning the digitization of the registry books has not been fully completed.

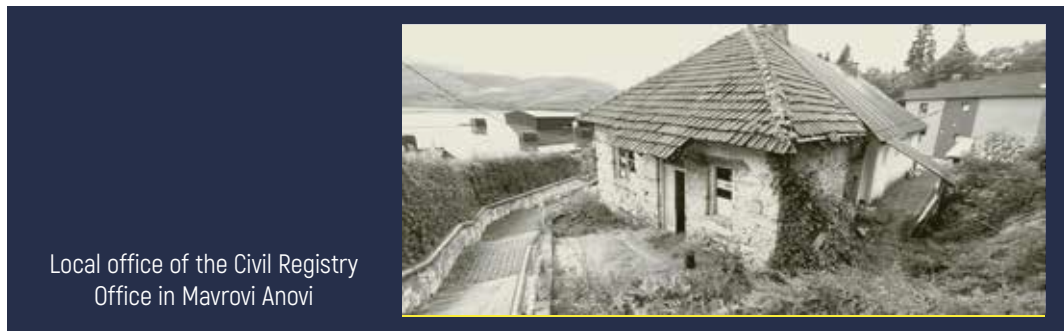
With this level of progress, services for citizens have not been simplified or accelerated, and the quality of data used by institutions, per their legal competencies, has not improved. Project planning without adequate analysis and a detailed action plan for the digitization process has led to an increase in planned funds from 13.116 million denars to 157.400 million denars (a twelvefold increase) while the digitization process remains unfinished

In the absence of defined protocols, a detailed digitization plan, and a centralized record of the civil registry books, the Civil Registry Office cannot determine or monitor the degree of digitization.



8.000.000 records in the civil registry books

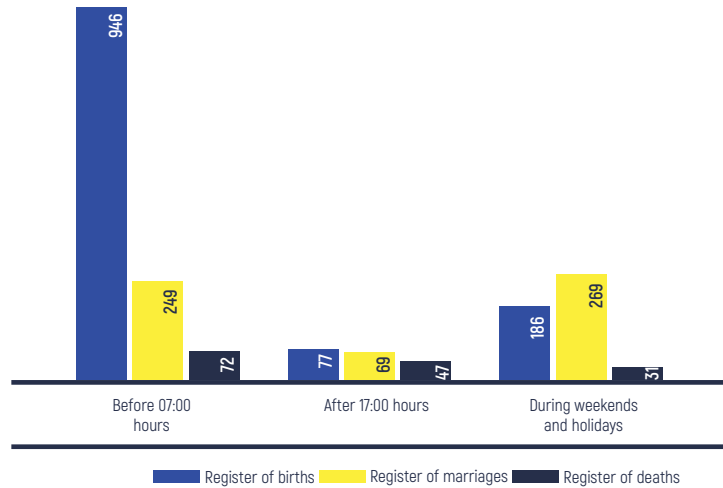
The Office has not provided suitable conditions for storing civil registry books and preserving archival material of permanent value and documentary material, risking damage, loss, or destruction. Legal and sub-legal regulatory inconsistencies, especially concerning templates adopted in 2016, have led to the issuance of birth certificates with incomplete information and non-uniform formats for all citizens. The validation of data entered into the electronic civil register is progressing slowly, and the data exchanged with institutions is not always accurate.



Local office of the Civil Registry Office in Mavrovi Anovi

We identified a shortage of experienced and qualified IT personnel, increasing the risk to the security of the Office's information system. Additionally, untimely and undocumented management of users and their privileges raises the risk of unauthorized access to citizens' personal data and corruption.

Moreover, employees/registrars access the Office and the electronic civil register outside of official working hours, including weekends and holidays. We found that entries and amendments to the register were being made before 06:30 hours and after 22:00 hours **without proper oversight, and that printed registry excerpts were issued during weekends and holidays in multiple local offices.**



Individuals hired under service contracts for "data entry and validation in the electronic civil register for the large-scale implementation of the e-Register project" were assigned other tasks instead of data entry. 30.578.000 denars were paid for this task, even though during the same period, contracts were also concluded through public procurement for scanning registry books and entering data into the electronic civil register.

Sixty-one electronic signature certificates were issued for employees in the Office for signing electronic registry excerpts. We found that **13 registrars never signed an electronic excerpt**, and 92% of all issued electronic excerpts were from the Skopje region.

Recommendations were provided to accelerate the digitization of the civil registry books, improve the security of personal data and the registry itself, enhance the information systems and databases, improve the quality of delivered services, reduce risks of corruption—as a crucial factor for establishing a professional, efficient, and accountable administration—and to take actions that would increase citizen trust in institutions and minimize administrative procedures.

5.3.2.3.

INTEGRATED RESOURCE PLANNING SYSTEM – IRP SYSTEM

We conducted an IT performance audit on the topic **“Integrated Resource Planning System – IRP System”** to answer the question **“Have measures been established and implemented for efficient and comprehensive data protection in the Integrated Resource Planning System?”**

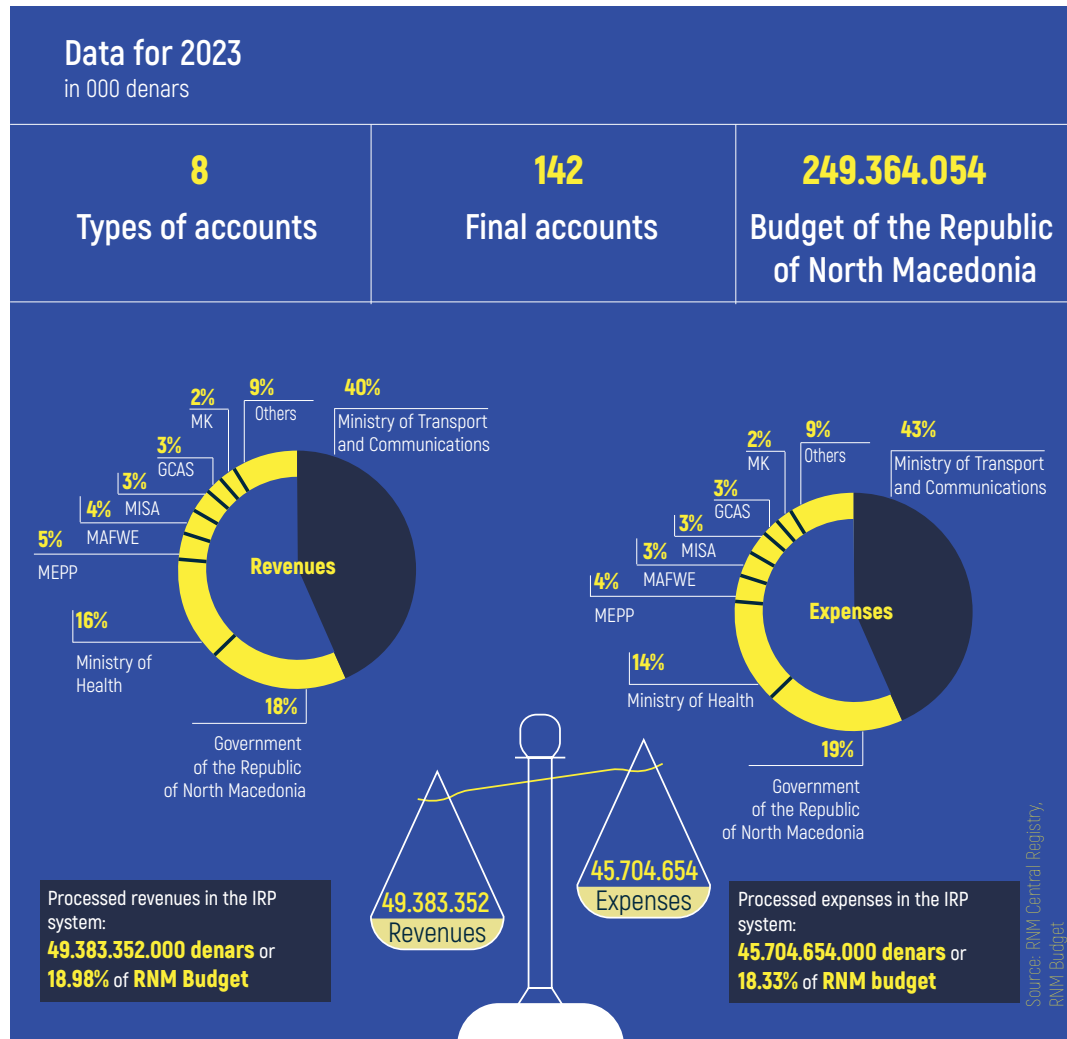
The General and Common Affairs Service of the Government of the Republic of North Macedonia provides accounting and bookkeeping services for several state institutions in the Republic of North Macedonia. To perform these activities more efficiently and in a modern manner, the Ministry of Information Society and Administration and the Ministry of Transport and Communications signed a group procurement agreement in 2014—a public procurement contract for an IRP system for the state institutions receiving services from the General and Common Affairs Service of the Republic of Macedonia. As the entity responsible for implementing the procurement, the Ministry of Information Society and Administration concluded a contract valued at 1.743.000 denars. Following the procurement, the IRP system was installed and has since been used by the Service to meet the needs of its service users.

The Ministry conducted a public procurement procedure to ensure preventive and adaptive maintenance of the Integrated Resource Planning System. For this purpose, in 2019, a contract worth 7.080.000 denars was concluded for 12 months. In

2022, another contract was signed for 14.160.000 denars, valid for 24 months. After the expiration of the 2022 contract, two annex agreements were signed to extend the maintenance contract by a total of 9 months, i.e., until 13 September 2024. At the same time, the contract's value increased by an additional 2.832.000 denars.

Although the IRP system has been implemented since 2016, a legal act regulating the rights and obligations of the Ministry as the system owner and the Service as the user is still lacking. This creates a risk of improper data management.

The system processes data for 40 legal entities, as illustrated in the infographic below.



The audit on the use of modules found the following:

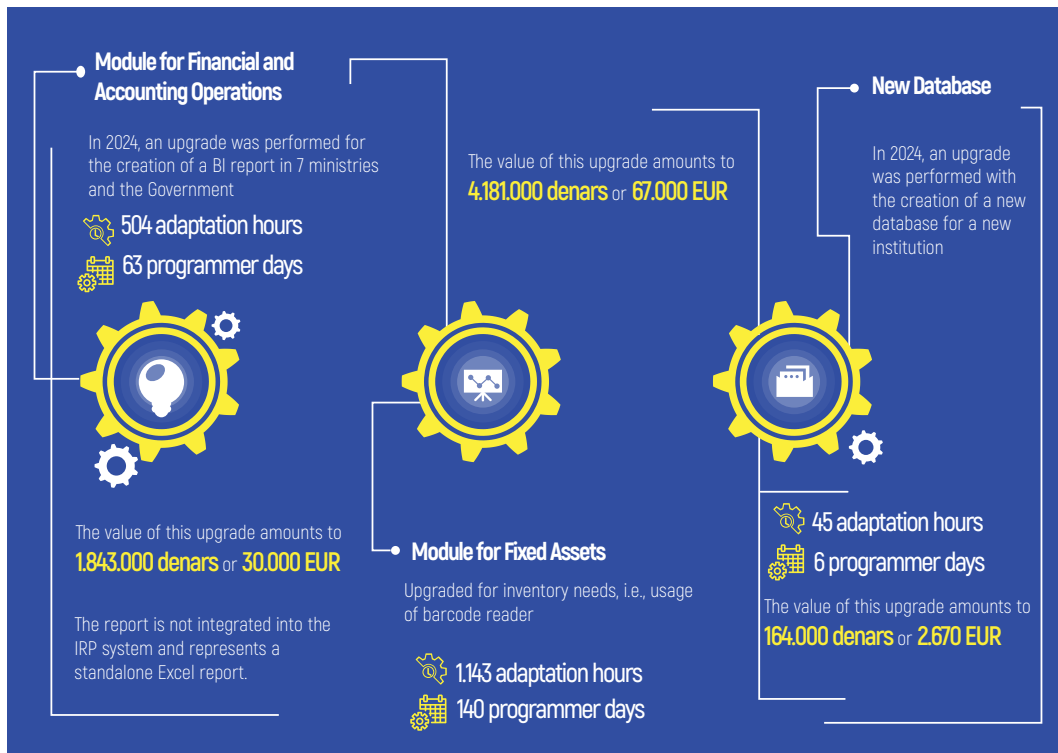
- /// The module for material and warehouse operations with small inventory has been implemented and is used only by two institutions, exclusively for the needs of the General and Common Affairs Service (GCAS) and the Hydrometeorological Administration.
- /// The module for fixed assets is used by 22 institutions. Some of the remaining institutions use additional systems, requiring extra financial resources. Employee and inventory commission member access has not been established, which would allow for more efficient task execution.
- /// The cash management module is used in 15 institutions. In one institution, we found that

cash operations are still conducted manually, despite the module being implemented and available.

- /// The budget management module has not been fully implemented or utilized. The minimum requirements outlined in the technical specification for the system procurement included payment execution and data exchange with the Ministry of Finance—features that have not been implemented. Only part of this module has been implemented: the Treasury submodule and the BI report, which provides three-year historical overviews, but only for 8 institutions and for a fixed period. However, these components are not integrated with the other IRP modules.

/// The contract monitoring module has not been implemented or used. No user guides have been delivered for this module, which was an obligation of the procurement contractor according to the tender documentation.

/// The financial and accounting module is used in 40 institutions.



The IRP system lacks integration among its modules. Maintenance is neither continuous nor timely, as it is not consistently ensured through signed contracts. There are no defined procedures for managing access and data protection, and there is no up-to-date documentation covering the system's configuration.

No actions have been taken for regular backup data verification, and there are no adequate controls in place for monitoring system security. Policies and procedures for regular testing of backup copies are also missing. Workstations run outdated operating systems that no longer receive security updates or vendor support, increasing the risk of security breaches and unauthorized access. VPN access is configured without multi-factor authentication, relying instead on shared passwords, which increases

the likelihood of system compromise. A shortage of human resources hinders the timely and efficient performance of tasks, exacerbated by the ongoing departure of staff due to retirement and the lack of employees with appropriate skills and knowledge.

These conditions, along with the lack of integration of all modules, indicate that the measures identified and implemented are insufficient to ensure the efficient and comprehensive protection of data in the IRP system, thereby exposing it to potential security risks and data confidentiality breaches.

5.3.3.

LABOR AND SOCIAL POLICY

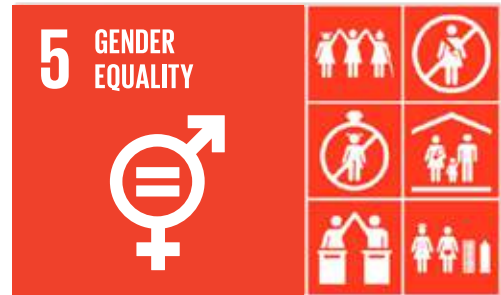
5.3.3.1.

IMPLEMENTATION OF THE COUNCIL OF EUROPE CONVENTION ON PREVENTING AND COMBATING VIOLENCE AGAINST WOMEN AND DOMESTIC VIOLENCE (ISTANBUL CONVENTION), WITH EMPHASIS ON SPECIALIZED SERVICES FOR WOMEN VICTIMS OF GENDER-BASED AND DOMESTIC VIOLENCE

In May 2011, the member states of the Council of Europe signed the Convention on Preventing and Combating Violence Against Women and Domestic Violence. The Republic of North Macedonia signed this Convention in July of the same year, and it was ratified by the Parliament in December 2017. The ratification of the Istanbul Convention obliges comprehensive action against violence toward women in all its forms, by establishing a legal and institutional framework for the protection of women victims of gender-based and domestic violence.

To address the question: **“Do the measures and activities taken by the competent institutions provide effective specialized services for support and protection of women victims of gender-based and domestic violence?”, we conducted a performance audit titled “Implementation of the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence (Istanbul Convention), with Emphasis on Specialized Services for Women Victims of Gender-Based and Domestic Violence.”**

We obtained reasonable assurance that the measures and activities aimed at providing specialized support and protection services for women victims of gender-based violence (GBV) and domestic violence (DV), undertaken by the competent institutions, are not sufficiently effective for the prevention, support, and protection of these victims and their full reintegration.



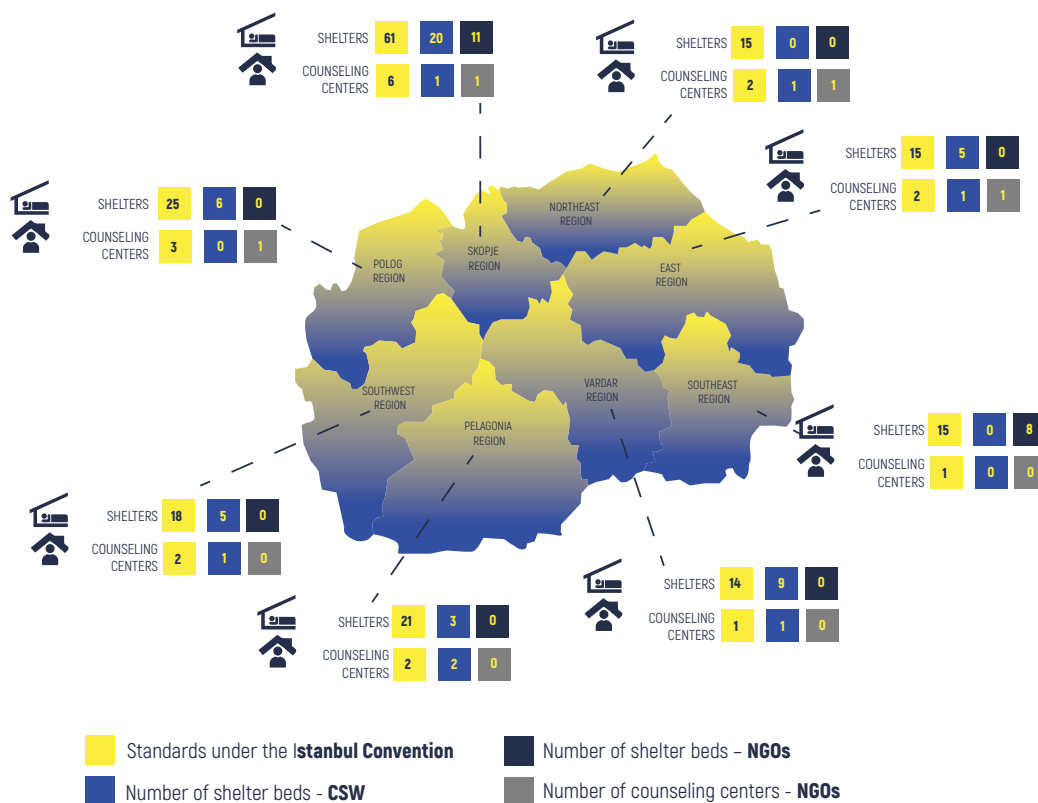
The Action Plan for the implementation of the Convention on Preventing and Combating Violence Against Women and Domestic Violence for 2018–2023 provides a good basis for effective prevention and victim protection. However, of 52 planned activities, 38% were not implemented, and 19% were only partially implemented, indicating that only 22 activities were fully completed. Continuity at the national level for systemic action in this area has not been ensured, as there is no National Strategy for the Prevention and Protection from Gender-Based and Domestic Violence for the period after 2023, nor have several by-laws stipulated in the Law on the Prevention and Protection from Violence Against Women and Domestic Violence been adopted. The reintegration program for victims of violence is general, lacks a defined timeframe, and has no established goals with measurable indicators to be achieved. While the harmonization of the Criminal Code with parts of the Istanbul Convention's requirements provides a solid foundation for the prevention and protection of women victims of GBV and DV, the provision allowing victims to withdraw criminal charges hinders the objective prosecution of perpetrators and the effective protection of victims.

Numerous activities regarding social protection are conducted within the Centers for Social Work, but the planned reorganization has not been carried out, as no functional analysis or work standards have been developed, and these centers face inadequate staffing.

Some civil society organizations that provide specialized services for GBV and DV victims are not licensed, and the licensing procedure for SOS helplines has not been regulated.

Convention, and some of them do not meet the standards for establishment as prescribed by the Rulebook on Standards and Procedures for Their Functioning, in terms of location, equipment, space, and staffing.

The number and geographic distribution of shelters and counseling centers for victims in the country do not meet the requirements of the Istanbul



OVERVIEW OF SHELTER BEDS UNDER THE ISTANBUL CONVENTION AND THE NUMBER OF SHELTER BEDS ESTABLISHED BY THE COUNTRY AND NGOs, BY PLANNING REGION;
 OVERVIEW OF COUNSELING CENTERS UNDER THE ISTANBUL CONVENTION AND THE NUMBER OF COUNSELING CENTERS ESTABLISHED BY THE COUNTRY AND NGOs, BY PLANNING REGION;

An analysis of the costs for specialized services for domestic and sexual violence, which should serve as a basis for realistic planning of the necessary funds, has not been conducted. As a result, it cannot be determined whether the funds provided as a monthly compensation per beneficiary are sufficient to ensure the provision of quality specialized services for victims.

Men are consistently predominant perpetrators of criminal and misdemeanor offenses related to domestic violence. The number of male perpetrators of criminal offenses is 9 to 11 times higher than that of female perpetrators, while the number of male perpetrators of misdemeanor offenses is 3 to 6 times higher than that of female perpetrators.

The ratio between women and men as perpetrators and as victims of criminal and misdemeanor offenses related to domestic violence shows a consistent trend with minor changes.

REGISTERED NUMBER OF PERPETRATORS AND VICTIMS OF CRIMINAL AND MISDEMEANOR OFFENSES RELATED TO DOMESTIC VIOLENCE, BY YEAR AND GENDER

	Reported Perpetrators of Criminal Offenses		Reported Perpetrators of Misdemeanor Offenses		Reported Victims of Criminal Offenses		Reported Victims of Misdemeanor Offenses	
	female	male	female	male	female	male	female	male
2018	84	11.3 953	59	5.8 340	864	4 217	202	0.9 212
2019	82	11.4 931	76	5.8 440	847	3.9 214	305	1.3 229
2020	95	9.8 930	87	5.4 471	840	3.9 212	274	0.9 284
2021	109	9.1 988	74	4.7 348	890	3.4 265	215	1 210
2022	93	11.4 1061	59	5.8 341	942	3.8 249	231	1.3 179
2023	96	10.4 1001	90	3.2 285	883	3.7 240	228	1.4 166

● Female-to-Male Ratio

In terms of the number of reported victims of criminal offenses related to domestic violence (DV), the number of female victims is four times higher than the number of male victims. In contrast, for victims of misdemeanor offenses, the ratio between women and men is nearly equal.

The unchanged ratio between perpetrators and victims of domestic violence (DV) indicates that the activities taken in prevention and victim protection are not improving the situation.

The functionality of the National Coordinating Body needs to be improved to ensure proper coordination in the implementation of policies and measures for preventing and combating all forms of violence against women. Additionally, there is a

lack of an integrated system for recording victims, which makes it impossible to provide accurate, timely, and standardized data from all competent institutions involved in the process of prevention and protection of women victims of gender-based violence and domestic violence, as well as other relevant information for monitoring the situation of violence against women. This data should serve as a foundation for creating appropriate measures for more effective prevention and protection of women victims of GBV and DV.

Without a reintegration process, victims will remain at risk of revictimization, and the country must take responsibility and establish a sustainable system that will offer victims a real chance for a new life free from violence.



5.3.3.2.**PUBLIC INVESTMENTS FOR ENSURING CAPACITY AND CONDITIONS FOR CHILD PROTECTION IN KINDERGARTENS****The State Audit Office conducted a performance audit on “Public Investments for Ensuring Capacities and Conditions for Child Protection in Kindergartens”.**

The audit covered the period from 2020 to June 2024, intending to assess the effectiveness of the measures and activities taken by the relevant institutions to prioritize investments, ensure optimal and increased coverage of preschool children, and support their care and education.

Significant weaknesses were identified in the planning, management, and implementation of investments, resulting in underutilization of allocated funds and a lack of adequate conditions for increasing child enrollment. Thus, public investments in kindergartens have not been sufficiently effective in meeting their objectives.

It was also noted that the program documents for the development of child protection services, as well as for the construction, equipping, and maintenance of child protection facilities, do not contain measurable performance indicators. Moreover, no reports are being prepared to track the achievement of the objective of providing optimal conditions for preschool care and education.

At a national level, there is no systematic legal framework for managing public investments. The registries of kindergarten capacities, which should serve as a basis for investment policy development, are incomplete and not regularly updated.

The audit also revealed discrepancies in the data on child participation in preschool education, depending on the source, i.e., the institution that generates, processes, and publishes data.

Specifically, according to the Ministry of Social Policy, Demography, and Youth in 2023, out of 115.003 children under the age of six, 39.129 were enrolled in kindergartens and early childhood development centers, representing a coverage of 34.5%. In contrast, data from the State Statistical Office show a total of 129.879 children in this age group, with 37.804 attending preschool institutions, which corresponds to a coverage rate of 29%. This inconsistency creates a risk of misinformed policy planning and resource allocation.

Furthermore, with 4.851 children on waiting lists and 75.874 children not enrolled in kindergartens, the question arises whether the limited coverage is due to insufficient capacity or other factors, necessitating further analysis and appropriate measures by the competent institutions.

Given the limited kindergarten capacities, the number of enrolled children continues to exceed the projected capacity, leading to negative consequences for the quality of the educational process.

In September 2023, the enrollment in 31% of kindergartens exceeded their available capacity, and by May 2024, this number rose to 67% of kindergartens. This leads to overcrowded groups, especially in the age groups of 3–4 and 4–5 years, affecting working conditions for educators and the quality of care provided to children.

KINDERGARTEN OCCUPANCY COMPARED TO THE PRESCRIBED NORMS

Description of norm - Number of children in a group	Prescribed number according to standards and norms	Average number filled in kindergartens
under 2 years of age	at least 10 , and at most 12 children	17
between 2-3 years of age	at least 12 , and at most 15 children	27
between 3-4 years of age	at least 15 , and at most 18 children	30
between 4-5 years of age	at least 18 , and at most 20 children	33
between 5-6 years of age	at least 20 , and at most 25 children	25

Although the Ministry of Social Policy, Demography and Youth and some municipalities are making efforts to expand capacities through capital investments, the reality is that a significant number of kindergartens are operating with twice the number of children than their intended capacity.

Financing public kindergartens is done with funds from the state and municipal budgets, IPA funds, World Bank loans, and various donations. A significant financial source is the World Bank loan, amounting to 28.7 million euros, of which 15.1 million euros are earmarked for the construction and rehabilitation of kindergartens.

SOURCES OF FINANCED PROJECTS FOR PUBLIC INVESTMENTS IN KINDERGARTENS
2020 TO 2024

Source of Financing	Number of kindergartens included in construction, extension, and adaptation	Projected capacity for childcare and early education	Number of equipped kindergartens
Budget funds through the Ministry	11	1057	19
Funds from a World Bank loan	16	1961	15
IPA funds	2	320	2
Total:	29	3.338	36



APPROVED AND EXECUTED BUDGET FUNDS FOR CAPITAL INVESTMENTS IN KINDERGARTENS
2020-2023

in 000 denars

Year	Approved budget	Budget rebalance/ repurpose	Budget execution	% of execution
2020	82.569	/	82.309	100%
2021	67.650	111.786	80.035	72%
2022	152.035	49.625	32.342	65%
2023	132.005	358.650	341.375	95%
Total	434.259	520.061	536.061	

The audit analyzed the planned and implemented projects for capital investments in kindergartens for 2020-2023, where a continuous decline in the number of new projects for the construction and extension of kindergartens was identified. In 2023, the annual program of the Ministry of Labor and Social Policy did not include any new projects, and the implementation of already approved activities is proceeding with significant delays. The total realization of budget funds for capital investments in kindergartens in the analyzed period amounts to 8.7 million euros, with the realization in 2022 being only 65% of the approved budget.

Building kindergartens is crucial for improving child protection and providing appropriate conditions for the youngest. However, the analysis of the implementation of these projects shows serious challenges, delays, and administrative obstacles that slow down the construction process and the opening of facilities.

The construction of the kindergarten in the Municipality of Čair, with a capacity for 350 children, started in 2020 and is still not finished.

Eight annexes to the contract have been signed thus far, extending the deadline to 1 December 2024. The main reasons for the delay are changes in contractors, additional and unforeseen construction work, administrative obstacles related to access to the construction plot, and reduced work intensity during the pandemic.



Although 82% of the agreed funds have been paid so far (99.024 out of 120.084 million denars), the kindergarten is still not functional.

Unfinished work remains in the outdoor area, which can only be completed after the water connection is finished and the issue with the fencing on the west side of the plot is resolved.



Due to numerous delays and unresolved infrastructure problems, the kindergarten in the village of Erželija, Municipality of Sveti Nikole (with a capacity for 72 children), which was supposed to be completed in March 2022, has still not been put into operation. Even though construction work has been completed and funds amounting to 23.200 million denars, or 94% of the agreed value, have been paid, the building cannot be put into use due to incomplete activities for landscaping started by the municipality and removal of defects on the building by the contractor.

As of June 2024, under the first public call for the World Bank loan, funds of 799.852.000 denars, or 13.005.723 euros, have been disbursed for the construction and expansion of the capacities of **16 kindergartens**. Of these, one facility—in the Municipality of Bitola—has not been completed, and three of the constructed kindergartens, located in the municipalities of Aračinovo, Lipkovo, and Kočani, have not been put into operation due to the lack of employment approvals and the completion of the procedure for issuing a compliance certificate in the Municipality of Kočani.

The audit inspection of the construction and equipping procedures for kindergartens **in Lipkovo and Aračinovo** revealed significant cost differences despite the facilities having identical purposes and designs. The construction of the kindergartens was acquired through two public procurement procedures conducted in May 2021, with contracts signed in August 2021. The value of the kindergartens was 46.913.000 denars (Lipkovo) and 45.255.000 denars (Aračinovo), with Aračinovo showing higher costs for identical construction items by 1.277.000 denars. The evaluation

commission did not request clarification for these differences. Cost discrepancies were also noted in the procurement of furniture and equipment (2022–2023), where Aračinovo spent 12.050.000 denars, while Lipkovo spent 8.759.000 million, despite both acquiring the same type of equipment. The difference of 3.291.000 denars indicates significantly higher prices in Aračinovo, with some items costing twice as much. The failure to conduct a joint procurement, even though the kindergartens were built simultaneously, resulted in inefficient spending of funds from the loan.

For the construction of a kindergarten **in the Municipality of Bitola using funds from the World Bank loan**, a contract worth 55.224.000 denars was signed in June 2021, with a completion deadline of 16 months. However, the work did not proceed according to the planned schedule. The contractor submitted six requests to extend the deadline, five of which were approved, totaling an additional 340 days. The sixth request was not approved. By May 2023, only 36% of the work had been completed, with 20.106.000 denars paid. By the sixth interim payment, an additional 3.705.000

denars had been paid, bringing total project completion to 48%. The contract was terminated on 3 May 2024, due to the contractor's failure to provide a bank guarantee. As of October 2024, an assessment of the completed work had not

been conducted, delaying project finalization and requiring the selection of a new contractor within the timeframe for project completion, which is set for 30 June 2025.



CONSTRUCTION OF A KINDERGARTEN IN THE MUNICIPALITY OF BITOLA

The audit determined that although municipalities have a legal obligation to finance and maintain kindergartens, their involvement in capital investments remains limited, primarily due to financial challenges. Depending on their capabilities, larger municipalities have invested in the construction and expansion of kindergartens, while smaller municipalities have made minimal investments. This has resulted in insufficient capacity and a slowed decentralization process in child protection services.

Using **municipal funds, the Municipality of Bitola** initiated the construction of a new kindergarten in 2021, located in DUP ARM quarter 2 (former military barracks), with a projected capacity to accommodate 246 children. The total value of the kindergarten was planned at 114.481.000 denars, of which 104.544.000 denars were allocated for construction and 9.937.000 denars for equipment. Due to unforeseen construction issues related to high groundwater and the short execution period set by the original contract, several annexes were signed. Combined with the general rise in prices, this led to poor implementation and eventual contract termination, along with the collection of the bank guarantee.

As of the audit reporting period, the kindergarten in Bitola had been constructed up to the "shell stage" with glazing. The repeated extensions of contract deadlines, the implementation of separate public procurement procedures for kindergarten construction and the drainage system, the occurrence of unforeseen work, and the signing of annexes to the main contract despite prior knowledge of the groundwater issue, indicate weaknesses and deficiencies in the project design and cost estimates used by the municipality to implement its capital investments. The prolonged construction period has prevented timely and quality care and education for children.



The audit also found that seven new kindergartens were built between 2021 and October 2024 (capacity for 785 children), with 263.890.000 denars (4.290.894 euros) paid out. However, as of the time of the audit, none of these kindergartens had commenced operations.

Three were built with budget funds through the Ministry of Social Policy, Demography, and Youth in Sopište, Vasilevo, and Sveti Nikole municipalities. Two were financed by a World Bank loan as part of the Social Services Improvement Project (SSIP) and are in Aračinovo and Lipkovo. One kindergarten was built with IPA funds in Tetovo municipality, and one with municipal funds in Prilep.

DATA ON NEWLY CONSTRUCTED KINDERGARTENS IN THE PERIOD 2020 - OCTOBER 2024 THAT HAVE NOT COMMENCED OPERATION					
SETTLEMENT/MUNICIPALITY	VALUE OF INVESTMENT - CONSTRUCTION WORKS AND EQUIPMENT	NUMBER OF NEW PLACES FOR ACCOMMODATION OF CHILDREN	DATE OF START OF CONSTRUCTION	DATE OF HANDOVER TO THE MUNICIPALITY	MINISTRY DECISION TO PERFORM ACTIVITY
SOPISHTE	18.736	57	26.06.2020	29.12.2021	11-4501/8 of 23.11.2022
ANGELCI VILLAGE, VASILEVO	15.378	55	24.06.2020	05.08.2022	NO
ERDZELIJA VILLAGE, SVETI NIKOLE	24.632	72	27.12.2021	22.05.2024	NO
ARACINOVO	57.969	115	13.10.2021	27.09.2023	11-6445/7 of 15.11.2022
MATEJCHE VILLAGE, LIPKOVO	58.101	114	05.11.2021	10.11.2023	11-1712/7 of 17.07.2024
TETOVO	39.200	154	02.12.2021	22.11.2023	11-976/6 of 09.05.2024
PRILEP	49.874	218	12.05.2021	09.10.2023	11-2659/11 of 24.10.2024
TOTAL	263.890	785	-	-	-

These kindergartens are facing challenges in becoming operational. Although the facilities have been handed over, they do not meet the necessary conditions for opening. This is due to a lack of staff and unfulfilled obligations on the part of the municipalities, which cause delays in launching operations and increase the risk of damage to the buildings. Furthermore, it was noted that most facilities have not been insured, increasing the risk of theft or damage that could result in additional expenses for repairs that have already been paid.

An example is the newly built kindergarten in **the village of Angelci in Vasilevo Municipality**. Due to the lack of security measures and neglect by the founding authority and the parent kindergarten institution, theft and other damages have occurred. Although constructed with budget funds and handed over to the municipality in August 2022, the kindergarten remains non-operational as of the audit reporting date, due to unresolved damage.



KINDERGARTEN IN THE VILLAGE
ANGELCI, MUNICIPALITY VASILEVO



The Ministry's activities for the construction of new and the expansion of existing kindergartens using budget funds have not delivered the expected results in ensuring optimal child coverage within the child protection system. Out of the total projected capacity of 1.057 children across the 11 kindergartens under construction, only 158 places were filled in 3 kindergartens, representing just 15% occupancy.

For the construction and furnishing of kindergartens, the Ministry has paid out 252.887.000 denars (4.111.984 euros) over more than 4 years, of which 40.200.000 denars were invested in kindergartens that are operational and providing child protection services, while 212.687.000 denars (3.458.325 euros) were spent on kindergartens that either remain under construction, are completed but not operational, or were under construction as of 2023.



**EFFECTS OF CAPITAL INVESTMENTS BY THE MINISTRY OF SOCIAL POLICY, DEMOGRAPHY,
AND YOUTH IN THE PERIOD 2020-JUNE 2024**

IN 000 DENARS

KINDERGARTENS COVERED BY CAPITAL INVESTMENTS	NO	INVESTMENTS WITH BUDGET FUNDS	NO	INVESTMENTS WITH FUNDS FROM WORLD BANK LOAN
Number of kindergartens covered with capital investments	11	252.887	16	790.804
Total projected capacity of new places	1.057	-	1.961	-
Kindergartens where construction activities are completed and handed over to municipalities	6	77.176	15	770.699
Handed-over kindergartens (facilities) that are operating in 2024	3	40.200	12	597.294
Newly created places in the kindergartens	158	-	1.471	-
Handed-over kindergartens (facilities) that started operating but were later closed	1	3.313	-	-
Newly created places in the kindergartens (facilities)	20	-	-	-
Handed-over kindergartens (facilities) in 2021-2022 that never started operating	2	33.663	3	173.405
Newly created places in kindergartens that never started operating	112	-	341	-
Kindergartens where construction activities are ongoing	5	175.711	1	20.106
Projected capacity in kindergartens under ongoing construction	767	-	149	-

To address the identified issues, the audit provided recommendations for improving conditions in the following areas: the legal and program framework of the system for investment in kindergartens, the data registry for kindergartens, the planning, financing, and implementation of projects for

construction, expansion, adaptation, and equipping of kindergartens, and the capacity for care and early childhood education to achieve optimal coverage and increase the number of children enrolled in preschool education.

5.3.4.

LOCAL SELF-GOVERNMENT AND BALANCED REGIONAL DEVELOPMENT

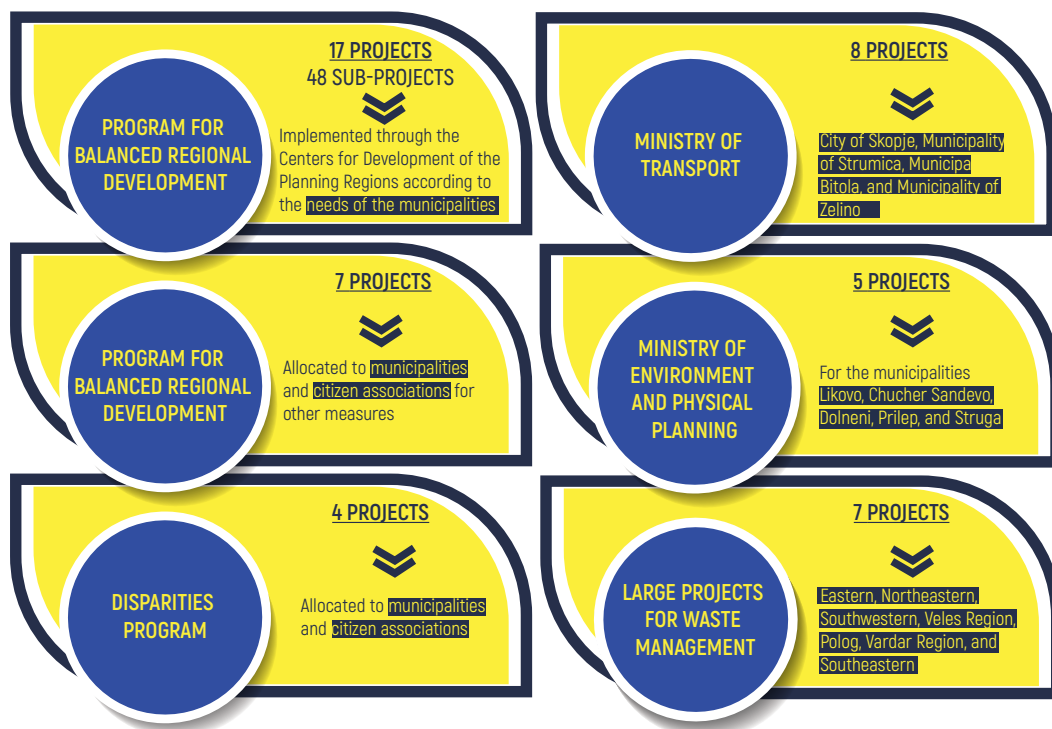
5.3.4.1.

EFFECTS OF PUBLIC INVESTMENTS ON BALANCED REGIONAL DEVELOPMENT



We conducted a performance audit on the topic **“Effects of Public Investments on Balanced Regional Development”** to answer the question: **“Are public investments for balanced regional development effectively and efficiently planned and implemented, and are they sustainable in the long term?”**

The audit covered **seventy-six (76) public investments** for which funds were allocated from the budget, amounting to **2.041.277.000 denars**, or approximately **33.2 million euros**, along with regional waste management projects in **seven (7) regions** funded by loans, grants, and budgetary resources totaling **144 million euros**.



The measures and activities aimed at allocating funds for balanced regional development of at least 1% of GDP from the Budget each year have not been realized. Project selection is ineffective in funding public investment projects that address citizens' needs and influence regional development. There is no effective monitoring system, and there is a lack of a sustainability assessment system for the projects, both before approval and after completion.

The public investment projects financed through the Program for Balanced Regional Development and the Program for Reducing Disparities Between Regions were selected through a transparent procedure under the balanced regional development regulation. However, allocating funds to planning regions/municipalities solely based on the level of development of the planning regions does not yield the expected results. In the project assessment and selection process under these programs, there are no clearly defined priority areas. Following the call, funds were approved for projects across various sectors: environment, transport, education, and social services.

We identified a good practice in the allocation of funds to municipalities/regions in projects financed by loans and grants, due to the application of multiple allocation criteria, such as level of development, population size, number of settlements, and linear amount.

During the period 2021-2023, funds were transferred from ministries' budgets to municipalities for project financing without conducting a transparent and participatory procedure for the selection of municipalities and projects.

In 2023, 72% of capital grants were allocated directly to 41 municipalities for 67 projects, without a public call, based on Government Decisions following an adopted amendment by the Assembly under a procedure regulated by the Law on Budgets.

No selection procedure was conducted for the municipalities and projects, and there was no effective monitoring of project implementation.

Funds were allocated to municipalities and transferred, but the projects were in the initial phase or had not started at all, as follows:

- /// From 2021 to 2023, the City of Skopje was granted 720.000.000 denars through the Ministry of Transport and Communications for infrastructure projects. Even though the funds are in the designated accounts of the City of Skopje²⁸, the projects have not started.
- /// In 2023, the Municipality of Bitola received 110.000.000 denars through the Ministry of Transport for boulevard construction, and the project implementation has begun.
- /// From 2020 to 2023, the Municipality of Strumica was allocated funds for the construction of a social housing settlement (phases one and two) through the Ministry of Transport, totaling 191.000.000 denars. The first phase was completed, but the second phase has not started. The allocated funds for the second phase in the amount of 65.000.000 denars were transferred from the designated account to the municipality's core budget account.
- /// In 2023, the Municipality of Čučer Sandevo received 60.000.000 denars through the Ministry of Environment and Physical Planning (MoEPP) for the construction of a wastewater treatment plant. However, the implementation has not started due to the project's estimated cost of 223.472.000 denars.
- /// In 2023, the Municipality of Prilep was granted 90.000.000 denars through the MoEPP for the completion of a recycling plant. The project began in 2013, and after a public procurement procedure in 2024, contracts for completion were signed.



²⁸ For the project "Construction of an interchange at the intersection between Boulevard Nikola Karev and Boulevard Slovenia – Phase Two," funds amounting to 120.000.000 denars were received in 2021, while the public procurement contract was signed two years and four months later.

For the project "Complete Construction of the Southern Corridor as a Boulevard Solution" and the project "Complete Construction of Boulevard ASNOM and Construction of Boulevard Hasan Prishtina (Vizbegovo)," funds amounting to 600.000.000 denars were allocated, but no contracts for implementation had been signed.



The sectoral waste management projects, financed by loans, grants, and budget funds for the needs of municipalities in the amount of 144 million euros, are large-scale in terms of value and intended outcomes. However, we identified significant risks in planning and implementation due to weak communication and coordination at central and local levels, lack of municipal council decisions for project acceptance, risks to achieving environmental goals, and high fiscal risks due to lost EU grant funds and unrealistic project assessments stemming from inadequate analysis.

The audit determined that there is no established system for verifying whether public investments are in use and whether they are recorded in business books.

Due to the absence of a key national-level control mechanism for project assessment during the planning phase to evaluate their maturity and sustainability, as well as a lack of ex post evaluation after project completion, there is a high risk that the effects of public investments on regional development and project goals may not be achieved, and there is also a risk of misuse of funds.

To overcome these issues, we provided recommendations aimed at encouraging competent institutions to undertake measures and actions to establish a more efficient system for allocating public investment funds for balanced regional development, implement a system for project evaluation, ensure effective monitoring of implementation, and enhance transparency in the use of budgetary funds.



5.3.5.

QUALITY OF PUBLIC SERVICES AND THE COLLECTION, SPENDING, AND USE OF PUBLIC FUNDS AND RESOURCES

5.3.5.1.

IMPROVEMENT AND ADVANCEMENT OF PUBLIC SERVICES AND INFRASTRUCTURE FACILITIES THROUGH PUBLIC-PRIVATE PARTNERSHIP



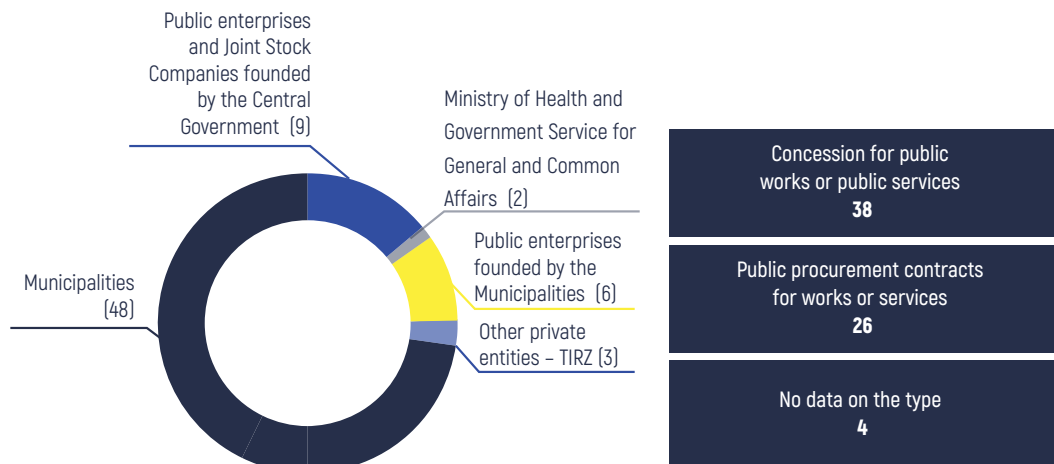
The audit on the topic **“Improvement and Advancement of Public Services and Infrastructure Facilities through Public-Private Partnership”** was conducted under the 2024 Annual Program of the State Audit Office. The

goal of the audit was to answer the question: **“Do the measures and activities taken for establishing and implementing public-private partnership contracts ensure efficient public services and improved infrastructure facilities?”** The audit covered the period from 2017 to 2024.

The audit determined that significant funds were invested in the established public-private partnerships (PPPs) by both public and private partners. However, there are shortcomings in the legal and institutional frameworks, as well as in the processes for awarding

and implementing contracts, which, combined with limited competition and poorly executed contracts, have failed to meet expectations for providing efficient public services and significantly improving infrastructure facilities.

During the audit, it was found that contracts for 68 Public-Private Partnerships were concluded. However, due to poorly maintained records, the actual number of PPP contracts may be higher. The structure of the concluded PPP contracts by public partner and type of contract is illustrated in the following chart:



The conducted audit covered 25 PPP procedures, and based on the available data, it was determined that the public partner collected fees from the private partner amounting to 89.780.000 denars, while it paid fees to the private partner of 188.488.000 denars. The participation of the private partners in the audited contracts for establishing PPPs amounts to 2.292.518.000 denars (procurement value of constructed facilities). The public partner share is significant, but its value cannot be quantified because it involves ceded rights (obtained consents and construction permits, decisions), allocation of land, buildings, and equipment.

Additionally, there is no regular measuring or monitoring of the effects of concluded PPP contracts, which makes it impossible to determine or confirm their impact on the quality of public services and the infrastructure development of the country.

The procedure for awarding contracts for establishing PPPs is conducted without detailed preparatory activities. In 80% of the audited procedures for establishing PPP contracts, no Preliminary Analysis Reports have been prepared. These reports contain the basic project elements.



The analysis of the audited electronic auctions shows that approximately 80% of the contracts were concluded with the single most favorable bidder, indicating a lack of competition.

During the audit, weaknesses were identified in the contents of the concluded PPP contracts, which pose a risk of non-fulfillment of the obligations by the private partner and inadequate legal protection, failing to provide conditions for collecting penalties in case of poor performance or non-performance of the contracts.

Additionally, in certain cases, irregularities were identified in the establishment and implementation of PPP contracts, which do not allow for achieving the best value for the invested financial resources. There is an example of a concluded PPP contract with a duration of 96 years, which is contrary to the legal limit of a maximum of 35 years.

Ongoing court proceedings are in place in which the public partner appears as the defendant for a debt of approximately 239.755.000 denars.

Throughout the audit, in certain detailed procedures, the auditors identified weaknesses in the manner of establishing and implementing the PPP contracts.

1. In 2011, the Government initiated the construction of the "Macedonian Village" Complex, located in the village of Gorno Nerezi, to develop and promote tourism, ethnology, and the preservation of traditional Macedonian architecture and cuisine. The total investment value was 293.961.000 denars. However, the investment did not yield the expected results, and in an attempt to find a solution and ensure its utility, a Public-Private Partnership contract was signed in 2016. The expected

revenue for the entire duration of the contract was 53.800.000 denars, representing 18% of the total investment value. The contract was signed without sufficient preparatory activities and analysis, and failed to ensure long-term cooperation and economic benefits, which led to its termination by the concessionaire in October 2018 due to economic infeasibility.



Considering the significant investment in the construction of the facility, the audit indicated that if the "Macedonian Village" Complex is not put into operation and regularly maintained in the future, there is a risk of it being entirely damaged by external influences, human factors, and other harmful impacts.

2. In 2019, the Government adopted a decision to initiate a procedure for awarding a PPP contract for integrated management using innovative solutions for surgical procedures and healthcare protection from hospital infections. The goal was to establish integrated services for managing central sterilization units, provide sterile surgical instruments and single-use medical supplies (clothing) for operating rooms, treat biological waste risks, and disinfect operating rooms.

In December 2019, a PPP contract was signed between the Government, represented by the Ministry of Health as the public partner, and a group of economic operators as the private partner, for 15 years. The private partner committed to renovating and adapting four facilities into sterilization centers within two years, i.e., by December 2021. Due to incomplete fulfillment of conditions by the public partner, the implementation deadline has been extended several times for an indefinite period.

The Monitoring Commission for the implementation of the PPP contract found that the private partner fully renovated, adapted, and equipped only one Sterilization Center for surgical equipment (located at "Majcin dom" – Skopje), while activities at the other three facilities had not started, as those properties had not been handed over to the private partner.

Sterilization equipment for surgical instruments for procedures at the Orthopedic Clinic "Majčin Dom"



In May 2024, the Commission again inspected the premises of the PHI University Clinic for Gynecology and Obstetrics "Mother Teresa" Skopje and confirmed that protocols and standards for starting operations had been met. However, by the end of the audit, cooperation had not yet been established.

In August 2024, the Ministry of Health prepared and submitted a note to the Government to provide information on the progress of the PPP contract. The note was reviewed as an informational document, without any proposed conclusions for further action.

The auditors emphasize that if cooperation between the two partners is not established and a joint solution is not found, there is a risk of potential damages for both parties. These damages are not limited to economic aspects but may also negatively impact public perception of the institutions and the quality of healthcare services provided to citizens.

3. In November 2021, a PPP contract was signed for managing smart tourism info and promotion centers in the Polog region. The contract involved providing services for operating such centers at two locations – in Tetovo and Popova Shapka. The public partner provided temporary prefabricated buildings, while the contract did not specify the private partner's obligations. The contract was signed for a total value of 60.000.000 denars to provide timely and quality information to tourists regarding accommodation, hospitality, events, and other relevant content, as well as supporting marketing initiatives, promoting local products, and creating attractive tourist offers to stimulate tourism development in the region.



4. In 2012, the Joint Stock Company "Water Economy" – branch "Tikvesh" Kavadarci, based on a pre-feasibility study for the reconstruction of existing facilities and implementation of four new small hydro-power plants (SHPP) on the Bosava River, initiated a PPP procedure. In the same year, a PPP contract was signed for the implementation of the "Bosava Project" for the multipurpose use of water, under which the private partner was to build five SHPPs. The number of SHPPs is not in line with the feasibility study, public call, and the PPP tender documentation.

This discrepancy indicates that the signed PPP contract does not align with the preparatory activities and the procedure for awarding the contract, which may impact the justification and quality of the public partner's operations.



Regarding the legal framework, there are no national policies and a comprehensive strategy for PPP development. This harms project planning, resource allocation, and priority setting. Consequently, it hampers the attraction of economic operators and delays the development of quality public services and infrastructure.

Although the PPP Council was appointed twice by the Government, as a key advisory body for improving and effectively implementing PPPs in the country, it did not fulfill its legal function. As a result, there have been no promotional activities for PPPs, no project proposals supported through PPP, and no initiatives or suggestions for amending relevant regulations.

There are weaknesses in the national legal framework for PPPs, which negatively impact the planning, establishment, management, monitoring, and accountability of PPP projects, thus resulting in incomplete adherence to the principles of equality, non-discrimination, proportionality, and transparency in the procedures. Additionally, there is no provision for a Single Electronic PPP System, which would allow for transparent implementation of all procedures and the automatic maintenance of a register of awarded contracts.

The lack of a Single Electronic PPP System and the incomplete update of the Register of Awarded PPP Contracts (currently maintained as a spreadsheet in Excel), which should serve as a unified database for monitoring the entire process, hinders the effective

implementation of the law and fails to provide transparent and unified access to information on concluded contracts.

The regulation of monitoring is not sufficiently precise and does not enable timely tracking and reporting on the progress of contract implementation. The legal framework lacks penal provisions for failure to report signed contracts or contract terminations by the public partner to the Ministry of Economy, which impacts the timely updating and completeness of the PPP contract register. Insufficient staffing among public partners negatively impacts the supervisory activities for PPPs.



5.3.6.

JUDICIARY AND RULE OF LAW

5.3.6.1.

PENITENTIARY SYSTEM REFORM



The objective of the audit was to answer the question: **“Do the activities undertaken by the competent institutions contribute to the improvement and humanization of the sanctions enforcement system and reforms in the penitentiary system?”** and to provide recommendations for measures to improve the situation.

Based on the audit conducted, the applied audit methodology, and the collected audit evidence, we obtained reasonable assurance that the activities taken by the competent institutions **do not fully contribute to the improvement and humanization of the sanctions enforcement system and reforms in the penitentiary system.**

The physical conditions in certain institutions or their units, along with overcrowding, do not support the provision of humane accommodation conditions as stipulated in international standards in this field, nor do they ensure respect for the personality and dignity of persons deprived of liberty. The prolongation of the investment period for the construction of Segment 2 facilities in the Idrizovo Penitentiary, as part of the project “Reconstruction of Penal Correctional Institutions in the Republic of North Macedonia” started in 2010, primarily due to lack of secured budget funds and untimely and incomplete implementation of the observations and recommendations of the EBRD, has not contributed to increased accommodation capacity and improved conditions.



IDRIZOVO PENITENTIARY CLINIC



SKOPJE PRISON DETENTION WARD

Due to the lack of financial resources, the institutions cannot plan activities or implement planned activities, nor can they settle past financial obligations.

There is a shortage of security equipment, no unified concept for visual-electronic surveillance and video monitoring maintenance has been established, nor is there a defined obligation to prepare projects/plans to identify all key risk points, required number and type of cameras, or placement locations for video surveillance, based on a prior analysis conducted by experts in the field.

The insufficient number of prison police officers has led to increased overtime costs, while lawsuits filed by prison staff for working beyond regular hours and other salary supplements have resulted in increased legal expenses and payments under enforcement rulings.

There is no comprehensive healthcare coverage for persons deprived of liberty due to insufficient medical staff, and the absence of updated records for mandatory health insurance leads to the inability to exercise the right to health insurance for those serving prison sentences or educational measures in correctional institutions.

The technical specifications for food procurement are not standardized, leading to variations in food variety and significant price differences for food items between institutions.

The current system of treatment and post-penal support for convicted persons **does not ensure their resocialization and social adaptation into society**. In penal institutions, all convicted persons whose treatment group allows it, and against whom no disciplinary action has been initiated, may use benefits regardless of their work performance.

Institutions are not adequately staffed with instructors who could provide vocational training for inmates, nor do they have enough educators to implement treatment measures. No educational process has been conducted for inmates or juveniles in correctional institutions.

Approximately 8% of convicted persons are engaged in work outside the institutions, over which full operational control is not established. There is a low rate of utilization of post-penal support, which is one possible reason for the high rate of recidivism in correctional institutions. The underdevelopment of probation services in the justice system of the Republic of North Macedonia, in terms of implementing appropriate

and sustainable measures for the reintegration of offenders subjected to alternative sanctions, and the insufficient imposition of probation measures by the competent authorities, adversely affects the achievement of the main goal of probation and reduces the prison population.

Probation officers are responsible for electronic monitoring, including the use of ankle bracelets to monitor the execution of decisions imposing house arrest with electronic surveillance. In October 2015, under the IPA 10 Project – Further Support for an Independent, Accountable, Professional and Efficient Judiciary and Promotion of the Probation Service and Alternative Sanctions, funded through the Ministry of Finance-CFCD, electronic monitoring equipment was procured for 52.043.000 denars. This included 400 electronic tracking bracelets and accompanying equipment, which, as of the audit reporting date, has not been operational, posing a potential financial risk of 634.000 euros to the national budget.

On 12 December 2024, a contract was signed between the Directorate for the Execution of Sanctions and an economic operator for the procurement of services for the maintenance and upgrade of IT equipment for electronic monitoring for the execution of house arrest or conditional release. This contract outlines the implementation timeline and aims to ensure full system operability.

From 2021 to 2024, the Directorate for the Execution of Sanctions did not conduct regular supervision of all institutions, nor did it perform follow-up supervision. This may result in institutions failing to act on recommendations and deadlines outlined in the regular supervision orders and failing to resolve issues on time.

The audit has provided recommendations regarding the identified conditions, the implementation of which would help overcome these challenges.



5.3.7.

TRAFFIC, TRANSPORT AND COMMUNICATIONS

5.3.7.1

ROAD TRAFFIC SAFETY IN THE REPUBLIC OF NORTH MACEDONIA

Managing road traffic safety refers to the standards, methods, and measures of prevention and sanctions used to prevent or reduce the adverse consequences for traffic participants.

According to the Sustainable Development Goals 2015–2030²⁹, national development priorities, international human rights, gender equality obligations, and the 2030 Agenda, the following goals are set:



By 2020, to halve the number of deaths and injuries from road traffic accidents globally, and



By 2030, inter alia, to improve road safety, particularly through expanding public transport, with special attention to the needs of vulnerable persons, women, children, persons with disabilities, and the elderly.

Publicly available data from the Ministry of Interior (MOI) website points to alarming conditions concerning the number of traffic accidents on the country's roads. Specifically, **from 2020 to 2023, 31.176 traffic accidents occurred, of which 15.724 had serious consequences for participants, and 492 people lost their lives.**

We conducted a performance audit on the topic **"Road Traffic Safety in the Republic of North Macedonia"** to answer the question **"Are the competent institutions managing road traffic safety in the country effectively?"**

We assessed that while **the measures and activities undertaken by the relevant institutions** contribute to improving the conditions for managing road traffic safety, they **are not efficient in reducing traffic accident casualties to the desired levels nationally and at the European level.**

Audit activities were focused on answering the following sub-questions:



Have regulatory conditions been created for the effective implementation of activities of competent institutions for managing road traffic safety in the country?



Do the activities of competent institutions contribute to effective management of road traffic safety in the country?



Is there an effective system for reporting, monitoring, and evaluating the management of road traffic safety in the country?



²⁹ UN Sustainable Development Goals



We identified several issues in the normative requirements:

The National Strategy for Road Traffic Safety for 2015–2020 is the second and last national strategy aimed at improving and strengthening the road traffic safety management system. Since its adoption, no evaluation documents or reports on the implementation level of planned measures have been prepared, primarily because the Government has not established a Coordinating Body responsible for these tasks.

The National Strategy for Road Traffic Safety 2015–2020 objectives included:

- /// reducing traffic fatalities by 2020 to the EU average,
- /// reducing young driver fatalities by 30%,
- /// reducing seriously injured persons by 40%, and
- /// reducing child traffic fatalities to zero.

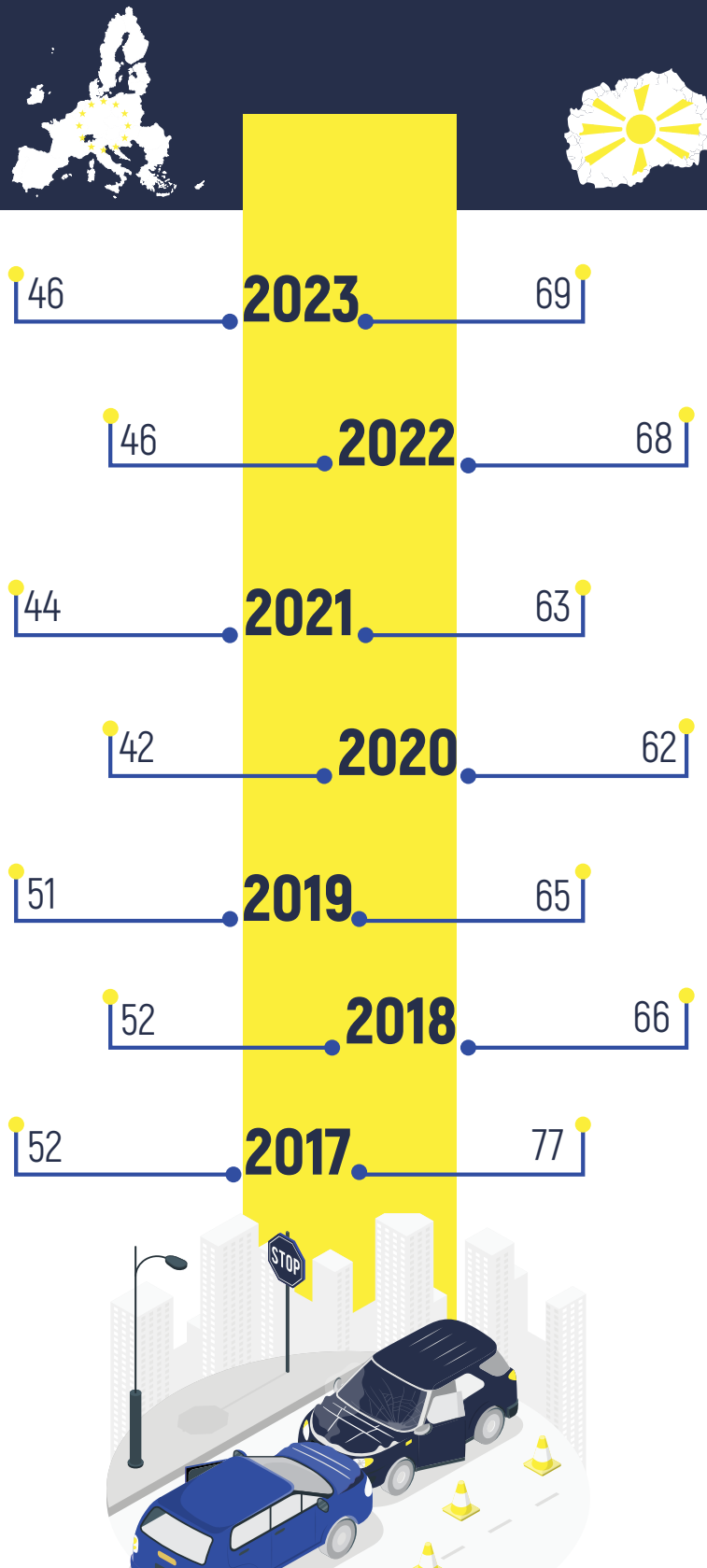
We found that these **objectives were not achieved**, i.e.:

- /// The number of fatalities in 2020 was not reduced to the EU average. Specifically, 62 fatalities per million inhabitants were recorded in North Macedonia, 20 more than the EU average of 42.
- /// The objective of reducing young driver fatalities by 30% is unachievable due to the lack of a **defined “young driver” category**.
- /// In 2020, the number of seriously injured persons was 801, only slightly reduced from 985 in 2009, far from the **targeted 40% reduction**.
- /// **The objective of zero child fatalities was not achieved**; eight child fatalities³⁰ were recorded in 2020.



³⁰ The calculation includes age categories from 0 to 17 years.

GRAPH I - NUMBER OF FATALITIES IN ROAD TRAFFIC ACCIDENTS PER MILLION INHABITANTS IN EU COUNTRIES AND THE REPUBLIC OF NORTH MACEDONIA 2017-2023



A new (third) National Strategy has not been developed since 2020.

Due to the lack of a National Strategy, the Government sets and implements road safety management policies through other strategic and planning documents in coordination with relevant institutions.

National Transport Strategy 2018–2030 (NTS)

has been developed as an operational strategic document for improving the quality of transport infrastructure and services, with activities related to promotion of road safety in the country, based on the EU transport policy, the transport policy defined by the Southeast European Transport Observatory (SEETO), linked to the Transport Community Treaty ratified by North Macedonia in

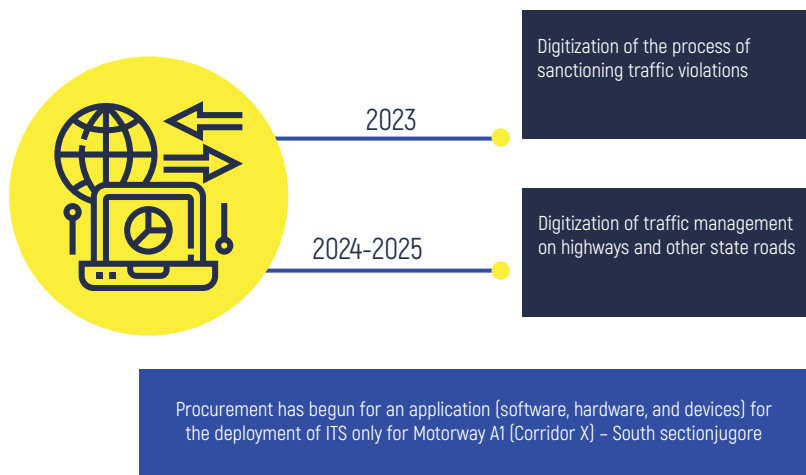
2017. The Ministry of Transport is responsible for monitoring its implementation.

The 2023 Transport Community Report noted slow progress in implementing the Road Safety Action Plan due to the lack of a National Strategy for Road Traffic Safety for 2021–2030 and pending legislative changes, and the establishment of a Road Safety Agency.

National Strategy for Intelligent Transport Systems (ITS) 2023–2032 has been developed

under the Western Balkans Trade and Transport Facilitation Project, funded by an MBOR-World Bank loan of 17.7 million denars, approved in 2019.

GRAPH 2: IMPLEMENTATION OF ACTIVITIES RELATED TO ROAD TRAFFIC SAFETY PROVIDED FOR BY ITS



We found **slow implementation of activities under both strategies, leading to extended deadlines, inefficient fund use, additional costs**, and failure to achieve desired road safety improvements and reductions in accidents and casualties.

In 2019, the Institute for Standardization developed the Macedonian National Standard "MKS ISO 39001:2019 – **Road Traffic Safety (RTS) Management Systems** – Requirements with Guidance for Use", compatible with ISO 39001:2012.

However, **this standard is not mandatory for institutions** when creating relevant policies.

Although the Assembly is required to adopt a **Strategy for the Development and Maintenance of State Roads** (upon Government proposal), this has not been done since the legal obligation was introduced in 2008.

The implementation of this Strategy is under the authority of the Ministry of Transport.

Legislative amendments have strengthened road safety measures (e.g., road safety impact assessments), but **these apply only to TEM Network roads**³¹ and **will only become effective after the country accedes to the EU.**

We analyzed actions by the Ministry of Interior (Moi), the Ministry of Transport, the Public Enterprise for State Roads, and the Republic Council for Road Traffic Safety.

The EU has developed **CADaS protocol** to provide standardized, comparable accident and analysis data.

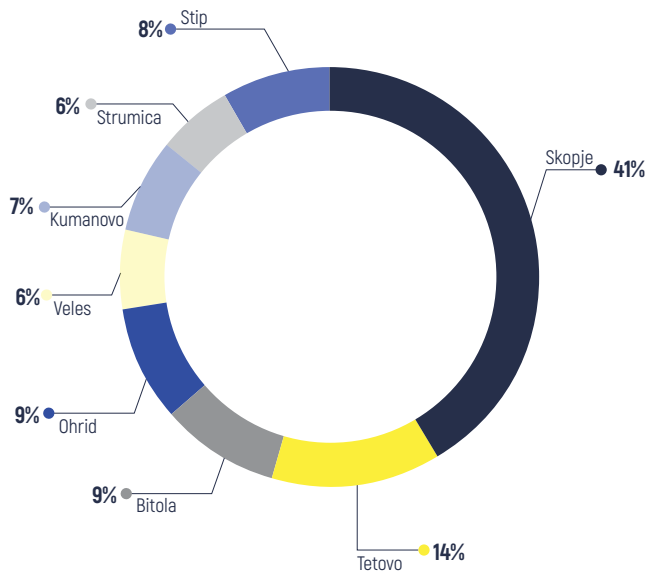


Moi has established a traffic accident database for national roads, but it lacks full CADaS compliance because of the absence of geographic coordinates of the traffic accident locations, owing to technical equipment limitations.

Moi data shows that traffic accidents with consequences:

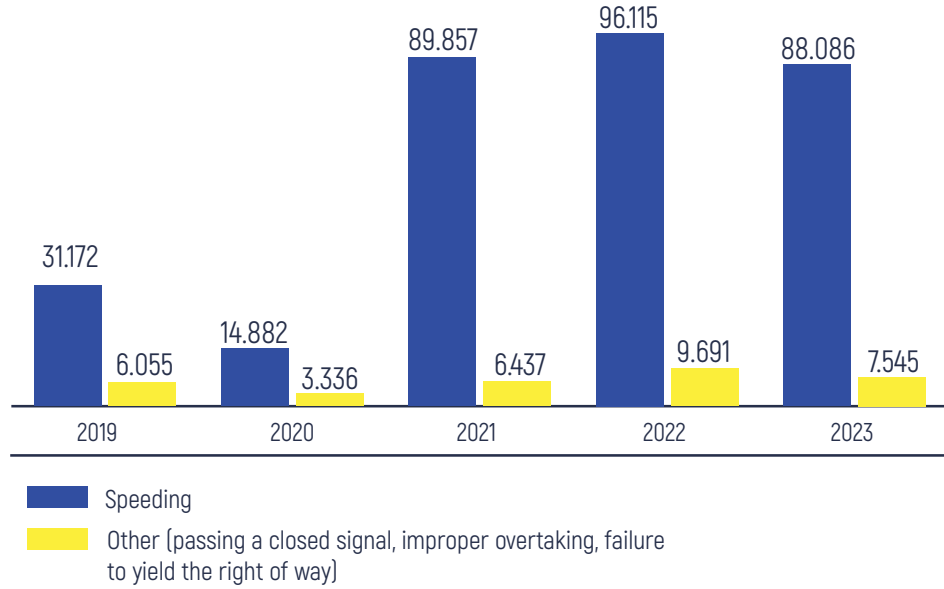
- /// occur during the day (59%), in clear weather (45%), in urban areas (63%), and on dry roads (79%), suggesting that road conditions are not the main cause of accidents.
- /// most accidents occurred on the territory of SVR³² Skopje.

GRAPH 3 _ TRAFFIC ACCIDENTS BY SVR



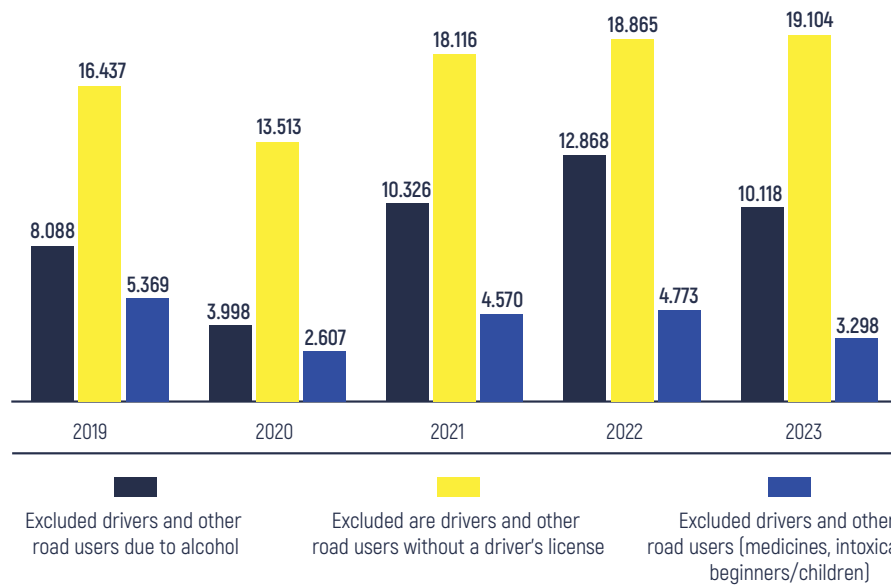
³¹ State roads distributed in the network of international roads connected to the corresponding roads of neighboring countries
³² Internal Affairs Department

Most frequent traffic violations in the period 2019–2023 are speeding, running on red light, illegal overtaking, and failure to yield the right of way.



GRAPH 4 _ TRAFFIC ACCIDENTS BY TYPE

During the controls, the largest number of drivers were **excluded for driving a vehicle without a driver's license**, and a considerable number of drivers were excluded due to **driving under the influence of alcohol**.



GRAPH 5 _ REASONS FOR EXCLUSION FROM TRAFFIC

As a result of the absence of geographical coordinates of traffic accidents' location that are not entered into the appropriate application, and due to technical limitations of the application for conducted controls, the Ministry of Interior cannot use this data to plan or design new road safety measures to increase the efficiency of the Ministry of Interior interventions.

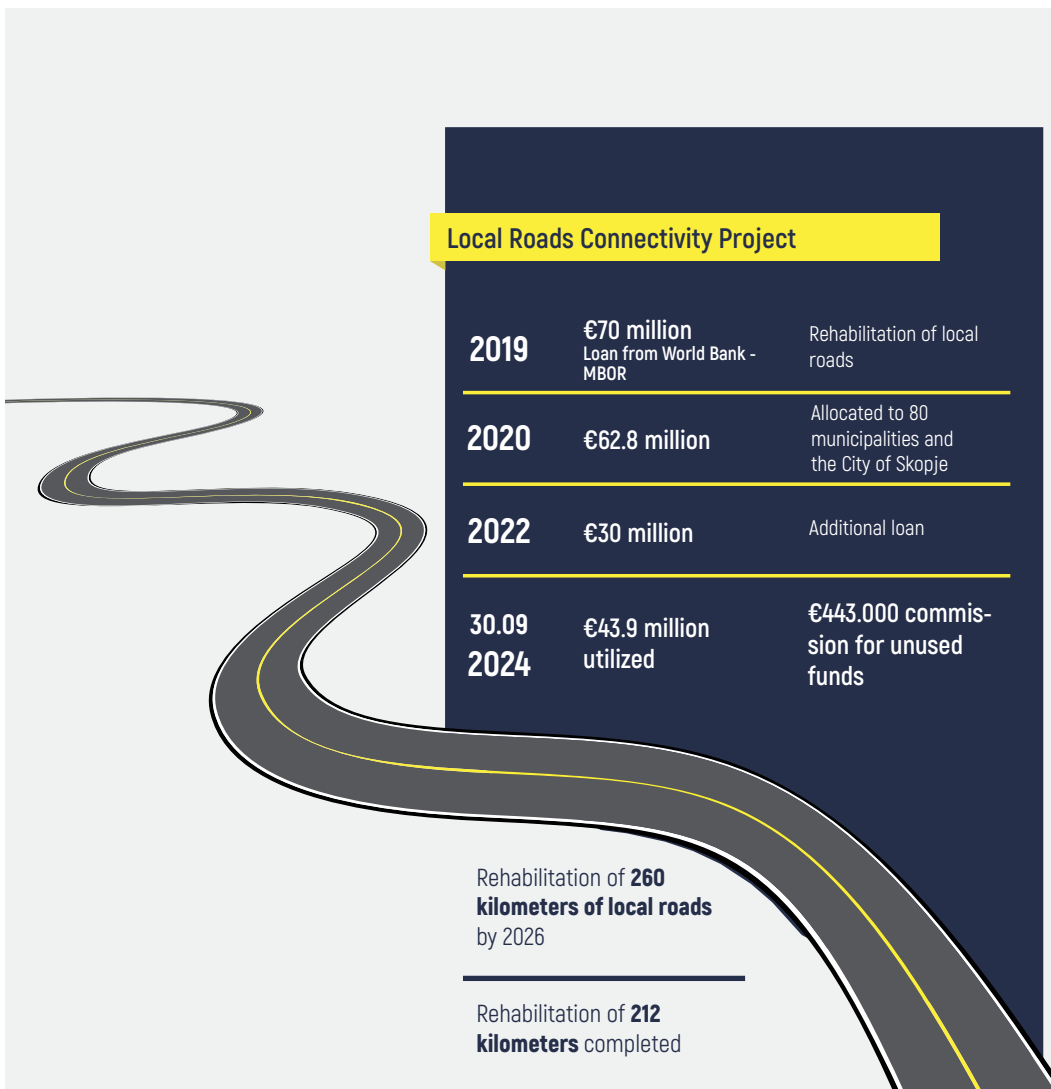
The Law on Vehicles mandates the Mol to maintain a **vehicle registry** for data exchange among stakeholders for vehicles for approval, market release, technical inspection, registration, and release into road traffic. The registry **has not been established due to the lack of a bylaw.**



The Safe City system, owned and operated by Mol, has been functional and maintained for several years now, but **has not yet been used for documenting traffic violations or issuing fines due to incomplete legal regulation.**

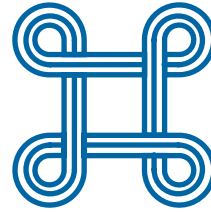
Within its competencies, **the Ministry of Transport** has undertaken activities to implement

the project for connecting local roads.






BA report and action plan with recommendations for improving road safety management were prepared in March 2023. However, they were delivered to the Ministry in December 2024, 20 months late, delaying implementation of 2023–2024 activities to 2025, and slowing progress of expected effects.

Public Enterprise for State Roads (PESR)



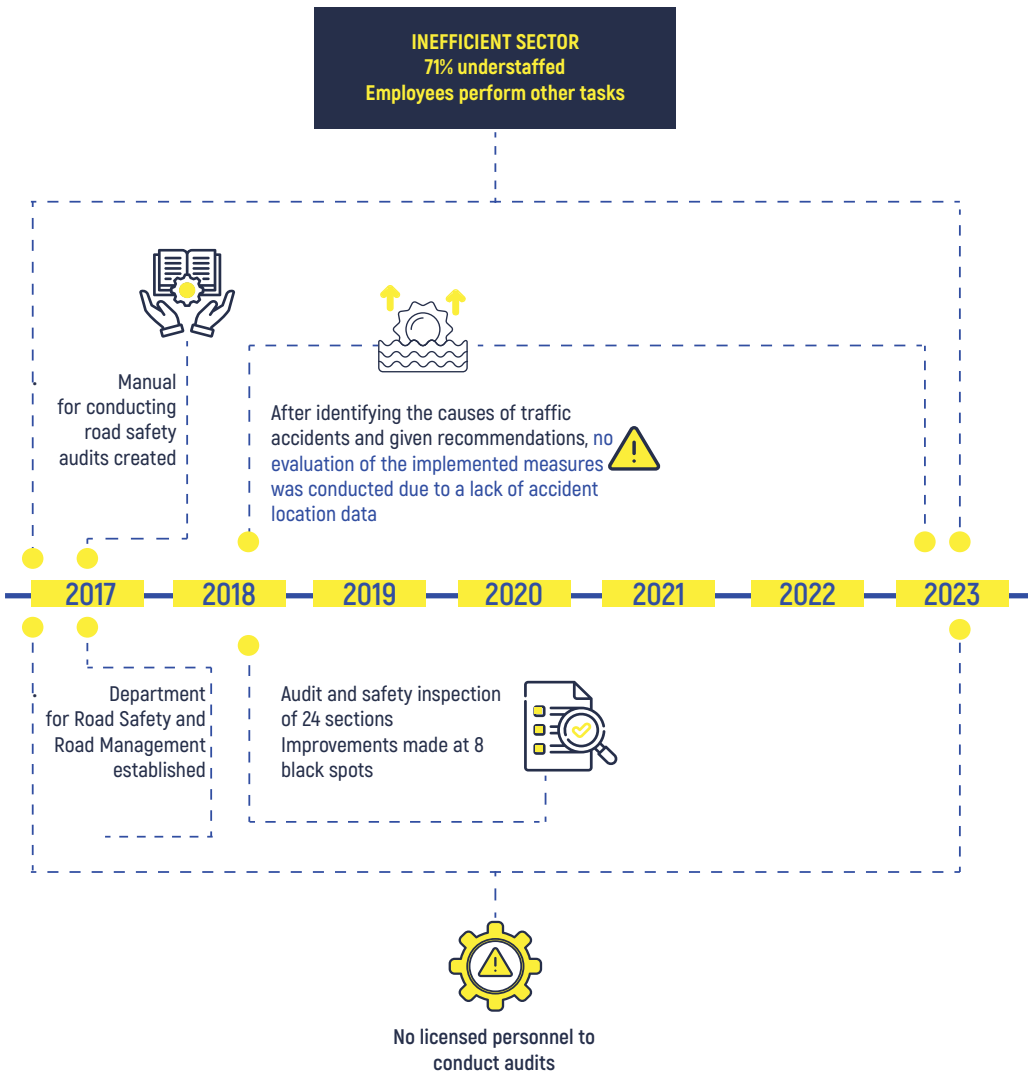
Within the assigned competences for state roads management of state roads in planning, construction, reconstruction, rehabilitation, maintenance, and protection of public roads, PESR conducts traffic counts, maintains a state roads cadaster, and creates necessary databases.

<p>2017-2018</p> <p>Recording, ranking, and road safety assessment were carried out on the main road routes with a total length of 3.840 km</p>	<p>2017-2018</p> <p>Procurement of RAMS software application – Road Asset Management System with consulting services for implementation</p>	<p>2018-2023</p> <p>70 fixed and 10 mobile vehicle counters were installed on selected sections of state roads</p>	<p>2018</p> <p>Procurement of software for controlling toll collection</p>
<p>74 million denars = 120.000 euros</p> <p>Through the iRAP program</p> <p>The Public Enterprise for State Roads (PESR) does not possess the necessary specialized vehicle with road filming equipment, so an external company was hired.</p> 	<p>83.6 million denars = 1.4 million euros</p> <p>PESR occasionally updates the database using its specialized vehicle.</p> <p>Limited human capacity for its operation</p> <hr/> <p>The module "Road Data Bank (RDB)" contains road condition data necessary for planning current and investment activities by PESR for the development and maintenance of state roads.</p> <p>Evaluation of road condition data for the development of a program for state road rehabilitation</p> <p>Most of the proposed sections, by the date of the audit, were not included in the annual PESR programs</p> 	<p>109 million denars=1.7 million euros</p> <p>Functional web application</p>	<p>1.6 million denars=25.700 euros</p> <p>Still not in use</p> 

To improve the connectivity of regional and national roads with the main European corridors, and to improve the capacity of PESR for road safety and climate resilience, a 52 million euros

loan agreement (3.2 billion denars) was signed with the IBRD-World Bank in October 2014. The loan is being used to finance **the National and Regional Roads Rehabilitation Project (NRRRP)**.

NATIONAL AND REGIONAL ROADS REHABILITATION PROJECT (NRRRP)
CONSULTING SERVICES = 33.8 MILLION DENARS



CWith the audit, we found that the funds were spent, but the objectives were not achieved.



The Republic Council for Road Traffic Safety (RCRTS) runs continuous education campaigns to improve traffic safety.

From 2019 to 2023, out of 37.18 million denars planned for campaigns, the largest part, i.e., 39%, was spent on campaign materials, and 21% on working groups' engagement compensation. No analysis was conducted to evaluate the campaign's impact.

Revenue from motor vehicle registration fees is incomplete – from 2019 to October 2024, several inspection stations underpaid RCRTS by 2.193 million denars (approx. 35.653 euros), some for over three years, posing a risk of statute of limitations.

In 2020, the Government's General Secretariat purchased software and equipment worth 7.322 million denars for traffic safety purposes, which remain unused.

The analyses and inspections of traffic safety carried out by the experts hired for the audit indicate high-risk road sections, inadequate horizontal and vertical signaling, and poor pavement maintenance that may cause serious accidents.



Concerning monitoring, reporting, and evaluation:

- /// A reporting mechanism is in place; Institutions regularly inform the Assembly and Government on the realization of activities via meetings and reports, and the public and other stakeholders online through their websites.
- /// No monitoring or evaluation of the 2015–2020 National Strategy implementation or effects.
- /// Competent institutions do not evaluate the effectiveness of measures based on indicators, thus preventing the timely identification and correction of weaknesses.

To overcome and improve road safety management, it is necessary to strengthen the legal and strategic framework, enhance the human, financial, and technical capacity of institutions, and establish a system for monitoring and evaluating the effects of implemented activities.

5.3.8.

HEALTHCARE SYSTEM

5.3.8.1.

UTILIZATION OF MODERN MEDICAL EQUIPMENT

3 ДОБРО ЗДРАВЈЕ И
БЛАГОСОСТОЈБА



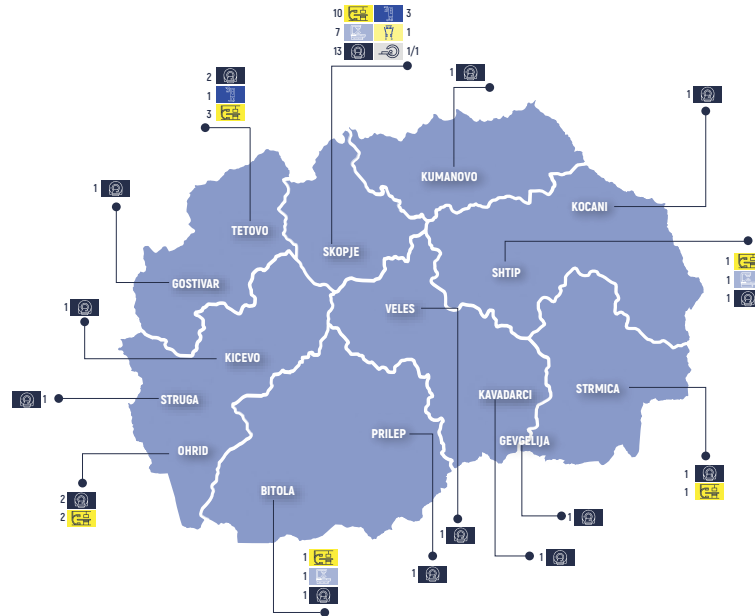
We conducted a performance audit on the topic **“Utilization of Modern Medical Equipment”** to answer the question: **“Has good utilization and regional availability of services with modern medical equipment been ensured, i.e., are the needs for healthcare of the population being met?”**



The audit covered modern medical equipment, which we assessed as having the highest procurement value and significant demand and interest in the services it provides, such as CT scanners, angiographs, linear accelerators, mammographs with tomosynthesis and stereotaxis, PET/CT, and robotic rehabilitation devices. We also included the policies and undertaken activities for procurement, commissioning, and use of this equipment during the period from 2021 to 2023, while certain issues and events from before and after this period were also considered.

The availability of the equipment in public healthcare by cities in the country is shown in the following chart.

AVAILABILITY OF MODERN MEDICAL EQUIPMENT IN PUBLIC HEALTHCARE



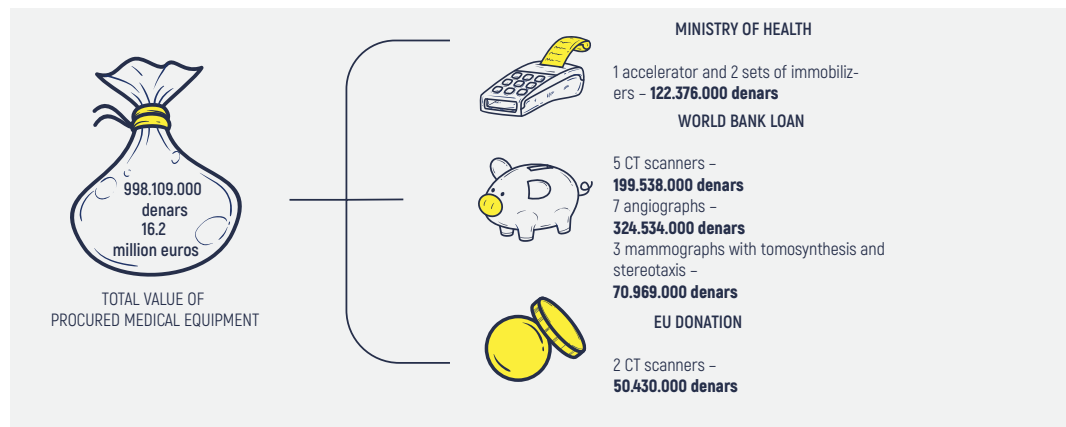
30	CT			Robotic rehabilitation device	1
18	Angiograph			PET-CT scanner/-cyclotron	1/1
9	Accelerator			Mammograph with TS	4

We found that progress has been made in providing regional distribution of new medical equipment in public healthcare and increasing the total number of healthcare services over the past three years. However, part of the equipment has still not been put into use or is underutilized, mostly due to a lack of human resources and/or the absence of necessary spatial and other conditions. As a result, for some services, sufficient regional accessibility and fulfillment of citizens' healthcare needs have not been ensured.

modern medical equipment for public healthcare institutions (PHIs) has not always been based on criteria for determining priorities, nor on adequate analysis and coordination in terms of ensuring the necessary spatial conditions, accompanying equipment, and trained professional staff to operate the equipment.

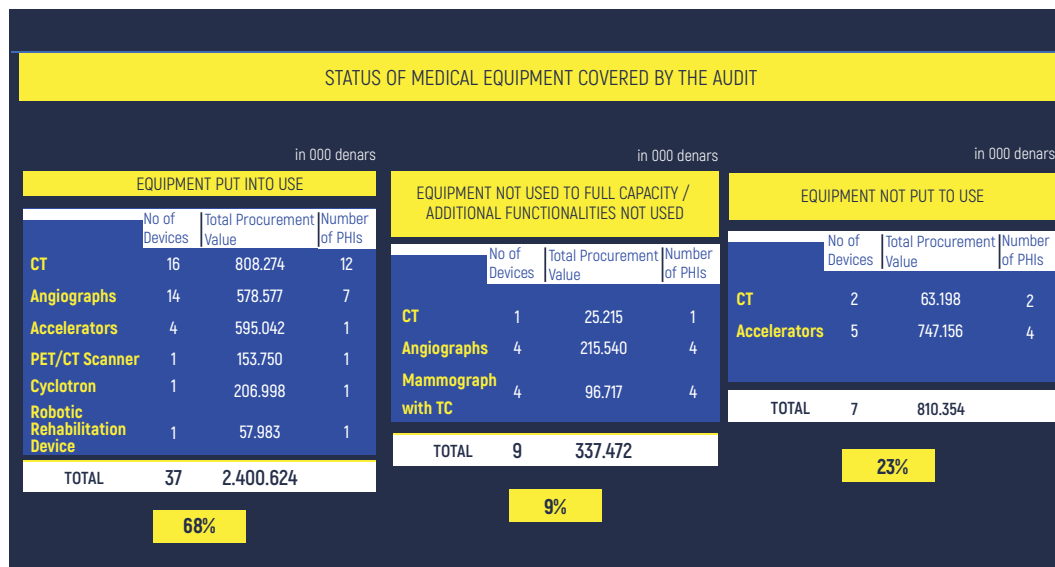
To date, the set strategic goals have been partially achieved, and the procurement of new

From 2021 to 2023, medical equipment worth 998.109.000 denars, or 16.2 million euros, was procured with budget funds, loans, and donations, as shown in the following chart.



Due to limited budget resources, part of the requested equipment and equipment necessary to utilize the full functionalities of the existing equipment were not procured.

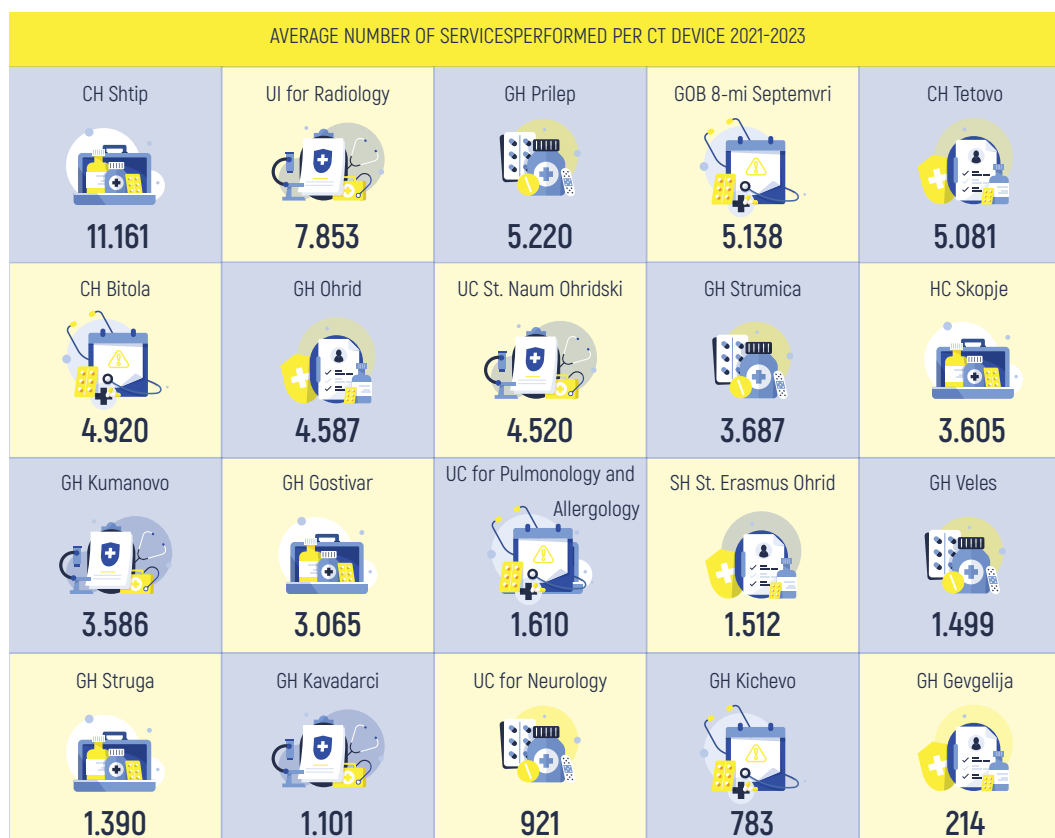
The total value of all medical equipment procured during the audit period and in previous years, and included in the audit, amounts to 3,548,545,000 denars. The status of this equipment is presented in the following chart.



The number of services performed with all devices during the audit years shows continuous growth.

Skopje and regional centers, use their CT devices at or above capacity, while others show predictably lower utilization due to fewer patients served and a lack of qualified staff. The degree of utilization per CT device by PHI is shown in detail in the following chart.

In the period 2021–2023, a total of 263,619 CT services were performed nationwide, with the number of services for all types of referrals steadily increasing each year. The level of CT utilization significantly varies among PHIs, as some institutions, particularly in



More than half of CT services were performed based on referrals without scheduled appointments and emergency referrals, due to an insufficient number of regular appointment slots. There is a lack of accurate data on the volume and frequency of unjustified and improper use of emergency and priority referrals, as well as a lack of effective control over this practice.

From 2021 to 2023, a total of 32,238 angiography procedures were performed in 9 PHIs. While the number of procedures has been increasing, the referral and recording processes are not adequately standardized or regulated across all PHIs. As a result, full tracking and documentation of services, as well as electronic scheduling of interventions, are not guaranteed.

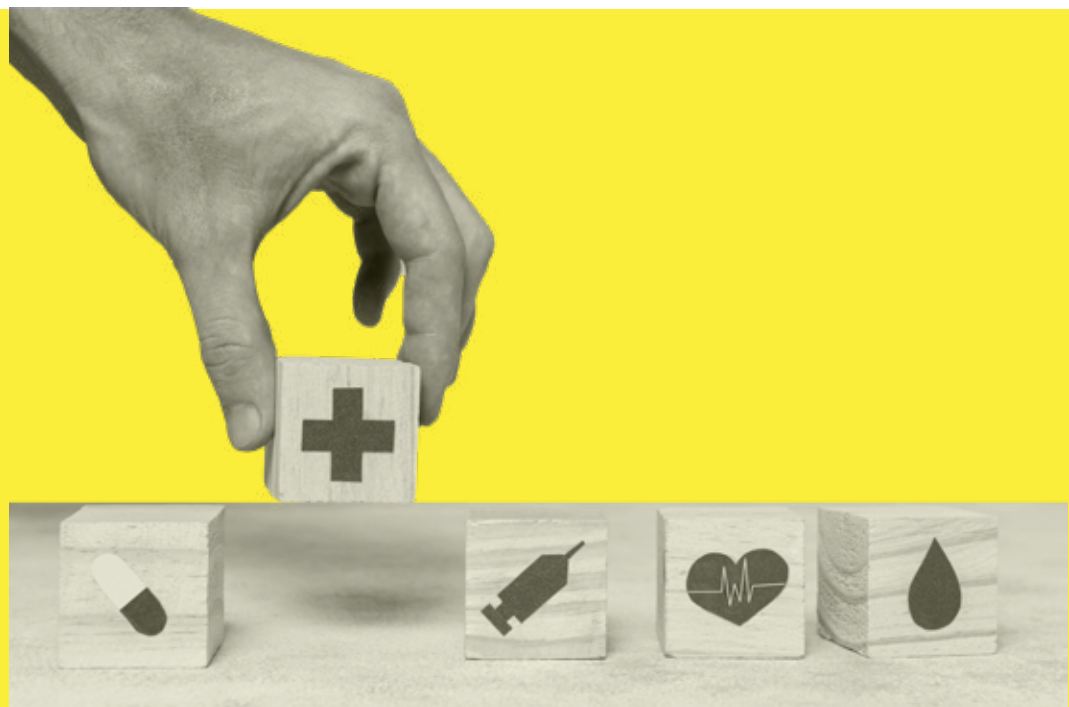
The increase in healthcare services and medical equipment has not been matched by a proportional rise in healthcare personnel at the PHIs using these devices. Due to ineffective mechanisms for retaining skilled and trained professionals in the public healthcare system, PHIs are experiencing staff shortages and outflows of medical personnel. These issues are only partly alleviated by occasional staffing support from other institutions, which in turn results in the overburdening of existing medical staff and

equipment in some PHIs.

We found significant discrepancies in service records between PHIs, the "My Appointment" (Moj Termin) system, and the Health Insurance Fund. This results in inaccurate data on services in the "My Appointment" system, underreporting of services to the Fund, and at least 15,177,000 denars (approx. 247,000 euros) in uncollected co-payments from PHIs.

In the absence of established waiting lists over a longer period, there is no reliable data on the actual demand for services. Furthermore, due to inconsistencies in service records among PHIs, the "My Appointment" system, and the Fund's system, it is not possible to determine the exact number of healthcare services performed.

To address these issues, we have provided recommendations aimed at encouraging the competent institutions to undertake necessary measures and actions. These are directed toward resolving the identified problems, creating conditions for better utilization of modern medical equipment, improving access to healthcare services, and thereby optimally meeting the healthcare needs of citizens.



5.3.9.

UN SUSTAINABLE DEVELOPMENT GOALS – AGENDA 2030 AND A HEALTHY ENVIRONMENT

5.3.9.1.

URBAN PLANNING OF GREEN INFRASTRUCTURE IN CITIES



We conducted a performance audit on the topic **“Urban Planning of Green Infrastructure in Cities”** to answer the question: **“Do the measures and policies of the central and local government ensure effective planning of green infrastructure in cities?”**

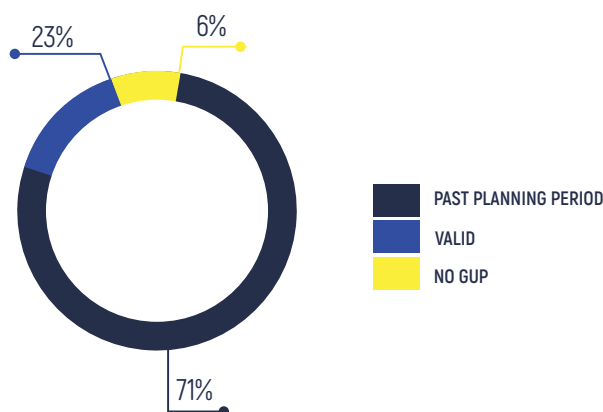
Based on the scope and evidence obtained, we obtained reasonable assurance that the measures and policies of the central and local governments do not ensure effective planning of green infrastructure in cities.

Due to the division of responsibilities between spatial and urban planning and the lack of coordination among the competent institutions involved in the process, there is an absence of policies regulating spatial planning. Furthermore, legal solutions aimed at determining the legal status of illegally constructed buildings undermine the urban planning system. In a situation where the new Spatial Plan—being the

highest strategic document of the state—has not been adopted for more than four years, the existing plan (with a planning period until 2020) does not provide a solid foundation for other strategic and planning documents, as it uses outdated data that do not reflect the current state in the country.

Considering that out of 34 municipalities with urban centers, only two (the City of Skopje and the Municipality of Ohrid) have adopted strategies for greenery development, and that only three municipalities (the City of Skopje, Kavadarci, and Ohrid) have established Green Cadasters in the form of GIS portals, while 18 municipalities have not adopted annual programs for the development and maintenance of greenery, it can be concluded that there is a lack of vision regarding the need to maintain and expand green areas to improve urban sustainability.

GENERAL URBAN PLANS (GUPS)



The procedure for adopting urban plans is conducted through the electronic system e-urbanism, which is accessible to all involved institutions. However, due to the complexity of administrative procedures and failure to adhere to legally established deadlines, out of the 34 municipalities with urban centers: 8 municipalities (23%) have valid GUPs, 24 municipalities (71%) have GUPs with expired planning periods, 2 municipalities (6%) have not adopted a general urban plan at all.

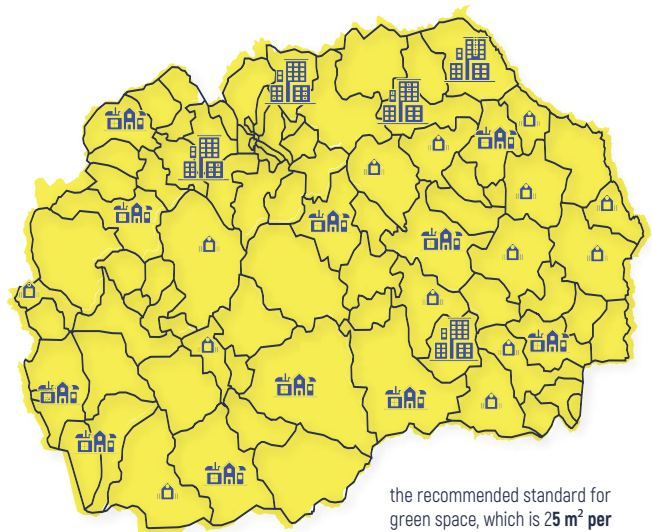
As a result of non-compliance with the legal deadline for adopting Detailed Urban Plans (DUPs) within 18

months, during the 2020–2024 period, 77% of DUP procedures remain incomplete. This creates legal uncertainty, hinders citizens from exercising their rights, and prevents municipalities from planning greenery within their urban space.

The GUPs of 22 municipalities do not meet the recommended standard for green space, which is 25 m² per capita. Based on the correlation of maintained and newly developed green areas with the 2021 census population data, no municipality meets the standard.

PERCENTAGE OF PLANNED GREEN AREAS ACCORDING TO CURRENT GUPs BY TOWN

 Small towns	 Medium towns
Berovo 6.9	Bitola 11
Valandovo 4.82	Veles 16.3
Vinica 8.13	Gostivar 6.89
Gevgelija 9.08	Kavadarci 14.31
Debar 14.1	Kicevo 7.41
Demir Kapija 21.47	Kocani 7.65
Kratovo 13	Ohrid 10.82
Kriva Palanka 10.93	Prilep 7.5
Krusevo 23.6	Struga 11.8
Mak. Kamenica 22	Strumica 2.8
Makedonski Brod 8.6	Tetovo 12.14
Negotino 11	Shtip 16.9
Pehcevo 10	
Probistip 6	 Large towns
Radovis 5.78	City Skopje 12.44
Resen 20.83	Kumanovo 18.83
Sveti Nikole 10	



CDrone footage taken across various locations and towns shows that the central urban areas do not contain sufficient public green spaces, which are

essential for reducing pollution and maintaining a clean environment.



MUNICIPALITY OF ČAIR



MUNICIPALITY OF KISELA VODA



MUNICIPALITY OF ŠTIP

Although the General Urban Plan (GUP) of Štip envisions 16.9% of green areas designated as Zone D, only 8,97 hectares are maintained by the Public Utility Company "Isar" from Štip, which represents only 0.39% of the total GUP area of 2,292 hectares.



MUNICIPALITY OF TETOVO

The current GUP of Tetovo covers the planning period 2003 - 2013 and envisions 12.4% green areas. A notable characteristic of Tetovo is that it does not have a city park.

The annual programs for financing urban plans at a national level for the period 2020–2024 were adopted in a non-transparent manner, without public calls, selection commissions, or defined criteria. Additionally, the allocated funds were insufficient to finance the planned projects. There is a lack of public awareness and interest in participating in urban planning processes. Moreover, since 48% of municipal urban planning funding comes from private or legal entities, the municipal annual programs place private interests above the public interest.

Municipalities fail to allocate sufficient resources for the maintenance of public green areas, as follows: 80% have not adopted decisions for collecting maintenance fees, 20–30% are collecting communal taxes for using public green areas or placing advertising boards, and 59% have not allocated any funds for development of new green areas between 2020–2024.

The central and local governments have not established effective monitoring and control systems. This includes failure to impose fines on violators, reduced penalties for offenses, and inaction by the Ministry of Environment and Physical Planning in overseeing the municipalities' enforcement of legal provisions on urban greenery. These gaps contribute to the destruction, neglect, and lack of replacement of green areas.

To address the identified shortcomings, recommendations have been provided for responsible institutions and officials to undertake necessary measures and actions to create conditions that will improve the urban planning of green infrastructure in cities.

5.3.9.2.

GREEN TRANSITION THROUGH THE PROMOTION OF RENEWABLE ENERGY SOURCES



We conducted a performance audit on the topic **“Green Transition through the Promotion of Renewable Energy Sources”** to answer the question: **“Will the planned energy transition reforms using renewable energy sources ensure energy security, economic stability, and fulfillment of international decarbonization obligations?”**

The Republic of North Macedonia, as a member of the Energy Community and in line with its obligations to the EU, is required to follow global green transition policies and implement the undertaken obligations in the field of energy and climate, with defined targets for 2030. For this purpose, reforms for decarbonization and electricity market reforms are being implemented. These reforms are strategically planned; an investment platform for a just energy transition has

been established through a joint declaration, and an institutional framework has been set up. However, there are challenges in the implementation of these plans by the state.

With the adoption of the National Energy and Climate Plan in 2022, and in line with Energy Community obligations, the state has set goals to reduce greenhouse gas emissions by 82% compared to 1990 levels, close coal-fired power plants, and achieve a 38% share of renewable energy sources in final energy consumption by 2030.

The overall target for all Energy Community contracting parties for the share of renewable energy sources in final consumption by 2030 is 31%, as shown in Table 1.

TABLE 1: TARGETS FOR THE SHARE OF ENERGY FROM RENEWABLE SOURCES IN GROSS FINAL ENERGY CONSUMPTION (2005, 2020, AND 2030) FOR CONTRACTING PARTIES³³

Country	RES share in 2005	Target for 2020	Target for 2030
Albania	31,20 %	38 %	52 %
Bosnia and Herzegovina	34,00 %	40 %	43,60 %
Georgia	-	-	27,40%
Kosovo*	18,90 %	25 %	32,00 %
Moldova	11,90 %	17 %	27,00 %
Montenegro	26,30 %	33 %	50,00 %
Republic of North Macedonia	17,20 %	23 %	38,00 %
Serbia	21,20 %	27 %	40,00 %
Ukraine	5,50 %	11 %	27,00 %
Total (average)	-	-	31,00 %

³³ <https://www.energy-community.org/implementation/package/CEP.html>

The energy transition requires significant public investments, but it is occurring under conditions of limited fiscal space, heightened public debt, and the unfavorable financial status of JSC ESM. Additionally, there are social and economic repercussions for coal-dependent regions.

In 2024, JSC ESM accounted for about 58% of total electricity production, representing the backbone of domestic electricity generation and a key player in the country's energy transition process.

According to undertaken obligations, the country must shut down thermal power plants by 2030, which are still the largest electricity producers (38.4% of total production) and the largest CO₂ polluters.

Due to the decision to sell 100% of JSC ESM electricity production to the universal supplier at a price lower than the production cost, although by law this percentage was to be reduced to 30% by 2025, the company is operating at a loss, raising concerns about its continuity under such conditions.

The government policy of selling electricity to the universal supplier to protect citizens from price shocks has led to state support for JSC ESM through the Budget. In 2023, ESM took out a 100 million euro loan from the EBRD for liquidity.

In recent years, there has been a significant increase in renewable energy plants—from 303 at the end of 2020 to over 1,500 by 2024. According to conducted studies, the system can currently accommodate only up to 1.5 GW, while applications to connect renewable producers to the transmission network are 8.663 GW.

The amendments to the Energy Law in 2022 provide for systematic planning for renewable generation capacities. However, the government has yet to adopt an Indicative Plan for the construction of renewable electricity generation capacity. As a result, there is no clear strategy for selecting and

prioritizing projects, which creates the potential for inappropriate decisions on the many applications to connect to the transmission network.

A new Energy Law was adopted in May 2025, which introduces annual planning and transparent project selection, and intends to improve coordination and fair distribution of capacities.

Market reforms have begun with planned new support measures such as Contracts for Difference (CfD) auctions. Guarantees of origin will be introduced, and additional efforts are needed for regional market integration.

A joint declaration proposed by multilateral banks and partners led by the EBRD established the Just Energy Transition Investment Platform (JETIP). According to this, a draft version of energy transition projects worth 1.823 billion euros has been prepared. Planned projects for JSC ESM amount to 1.12 billion euros, including the Čebren and Orlov Kamen project (value not stated), and projects for JSC MEPSO amount to 128 million euros. The investment platform aims to support the gradual phase-out of coal-fired power plants, the installation of 1.7 GW of renewable capacity, of which at least 1 GW will be through auctions, strengthening of the grid and energy storage for the integration of renewable sources, and ensuring a just transition.

The development of the electricity transmission network is key to ensuring a stable, flexible, and sustainable energy future for the country and the region.

The photo below shows the status of the construction progress of the 400/110 kV Ohrid substation and the expansion of the Bitola substation.



A new Development Plan for the Electricity Transmission System for the period 2025–2035 is in progress. A public consultation has been held, and the plan has been submitted to the competent ministry and the ERC.

However, in the absence of a Transmission Network Development Study, there is a risk that the key development needs of the network will not be identified.

With the growing number of renewable energy projects, the need for balancing capacity is increasing, and the insufficient capacity for system services presents a risk to grid stability.

The 2022 amendments to the Energy Law introduced provisions for electricity storage, and the new Energy Law adopted in May 2025 further detailed and upgraded the framework for storage and balancing.

The state-owned energy company JSC ESM has not built new energy capacities for an extended period and is facing an unfavorable financial situation. The transmission system operator must develop the network to integrate renewable energy investments, balance variable production, and resolve implementation issues in strategic projects such as the construction of the electricity transmission network along Corridor 8 toward Albania.

5.3.9.3.

PREPAREDNESS OF THE REPUBLIC OF NORTH MACEDONIA FOR ADDRESSING CLIMATE CHANGE



The chairmanship of SAI Brazil within the International Organization of Supreme Audit Institutions (INTOSAI), in partnership with the INTOSAI Working Group on Environmental Auditing (WGEA), initiated an innovative project—Climate Scanner—designed to develop a rapid assessment tool for evaluating national governments' actions on climate change.

The State Audit Office of the Republic of North Macedonia joined 141 SAIs from around the world and participated in the Climate Scanner initiative. The results were processed and presented at the World Climate Conference COP29, held in Baku, Azerbaijan, which was attended by heads of state and government from 200 countries, including the Republic of North Macedonia.



The data gathered through the Climate Scanner served as the foundation for a performance audit titled **"Preparedness of the Republic of North Macedonia for Addressing Climate Change"**, aiming to answer the question: **"Has the Government established mechanisms, systems, and policies to address climate change?"**

Based on the scope and evidence obtained, we gained reasonable assurance that **the basic prerequisites are met, and some progress has been made in policy creation. However, additional measures and activities are required to establish effective mechanisms and systems to deal with climate change.**

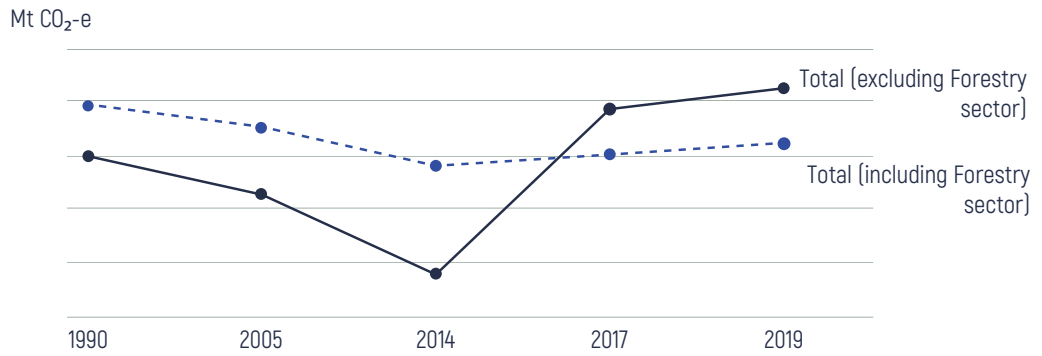
The audit activities focused on three areas: climate change governance, public climate policies, and climate change financing. The key findings include:

Climate Change Governance - Although existing environmental legislation addresses certain climate-related issues, it is insufficient to establish

a comprehensive national system for managing climate change. The climate action law has been pending for over five years, leaving the country without an institutional framework, coordination, or communication among the involved institutions. Despite the involvement of many institutions, legal entities, and stakeholders in the draft climate action law, local governments, which are crucial for policy implementation, have been excluded.

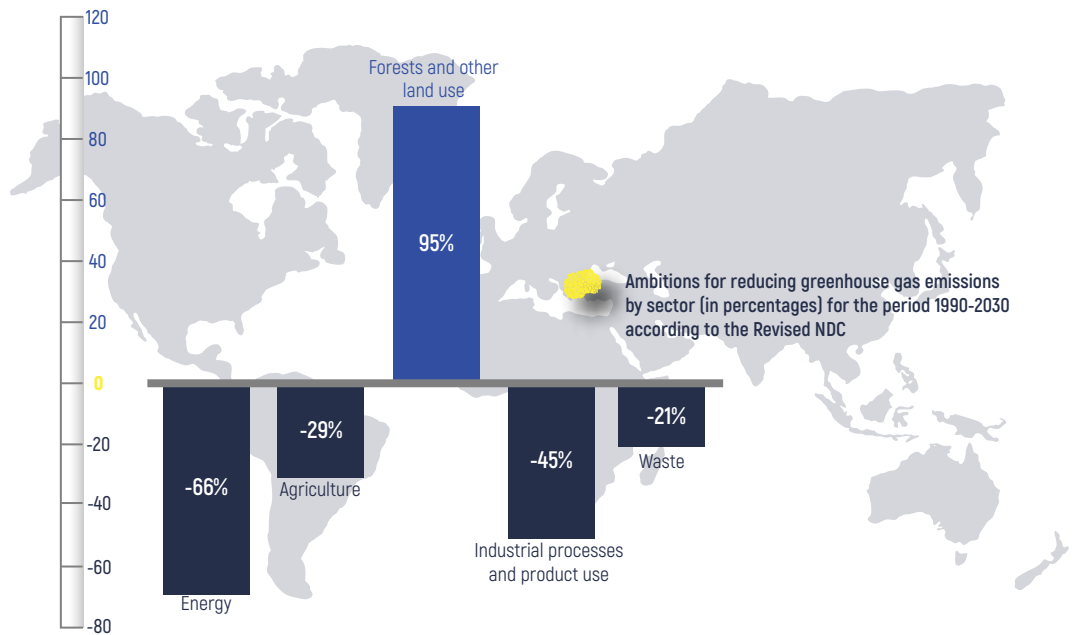
Due to weak administrative capacities, a centralized database required to prepare and update the National Greenhouse Gas Inventory has not been established. The latest inventory, supported by international projects, was produced in 2019. Thus, no data is available for the past five years, which is an inadequate basis for effective policy creation and climate governance.

NET EMISSIONS FROM 1990 TO 2019



The Long-Term Climate Action Strategy commits the country to reduce net greenhouse gas emissions (excluding MEMO emissions) by 72% by 2050, compared to 1990 levels. However, no goal of net-zero emissions

has been defined, falling short of commitments under the European Green Deal.



According to its Revised Nationally Determined Contribution (NDC), North Macedonia has committed to an 82% reduction in net emissions by 2030, compared to 1990 levels. However, official data from the 2019 Greenhouse Gas Inventory shows only a 9.2% reduction by that year.

The lack of monitoring mechanisms by the Ministry of Environment and Physical Planning (MoEPP) and the failure to report by relevant ministries prevent assessment of the effectiveness of implemented measures in achieving the targets.

Public Climate Policies - As a signatory to the Paris Agreement since 2015, North Macedonia defined its national contribution through its First NDC, and in 2021, adopted more ambitious goals with the Revised NDC, fulfilling its treaty obligations. However, a dedicated Mitigation Strategy has not been adopted. Although

mitigation policies and measures are included in the Revised NDC, the country lacks a National Adaptation Plan. Some sectoral strategies include adaptation measures, but due to the absence of tracking mechanisms, it is not possible to confirm whether the measures are appropriate or effective in achieving the targets set out in the Revised NDC.

Climate Change Financing - The Long-Term Climate Action Strategy estimates that implementing climate policies and measures from 2020 to 2050 will require 35 billion euros in capital investments and 21 billion euros in energy sector costs. Yet, without a legal framework, the state budget does not feature a climate tagging system to identify projects relevant to or associated with climate change. Consequently, the government lacks relevant data on climate-related financial resources. Between 2020 and 2024, no Biennial Update Reports (BURs) were produced, despite international obligations to report on the use of national budget funds, budgets of local self-government units, and funds from international institutions and the private sector.



SYSTEMIC WEAKNESSES

06



The State Audit Office evaluates the degree of compliance with laws and bylaws 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.

LAW ON BUDGETS

In the Budget Law, which will enter into force on 1 January 2026, apart from the provisions of Article 121, where exceptions for the application of certain provisions of the said law are listed, certain activities need to be undertaken to harmonize some provisions, as follows:

- /// Article 35 should be supplemented with paragraph 3, aimed at defining the budget documentation related to the Draft Budgets of municipalities;
- /// Article 76 should be supplemented:
 - /// with paragraph 3 stipulating that the primary budget users, besides regularly submitting all concession contracts under their jurisdiction to the Ministry of Finance, must also submit them to the municipality on whose territory the concession is located.
 - /// with paragraph 5 stating that the Ministry of Energy, Mining and Mineral Resources, besides regularly submitting all public-private partnership contracts to the Ministry of Finance, must also submit them to the municipality on whose territory the public-private partnership contract applies.
- /// Article 94 should be amended and supplemented:
 - /// paragraph 6 - removing the part allowing possible rejection of individual audit recommendations.
 - /// paragraph 7 - needs to be amended and regulated so that the Assembly, when adopting the Final Account, also reviews the Final Report of the authorized state auditor on the audit of the Budget Final Account, with the determination of a deadline for this.

ELECTORAL CODE

- /// Article 83 of the Electoral Code allows political parties to transfer funds received from the Budget of the Republic of North Macedonia for regular party operations as financial means to the "electoral campaign" transaction accounts of participants, which may lead to financing electoral campaigns with state budget funds exceeding the limit set by Article 88 of the Electoral Code. Therefore, these two articles should be harmonized.
- /// According to Article 71, paragraph 6, the final deadline for donations for financing electoral campaigns is until the day of closing the transaction account, which happens after the results of the election campaign are published. This creates a risk of undue influence, so it is necessary to establish that donations should be made no later than the day of the electoral campaign's completion.
- /// Provisions should be introduced to regulate whether a coalition or political party can support an independent candidate - voter group and use allocated funds for paid political advertising for the independent candidate - voter group, including under which conditions and manner, and whether the supported candidate has the right to use the funds allocated to them as an independent candidate.
- /// Regulation of how donors must prove/confirm that they are not "connected persons" with broadcasters, print media, and electronic media (internet portals) when financing or donating to political parties.

AMENDING THE PROVISIONS OF THE ELECTORAL CODE CONCERNING:

- /// Conditions and criteria that electronic media must meet to apply for paid political advertising through the State Election Commission.
- /// Clear and precise criteria for allocation of budget funds for paid political advertising on electronic media (internet portals).
- /// Establishment of an interoperable system for exchange and control of data on banner activities and identification of the competent authority for monitoring and reporting on election media representation on electronic media (internet portals).
- /// Imposing fines on electronic media (portals) in cases of failure to submit reports on advertising space used by each participant in the election campaign and funds paid and claimed on that basis.
- /// Regulation of the organization, payment, monitoring, and reporting to competent authorities on internet representation by election participants via social media.
- /// Technical/legal editing of the Electoral Code due to inconsistencies and erroneous cross-references within certain articles.

FINANCING OF POLITICAL PARTIES

Law on Financing of Political Parties

- /// More concrete guidelines should be adopted regulating the method of payment and accounting of membership fees as a source of financing political parties to ensure uniformity in their accounting and verification of legally established limits per member individually.
- /// Establishing deadlines for activities undertaken by the State Election Commission and the Ministry of Justice related to planning, distribution, and payment of funds from regular annual financing of political parties.
- /// Amending bylaws regulating bookkeeping of non-profit organizations to ensure consistent adherence to the accounting principle of "modified accrual accounting," i.e., recognition of business changes or transactions.

Law on Communal Fees

- /// The communal fee for use of streets by passenger, cargo vehicles, buses, special vehicles, and motorcycles, according to Article 20 of the Law on Communal Fees (tariff number 9), is collected by legal entities authorized for vehicle registration and deposited into the appropriate municipal treasury account. The current law does not specify a deadline for these entities to transfer collected fees to the municipality's account nor require them to notify the municipalities, including municipalities in the City of Skopje and the City of Skopje itself, about the number of registered vehicles by engine displacement and monthly collected amounts both individually and cumulatively.
- /// The communal fee for use and maintenance of public lighting, under Article 20, paragraph 3 of the Law on Communal Fees (tariff number 10), is collected by the electricity distribution company and must be paid to the appropriate municipal treasury account. The current law does not specify the payment deadline, nor the obligation of the company

collecting the fee from meter holders to notify municipalities, municipalities in the City of Skopje, and the City of Skopje about the number of obligors by category (number of meters) per tariff number, as well as collected revenues and unpaid claims.

Law on Property Taxes

- /// The audit highlights uncertainty in applying Article 39 of the Law on Property Taxes since its enactment in 2004, concerning the obligation to reconcile the real estate registry kept by municipalities, municipalities in the City of Skopje, and the City of Skopje with the registry maintained by the Real Estate Cadastre Agency. By 31 December each year, registry data must be submitted to the Central Registry and the Public Revenue Office. Implementation requires precise clarifications in the law as well as software integration with relevant authorities.

Law on Financing of Local Self-Government Units

According to Article 12 of the Law on Financing Units of Local Self-Government, block grants have been introduced for financing transferred competences in education, culture, early childhood protection, and care of the elderly to municipalities. The Government of the Republic of North Macedonia issues a regulation on the methodology for determining criteria for the allocation of block subsidies based on indicators reflecting needs for each program. The annual regulations are identical and do not reflect real needs and standards, thus questioning the quality of services for transferred competences and the regular fulfillment of obligations. Therefore, it is necessary to redefine the method and criteria for block grants with a clear, transparent, efficient, and functional formula that includes all types of costs with real values and sizes to establish an optimal, economical, and efficient financing system for transferred municipal competences.

Law on Firefighting

- /// According to Article 49 of the Law on Firefighting, which relates to financing activities of Territorial Fire Units, the City of Skopje and municipalities may generate additional revenues from fines for fire safety violations, voluntary contributions, funds from insurance companies, foundations, legal and physical persons for improving fire protection, and income from own sources for services performed. The City of Skopje and municipalities do not generate revenues except for income from insurance companies, amounting to 2% of premiums collected for motor vehicle insurance and liability insurance from motor vehicle use. However, municipalities do not know the amounts to be paid, nor is there a legal obligation to verify the completeness and accuracy of payments.
- /// Under the Law on Employees in the Public Sector, professional firefighters employed in territorial fire units belong to group II – positions of authorized officials in security, defense, and intelligence, subgroup 11 – other authorized officials in these fields.
- /// Article 11-b, paragraph 8 of the Law on Firefighting defines three categories of positions: A – High-ranking firefighter rescuers, B – Managerial firefighter rescuers, and C – Professional firefighter rescuers. Due to the nature of their work, the salary of professional firefighters in fire units, according to Article 13 of the Law, is 20% higher than other employees with equivalent professional qualifications in municipal administration. This legal provision is insufficiently precise, and, given the diverse structure of municipal employees influenced by various factors, the salary calculation and payment are disputed by many professional firefighters. To resolve this, a clear and precise legal solution for determining firefighter salaries is necessary.

Law on Waste Management

- /// Article 105 of the Law on Waste Management stipulates the right of the service provider to charge a fee for the provided service, which includes: collection, transportation, and sorting of municipal waste, and treatment of municipal waste. The price of the service depends on the waste tariff set by the Regulatory Commission for each service provider, based on a submitted Tariff Plan for municipal waste management services, under the conditions and procedure of Article 107 of the Law and the Rulebook on Waste Tariffs.

The service provider performing the collection and transportation of municipal waste is obliged to charge the end user the service fee according to the waste tariff calculated following the Rulebook on Waste Tariffs and established in the decision for determining tariffs for municipal waste management services or the decision on the regulatory tariff.

The following by-laws have not been adopted: the Tariff Plan for municipal waste management services and the Rulebook on Waste Tariffs, although, according to Article 145 of the Law, they were supposed to be adopted within two years of the law entering into force, i.e., no later than September 2023. Due to the absence of these by-laws, the conditions have not been created for the full and consistent implementation of the "polluter pays" principle, according to which the generator or holder of waste is obliged to bear all the costs incurred in waste management.

Law on Health Care

The Law on Health Care and the Law on Records in the Field of Healthcare are not harmonized in terms of regulating the functioning of the Integrated Health Information System and "My Appointment" (Moj Termin). Both laws provide for the establishment of the same health information system, but with different scopes of functionalities and responsibilities of institutions. This leads to a risk of different interpretations of legal provisions, thus necessitating synchronization to define them clearly. Additionally, some necessary bylaws, such as professional guidelines, protocols for medical treatments, and software certification, have not been adopted. Specifically:

- /// There is no prescribed and established waiting list for a longer period or systematic monitoring of patients' actual needs for services with modern medical equipment.
- /// No deadline is prescribed for the issuance of results.
- /// There are no prescribed professional guidelines for performing certain services with modern medical equipment.
- /// A bylaw on the certification of the software used by health institutions for connecting and integrating with My Appointment has not been adopted.



Law on Employment and Insurance in the Case of Unemployment

According to Article 89 of the Law on Employment and Insurance in Case of Unemployment, the Employment Agency of the Republic of North Macedonia (AVRSM) is managed by a Management Board consisting of nine members who are experts with knowledge or experience in the field of employment. Five representatives are appointed by the Government, and two representatives are appointed by the employers' organization and the representative trade union.

It is important to highlight that the Law does not prescribe the profile and level of education required for the MB members appointed by the Government, the Federation of Trade Unions, and the Employers' Organization. Furthermore, there is no linkage between the payment of compensation to MB members and their participation in board meetings. The law does not mandate compulsory attendance at meetings. There is a need to prescribe legal and by-law provisions that will determine the method for setting the compensation amount and the conditions for paying compensation to MB members.

Law on Contributions for Mandatory Social Insurance

Based on the Law on Contributions for Mandatory Social Insurance, the control, determination, collection, forced collection, statute of limitations, and write-off of contributions are performed by the Public Revenue Office (PRO). According to Articles 21 and 23 of this Law, the PRO and the institutions for mandatory social insurance are obligated to exchange data on the contributors liable for paying contributions. To fulfill this legal obligation, the PRO, Pension and Disability Insurance Fund, the Health Insurance Fund, and the Employment Agency have concluded a mutual Agreement for the recording and monitoring of claims. However, the Law does not include an obligation to regulate the method of generating the necessary data and information on claims from contributors who are obliged to calculate

and pay social insurance contributions but have not submitted a monthly calculation for integrated payment of contributions and personal income tax, i.e., have not reported the amount they are obliged to pay into the appropriate payment accounts of the payment operations provider. Therefore, there is a need for further regulation and clarification.

Law on Pension and Disability Insurance

The legal provisions do not regulate the suspension of employment in cases when a temporary disability pension is granted. As a result, insured persons whose temporary pensions are revoked remain unprotected regarding their employment rights and obligations. These circumstances significantly complicate the collection of claims on this basis, particularly due to insufficient mechanisms for enforced collection and inadequate legal solutions to secure the repayment of temporary pensions already paid.

Law on Pension and Disability Insurance (PDI Law) and Law on Administrative Servants

Although, according to Articles 3 and 4 of the Law on Administrative Servants, and considering Article 164 of the PDI Law, which stipulates that employees in the expert service of the Fund have the status of administrative servants, the employees of the Fund are not excluded under Article 4 of the Law on Administrative Servants to regulate specific employment matters through a special law and collective agreement. Specifically, Articles 164-a and 164-b of the PDI Law prescribe the salaries of employees in the Fund's expert service based on points and categories different from those established in Article 87 of the Law on Administrative Servants. Therefore, there is a need to harmonize the Law on Administrative Servants and the PDI Law.

Закон за хартии од вредност

According to Article 182, paragraphs 3, 4, and 5 of the Law on Securities, five commissioners are selected and appointed, one of whom serves as the president. Two of the commissioners (members) perform their duties professionally, while the other three are external commissioners (members). Article 182, paragraph 6 of the Law on Securities stipulates that, regarding the exercise of rights, obligations, and responsibilities stemming from employment of the president and the commissioners (members) of the Commission, the Law on Labor Relations applies. However, the method of calculating the salaries of the commissioners who perform their function professionally is not specified. The compensation for the three external commissioners (members) is determined by a Decision³⁴ adopted by the Commission, as provided in Article 182, point 5 of the Law on Securities. The salary of the president and the professionally engaged commissioner is also regulated by a Decision³⁵ adopted by the Commission, and this Decision applies not only to the commissioners but also to all employees of the Commission.

Article 417 of the Law on Financial Instruments, which is scheduled to enter into force in September 2025, also does not prescribe the method of calculating the salary/compensation for the commissioners (members) of the Commission. Considering that the president and members of the Commission are selected and appointed by the Assembly of the Republic of North Macedonia, we emphasize the need for regulating the salary and compensation of the president and commissioners (members) of the Securities Commission by law.

Law on Non-Contentious Procedure and Court Rules of Procedure

It is necessary to harmonize the provisions of Article 307 of the Law on Non-Contentious Procedure and Article 359 of the Court Rules of Procedure due to discrepancies regarding the

ownership of received deposits after the expiration of the limitation period. Namely, under the Law on Non-Contentious Procedure, if the deposited item is not retrieved within ten years from the submission of an item to the court deposit, the court shall issue a decision determining that the deposited item has become the property of the Republic of North Macedonia. In contrast, the Court Rules of Procedure stipulate that, upon expiration of the limitation period, the subject of the deposit becomes revenue of the entity that exercises judicial authority.

Law on Court Service / Law on Public Internal Financial Control

Harmonization is required between the provisions of Article 10 of the Law on Court Service and Article 20 of the Law on the System of Internal Financial Control in the Public Sector regarding the qualifications required of the head of the financial affairs unit. The Law on Court Service requires managerial officials to have "passed the bar exam," without excluding the head of the sector/department for financial affairs. Meanwhile, the Law on the System of Internal Financial Control in the Public Sector includes, among the necessary qualifications, education in the field of economics.

Law on Postal Services

Article 6 of the Law on Postal Services defines that the Ministry of Transport (formerly the Ministry of Transport and Communications), as the competent authority for performing activities in postal services, should prepare the Strategy for the Development of Postal Services and submit it for adoption to the Assembly of the Republic of Macedonia. The Ministry has not prepared a Strategy for the Development of Postal Services, which has hindered setting up priorities, objectives, and policies for the development of

³⁴ Decision on determining the amount of compensation for external (commissioner) members of the Securities Commission of the Republic of North Macedonia, no. 05-362/1 of 13.07.2023.

³⁵ Decision on determining the value and points per job position in the Securities Commission of the Republic of North Macedonia, no. 03-363/1 of 13.07.2023 and no. 03-956/1 of 22.11.2018.

postal services and proper guidance of annual and multi-annual activities.

by the public partner in cases of initiated but unfinished PPP procedures or terminated PPP contracts.

Law on the Central Register

The Law on the Central Register lacks provisions regarding:

- /// determination of the holder of ownership rights over the Central Register of the Republic of North Macedonia (CRRNM),
- /// value of the founding capital of the CRRNM, and
- /// accounting method in the CRRNM.

Law on Concessions and Public-Private Partnership (PPP)

The Law on Concessions and Public-Private Partnership lacks precise provisions regarding:

- /// mandatory inclusion of the affected public in the decision-making process for establishing PPPs,
- /// defining the competencies of the Ministry of Finance for giving opinions in the preparation phase and throughout the project lifecycle, particularly concerning financial sustainability and fiscal risk management,
- /// the existence of a unified electronic PPP system for transparent implementation of procedures,
- /// the manner of conducting oversight activities related to the monitoring of the implementation of concluded PPP contracts,
- /// the imposition of misdemeanor fines in cases where the public partner fails to notify the competent ministry about a concluded PPP contract, and
- /// prescribing a legal deadline for notification

Law on the Sale and Lease of Office Buildings and Office Premises of the Republic of North Macedonia

The conditions, manner, and procedure for the sale and lease of office buildings and premises are regulated by the Law on the Sale and Lease of Office Buildings and Office Premises of the Republic of North Macedonia. Through analysis of the legal provisions during the audit, we identified weaknesses in the legal framework, as follows:

- /// Article 9 of the law prescribes the form and contents of the lease agreement but does not regulate the possibility and conditions for concluding an annex to the contract.
- /// There are no provisions determining the duration of validity of the lease agreement, and
- /// Article 7 of the law defines the method of public bidding, allowing for a reduction of the initially established starting price by up to 30% of the market value of the business premises during the first round of bidding, regardless of the number of bidders. In second-round announcements, the starting price may be reduced by up to 30% of the market value of the premises if one participant applies, or by up to 50% if two or more participants apply. This approach to public bidding creates a legal possibility for achieving lower rental prices than the initially appraised amounts, thereby undermining the principle and purpose of public bidding.

SAO FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITOR REPORT

07





RSM MAKEDONIJA DOOEL Скопје

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Ревизијата вклучува извршување на постапки за прибалување на ревизорски докази за изградите и објектеноста во финансиските извештаи. Извршените постапки зависат од расудувањето на ревизорот, вклучувајќи ја и процената на ризиците со материјално големо приклучување на финансиските извештаи, без разлика дали е резултат на изградата или грешка. Кога ги прави тие процени на ризикот, ревизорот ја извршува интернага контрола релевантна за подготвувањето и објективноста презентирање на финансиските извештаи на ентитетот за да објектно ревизорски постапки коишто се соодветни во односите, но не за целта на изразување на мислење за ефикасноста на интернага 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 целокупното презентирање на финансиските извештаи.

— Не веруваме дека ревизорските докази коишто ги имаме прибавено се доволтни и сподобни за да обезбедат основа за нашето ревизорско мислење

Мислење

Според нашето мислење, финансиските извештаи ја презентираат објективно, од сите материјални аспекти, финансиската состојба на Државниот завод за ревизија – Сметка на основен буџет на Република Северна Македонија 020021504063710 заклучно со 31 декември 2024 година, како и неговите приходи и расходи за годината којашто завршува тогаш во согласност со Законот за сметководството на буџетите и буџетските корисници. Правагичност за сметководството на буџетите и буџетските корисници и Правишникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на готовинска основа.

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Објектот на ревизија е извршен од страна на Ревизијата на 19. декември 2024 година. Ревизијата е извршена во согласност со стандардите за ревизија на Ревизијата на 19. декември 2024 година. Ревизијата е извршена во согласност со стандардите за ревизија на Ревизијата на 19. декември 2024 година.



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Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење, податоците во годишниот извештај се квалитетни во однос на годишната сметка и финансиските извештаји на Државниот завод за ревизија за 2024 година.

Скопје, 27.05.2025

Овластен ревиор:
Публица Евтимовска Костовска

Друштво за ревизија
RSM МАКЕДОНИЈА ДООЕЛ Скопје
Јаглика Јорданова Андојска

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© 2024 RSM, ДООЕЛ Скопје. Сите права задржани. Ревизија на државна ревизија за 2024 година. Извештај за работата на Државниот завод за ревизија за 2024 година. Извештај за работата на Државниот завод за ревизија за 2024 година. Извештај за работата на Државниот завод за ревизија за 2024 година.

Друштво за образование
 Финансов извештај и биланс на приходи и расходи на РСМ 2024 (заклучок на годишна и 01 декември 2024)

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образлож ание	македонски денари	
		Буџет 2024	Реализирано 2024 / Реализирано 2023
Приходи			
Трансфери и донации	3.1.	188.599.000	178.024.401 / 145.204.883
Вкупно приходи		188.599.000	178.024.401 / 145.204.883
Расходи			
Тековни расходи			
Попли наемнини и надоместоци	3.2.1	151.197.000	141.407.003 / 116.449.165
Стпки и услуги	3.2.2	28.950.000	28.379.641 / 21.269.202
Разни трансфери	3.2.3	65.700	416.799 / 522.911
Вкупно тековни расходи		180.784.000	170.295.443 / 138.231.278
Капитални расходи			
Капитални расходи	3.3	7.815.000	7.728.958 / 6.973.605
Вкупно капитални расходи		7.815.000	7.728.958 / 6.973.605
Вкупно расходи		188.599.000	178.024.401 / 145.204.883
Нето вишок на приходи - добивка по оданочување		-	- / -

Скопје 21.02.2025

Данче Ангеловска

Рководител на сектор за
финансови прашања
Данче Ангеловска



Миксим Ацевски

Главен државен ревизор
Миксим Ацевски


Датум издања: 20.02.2025.

Биланс состојба на Сметката за сопствени буџети на РСМ од 01.01.2024 до 31.12.2024

БИЛАНС НА СОСТОЈБА

Опис на позиција	Образложение	мл. денари	
		2024	2023
Актива			
Тековни средства	4.1.		
Товарувања од купувачи	4.1.1.	-	-
Товарувања од работодавците	4.1.2.	426.954	202.904
Финансирани временски разпоредувања	4.1.3.	12.721.991	16.057.413
Залози	4.1.4.	2.254.892	1.772.491
Вкупно тековни средства		15.504.408	18.032.808
Постојани средства	4.2.		
Нематеријални средства	4.2.1.	7.268.821	8.312.459
Материјални средства	4.2.2.	445.527.431	432.251.492
Вкупно постојани средства		452.796.252	440.563.951
Долгорочни кредитни средства	4.2.3.	1.129.000	-
Вкупна актива		471.527.462	458.596.760
Акцизерска пасива		-	-
Пасива			
Тековни обврски	4.3.		
Кредиторски обврски од граѓанински добавувачи	4.3.1.	1.744.009	2.404.037
Кредиторски обврски од платени и други обврски од граѓанинските работодавци	4.3.2.	11.979.931	11.057.846
Платени временски разпоредувања	4.3.3.	485.565	232.634
Вкупно тековни обврски		14.209.505	13.694.517
Долгорочни обврски	4.4.	1.129.000	2.495.670
Извршени средства	4.5.		
Извршени капитални средства		259.375.170	267.503.294
Резервационна резерва		57.373.627	74.752.592
Вкупно извршени деловни средства		316.748.797	342.255.886
Вкупна пасива		471.527.462	458.596.760
Вонбилансна пасива		-	-

Скопје, 21.02.2025


 Македонска
 Началник на сектор за
 финансиска администрација
 Данче Ангеловска




 Главен државен ревизор
 Миломир Аджевски

Промени на капитал
 Промени на капитал по метод на одобрен буџет на РРФ БДР - По подготвен извештај на 31 декември 2024

ПРЕГЛЕД НА ПРОМЕНИ НА ИЗВОРИ НА СРЕДСТВА

С Г И С	во денари		
	Гласан капитал	Останок капитал (делови на материјални резерви депозити и сметки на кредитни харти од вредност)	Вкупно
Состојба 01.01.2024 година	440.563.961	1.772.492	442.336.293
Зголемувања по основ на:			
Зголемување на вредности (реинтанизација)	30.928.867	1.479.908	32.408.775
По гопис 2024	6.345.386	1.479.908	6.825.394
Рекалоризација	27.563.477		27.563.477
Намалувања по основ на:			
Амортизација	17.598.878	957.447	18.556.123
Исдатници	17.250.608		17.250.608
По гопис 2024	266.425	-	266.425
Рекалоризација	22.643		22.643
Состојба 31.12.2024 година	450.894.062	2.294.893	456.188.945



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Републиката вклучува извешување на постатки за прибавување на ревизорски докази за износите и објективноста во финансиските извештаи. Избраните постатки зависат од разгледувањето на ревизорот, вклучувајќи ја и проценката на ризиците од материјално погрешно прикажување на финансиските извештаи. Без разлика дали е резултат на измама или грешка. Кога го праги тип проценки на ризикот, ревизорот ја разгледува интерната контрола релеванна за подготвувањето и објективноста презентирање на финансиските извештаи на ентитетот за да објективно ревизорски постатки коишто се соодветни во својноста, но не за целта на изразување на мислење за ефикасноста на интерната контрола на ентитетот. Ревизијата исто така вклучува и оценка на соодветноста на користењето сметководствени политики и на разумноста на сметководствените проценки направени од страна на раководството, како и оценки на севкупното презентирање на финансиските извештаи.

Ние веруваме дека релевантните докази коишто ги имаме прибавено се доволни 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 соопштен буџет на Република Северна Македонија 02002152403119 заклучно со 31 декември 2024 година, како и неговите приходи и расходи за годината којшто завршува тегаш во согласност со Законот за сметководството на Буџетите и Буџетните корисници, Правилникот за сметководството на Буџетите и Буџетните корисници и Правилникот за примена на Меѓународните сметководствени стандарди за јавниот сектор на половина основа.

THE POWER OF BEING UNDERSTOOD

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БИЛАНС НА ПРИХОДИ И РАСХОДИ

во денари

Опис на позицијата	Образложение	Буџет 2024	Реализирано 2024	Реализирано 2023
Приходи	3.1.			
Трансферни и донации	3.1.1	3.000.000	401.472	374.733
Вкупно приходи		3.000.000	401.472	374.733
Расходи	3.2.			
Тековни расходи				
Сити и услуги	3.2.1	2.500.000	-	-
Разни трансфери	3.2.1	500.000	-	-
Вкупно тековни расходи		3.000.000	-	-
Капитални расходи				
Капитални расходи	3.2.2	-	-	-
Вкупно капитални расходи		-	-	-
Вкупно расходи		3.000.000	-	-
Остварен вишок на приходи		-	401.472	374.733
Даноци, придонеси и други давачки од вишокот на приходи				
Нето вишок на приходи		-	401.472	374.733
Распоредување на вишокот на приходи				
Дел од нето вишокот на приходи за транс. во наредна година		-	401.472	374.733
Обврски за данок на добивка		-	-	-
Вкупно распоред на вишок на приходи		-	401.472	374.733

Скопје 21.02.2025


 Раководител на сектор за
 Финансиски прегледи
 Данчо Ангеловски


 Главен државен ревизор
 Мирован Ацевски

Датум: 21.02.2025

Локализација: Зградата на Соборен Булевар бр. 111, 18. Улицата на Митревци бр. 21, Скопје, 2025

БИЛАНС НА СОСТОЈБА

Опис на позицијата	Образложение	во денари	
		2024	2023
Активa			
Тановни средства			
Тановни средства	4.1.		
Тановни средства	4.1.1.	401.472	374.733
Тобировања од купувениге во земјата	4.1.2.	8.930.068	8.900.068
Тобировања од врзбениге	4.1.3.	-	-
Активни временски разграничувања	4.1.4.	-	-
Вкупно тановни средства		9.331.540	9.304.801
Постојани средства			
Нематеријални средства	4.2.1.	-	-
Материјални средства	4.2.2.	-	-
Вкупно постојани средства		-	-
Вкупна активa		9.331.540	9.304.801
Вонбилансна евиденција - активa			
		-	-
Пасивa			
Тановни обврски			
Краткорочни обврски спрема добавувачи	4.3.1.	-	-
Тановни административни разграничувања	4.3.2.	9.331.540	9.304.801
Вкупно тановни обврски		9.331.540	9.304.801
Извори на средства			
Извори на капитални средства	4.4.	-	-
Резервациони резерви		-	-
Вкупно извори на деловни средства		-	-
Вкупна пасивa		9.331.540	9.304.801
Вонбилансна евиденција - пасивa			
		-	-

Скопје, 21.02.2025



Раководител на Сектор за
финансови прашања
Данче Ангеловска



Главен државен ревизор
Максим Анѓевски



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Извештај за други правни и регулативни барања

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

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

Мислење

Според наше мислење податоците во годишниот извештај се конзистентни со оние во годишната сметка и финансиските извештаји на Државниот завод за ревизија за 2024 година.

Скопје, 27.05.2025

Овластен ревизор
 Луѓица Евтимовска Костовска

Друштво за ревизија
RSM МАКЕДОНИЈА ДООЕЛ Скопје
 Јагника Јорданова Андријеска

THE POWER OF BEING UNDERSTOOD
 AUDIT | TAX | CONSULTING



Државен сметен извештај

Финансиски резултат за ДРЖАГОРСКА ОБЛАСТ ЗА 2024 ГОДИНА и година на извршени на 31 декември 2024

БИЛАНС НА ПРИХОДИ И РАСХОДИ

Опис на позицијата	Образложение	во денари		
		Буџет 2024	Реализирано 2024	Реализирано 2023
Приходи	2.1			
Трансферни и донации	2.1.1.	960.000	757.177	-
Вкупно приходи		960.000	757.177	-
Расходи	2.2			
Тековни расходи	2.2.1			
Страна и услуги	2.2.1.1.	960.000	757.177	-
Вкупно тековни расходи		960.000	757.177	-
Вкупно расходи		960.000	757.177	-

Нето резултат на приходи - добивка по одвоичување

0 - 0 - 0

Скопје, 21.02.2025



Раководител на центар за
финансиски граѓанска
Датум: 21.02.2025



Главен државен ревизор


Марија Радичева

Правилни данни съобразно:
 Финансово законодателство за ДЪННОТО РАЧНО СЧЕТНО СЪСТОЯНИЕ на 31 декември 2024

БИЛАНС НА СОСТОЈБА

Списък на позициите	Образложение	на денари	
		2024	2023
Активна			
Вкупна актива		-	-
Пасивна			
Вкупна пасива		-	-

Скопје, 21.02.2025


 Раководител на сектор за
 финансиски прашања
 Данче Желевска



Главен државен ревизор
 Максим Ацевски

ABBREVIATIONS	
/// EARNM	Employment Agency of the Republic of North Macedonia
/// APST	Agency for Promotion and Support of Tourism
/// JSC	Joint Stock Company
/// JSC MEPSO	Electricity Transmission System Operator of the Republic of North Macedonia, Joint Stock Company for Electricity Transmission and Power System Management
/// 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	WFD - Westminster Foundation for Democracy
/// AG	Auditor General
/// GRECO	Group of States against Corruption, Council of Europe Anti-Corruption Body
/// GUP	General Urban Plan
/// VAT	Value Added Tax
/// SAO	State Audit Office
/// PRD	Protection and Rescue Directorate
/// SEC	State Election Commission
/// SCPC	State Commission for Prevention of Corruption
/// SITI	State Inspectorate for Technical Inspection
/// SEI	State Educational Inspectorate
/// SSD	State Student Dormitories
/// DUI	Democratic Union for Integration
/// EC	European Commission
/// LSGU	Local Self-Government Units
/// IRP	Integrated Resource Planning
/// EPPS	Electronic Public Procurement System
/// ESPEO	Electronic System for Reporting and Recording of Liabilities
/// EU	European Union
/// EUOSAI	European Organization of Supreme Audit Institutions
/// DAG	Deputy Auditor General
/// LPP	Law on Public Procurement
/// IAS	International Auditing Standards

/// IDI	INTOSAI Development Initiative
/// EC	Election Campaign
/// 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
/// IFMIS	Integrated Financial Management Information System
/// PHI	Public Health Institutions
/// FAR	Final Audit Report
/// PUC	Public Utility Company
/// PPP	Public-Private Partnership
/// PECA	Public Enterprise for Communal Activities
/// PP	Public Procurement
/// PPO	Public Prosecutor's Office of the Republic of North Macedonia
/// PE	Public Enterprise
/// PESR	Public Enterprise for State Roads
/// PE SOSS	Public Enterprise for Management of Sports Facilities Owned by the Republic of North Macedonia
/// CPD	Continuous Professional Development
/// PI	Penitentiary Institution
/// CT	Computed Tomography
/// CF	Correctional Facility
/// MIA	Ministry of Internal Affairs
/// MIOA	Ministry of Information Society and Administration
/// IMF	International Monetary Fund
/// 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
/// MoC	Ministry of Culture
/// MoESP	Ministry of Environment and Spatial Planning
/// MoAFWE	Ministry of Agriculture, Forestry and Water Economy
/// MoF	Ministry of Finance
/// NATO	North Atlantic Treaty Organization
/// NBRNM	National Bank of the Republic of North Macedonia
/// NDI	National Democratic Institute
/// NI	National Institutions



/// NDS	National Development Strategy
/// NPAA	National Programme for the Adoption of the Acquis
/// RES	Renewable Energy Sources
/// OECD	Organization for Economic Co-operation and Development
/// UN	United Nations
/// PPO	Public Prosecutor's Office of the Republic of North Macedonia
/// PrHI	Private Health Institutions
/// PDI	Pension and Disability Insurance
/// PDINM	Pension and Disability Insurance of North Macedonia
/// PP	Political Parties
/// REK	Mining and Energy Combine
/// RNM	Republic of North Macedonia
/// GBV	Gender-Based Violence
/// NRTSC	National Road Traffic Safety Council
/// DV	Domestic Violence
/// SDSM	Social Democratic Union of Macedonia
/// SEA	Secretariat for European Affairs
/// SIGMA	Support for Improvement in Governance and Management
/// GCAS	General and Common Affairs Service of the Government
/// PRO	Public Revenue Office of the Republic of North Macedonia
/// PFM	Public Finance Management
/// UC	University Clinic
/// MB	Management Board
/// HMA	Hydrometeorological Administration
/// UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
/// UNDP	United Nations Development Programme
/// FB	Facebook
/// HIF	Health Insurance Fund
/// EC	Employment Centers
/// CIPFA	Chartered Institute of Public Finance and Accountancy
/// CRRNM	Central Registry of the Republic of North Macedonia
/// SDGs	Sustainable Development Goals
/// CAATs	Computer-Assisted Audit Techniques
/// RRNM-T	Railways of the Republic of North Macedonia - Transport

