



2017

Ministry of Finance

Public Internal Financial Control
Department

2017 ANNUAL REPORT ON THE FUNCTIONING OF PUBLIC INTERNAL FINANCIAL CONTROL SYSTEM

Skopje, July 2018

CONTENTS

SUMMARY	4
1. INTRODUCTION.....	5
1.1. Legal Basis for Preparation of the Annual Report	5
1.2. Purpose of the Annual Report.....	6
1.3. Submitted 2017 Annual Financial Reports	6
2. REPORT ON QUALITY AND STATUS OF FINANCIAL MANAGEMENT AND CONTROL...7	
2.1. Current state of play as regards financial management and control at central level.....	7
2.2. Current state of play as regards financial management and control at local level.....	7
2.3. Establishment of Decentralized System of Financial Management and Control.....	8
2.4. Achieved Progress in Financial Management and Control at Central and Local Level Compared to the Previous Year.....	9
2.5. Detected Weaknesses.....	9
2.6. Results from the carried out self-assessment of financial management and control components	10
A. CONTROL ENVIRONMENT.....	12
a) Ethics and Integrity.....	12
b) Governance and style of management	13
c) Planning approach to operating.....	14
d) Organizational structure, authorizations, responsibilities and reporting system.....	15
e) Human resource management	16
B. RISK MANAGEMENT	17
C. CONTROLS.....	18
Analysis of the 2017 data	18
D. INFORMATION AND COMMUNICATIONS	21
Analysis of the 2017 data	21
E. SUPERVISION/MONITORING AND ASSESSMENT OF THE SYSTEM	22
Analysis of the 2017 data	22
2.2. Implemented Trainings and Working Meetings in the Field of Financial Management and Control	23
3. REPORT ON PERFORMED AUDITS AND INTERNAL AUDIT ACTIVITIES IN 2017.....	25
3.1. Current State of Play as Regards Internal Audit at Central and Local Level in line with the Central Harmonization Unit Records.....	25
3.2. Status of Internal Audit at Central and Local Level as per Submitted 2017 Annual Reports....	27
3.2.1. Status of Internal Audit at Central Level as per Submitted 2017 Annual Reports	28
3.2.1.1. Progress Achieved in Internal Audit at Central Level in 2017 compared to 2016.....	31
3.2.1.2. Weaknesses Detected in Internal Audit at Central Level in 2017 compared to 2016.....	31
3.2.2. Status of Internal Audit at Local Level as per Submitted 2017 Annual Reports.....	32
3.2.2.1. Progress Achieved in Internal Audit at Local Level in 2017 compared to 2016.....	35
3.2.2.2. Weaknesses Detected in Internal Audit at Local Level in 2017 compared to 2016.....	36
4. CENTRAL HARMONIZATION UNIT.....	36
4.1. Activities Realized by the Central Harmonization Unit in 2017.....	36
4.1.1. Cooperation with Key Implementers of Budget Reforms and Public Administration Reform..	36

4.1.2. Coordination of PIFC System Development with Budget Users at Central and Local Level ..	37
4.1.3. Activities related to Chapter 32 - Financial Control.....	37
4.1.4. International Cooperation and Activities.....	37
4.1.5. Cooperation with Professional Associations.....	37
4.1.6. Cooperation with State Anti-Corruption Commission.....	37
4.2. Future Activities of the Central Harmonization Unit.....	37
5. CONCLUSIONS.....	38

ATTACHMENTS..... 41

1. Review of Entities at Central and Local Level not having submitted Annual Financial Report
2. Review of Entities at Central and Local Level not having established Separate Financial Affairs Unit
3. Review of Entities at Central and Local Level not having Appointed Heads of Financial Affairs Units
4. Review of Entities at Central and Local Level not having Appointed an Irregularities Officer
5. Review of Entities at Central and Local Level not having Appointed an Accountant
6. Review of Entities at Central and Local Level not having Adopted Risk Management Strategy
7. Review of Entities at Central and Local level not having prepared Risk Registry
8. Review of Institutions at Central and Local Level not having submitted Rulebook on the Manner of Internal Allocation of Total Approved Budget, Assuming Liabilities and Making Payments
9. Review of Institutions at Central and Local Level not having Appointed a Coordinator in charge of Establishing the Risk Management Process
10. Review of Institutions at Central and Local Level hot having submitted Annual Audit Report

SUMMARY

Public internal Financial Control Department (hereinafter: Central Harmonization Unit - CHU) is an organizational unit within the Ministry of Finance, responsible for harmonizing the activities for development of the internal financial control system in the public sector.

Pursuant to the Law on Public Internal Financial Control¹, CHU prepares Annual Report on the Functioning of Public Internal Financial Control System.

This Report is prepared in order to present the level of internal financial control development (financial management and control and internal audit) and inform the Government of the Republic of Macedonia and other stakeholders about the activities implemented in the reporting period, as well as provide instructions for the future development of this system in an integrated manner.

In 2017, 83% of public sector entities at central level and 79% of public sector entities at local level met the obligation for submission of 2017 Annual Financial Report, which compared to 2016, is a 2 percentage points increase at central level and 16 percentage points increase at local level.

Data provided in the submitted annual reports on financial management and control functioning and the records in the Central Harmonization Unit show the following progress achieved in 2017: new Financial Affairs Unit was established in 1 entity at central level, Heads of Financial Affairs Units were appointed in 2 entities at central level, while 3 risk management strategies were adopted at local level and Risk Registries were prepared in 3 entities at central level and 2 entities at local level.

In 2017, 63.4% of the public sector entities at central level and 67.9% of the public sector entities at local level met the obligation for submission of Annual Report on Audits and Internal Audit Activities, which compared to 2016 is a decrease by 5.4 percentage points at central level and increase by 3.7 percentage points at local level.

As regards the internal audit functioning at central level, the following progress was achieved in 2017: 1.9% increase in the number of appointed Heads of Internal Audit Units, 25% increase in the number of entities not being obliged to submit, but who already submitted an annual report, 0.95% increase in the number of filled job positions in the internal audit units, 16% increase in the number of performed audits related to the EU Programs, 14% increase in the number of performed system-based audits, 37% increase in the number of performed compliance audits, 0.19% increase in the number of recommendations given under the audit reports, decrease of the percentage of partially implemented recommendations by 4.1 percentage points and 5.26% decrease of the number of spent audit days in average.

At local level, the following progress was achieved: increase in the number of internal auditors by 2.9%, increase in the number of municipalities which submitted report on the performed audits and the internal audit activities by 6.8%, 5.6% increase in the number of planned audits, 11.6% increase in the number of performed audits, 11.9% increase in the number of given recommendations and increase in the number of implemented recommendations by 0.9 percentage points.

¹ „Official Gazette of the Republic of Macedonia“ nos. 90/2009, 188/2013 и 192/15

1. INTRODUCTION

2017 Annual Report on the Functioning of Public Internal Financial Control System is prepared on the basis of the annual financial reports submitted by the budget users, pursuant to indent 11, Article 48 of the Law on Public Internal Financial Control, as well as on the basis of the analysis of the questionnaire for self-assessment of the financial management and control system, and the report on the performed audits and the internal audit activities. In addition, the report also includes the carried out activities related to harmonization of the development of the financial management and control and internal audit systems, the Central Harmonization Unit being in charge thereof.

Internal financial control system (comprising: financial management and control and internal audit) is established for the purpose of providing sound financial management in the public sector, in order to target and control the financial effects in the operations by supporting the achievement of the objectives and using the funds in a legal, proper, cost-effective, efficient and effective manner.

Heads of the budget users at central and local level are responsible for the development of efficient and effective internal financial control system.

Due its complexity, the internal financial control system requires continuous monitoring and assessment of the appropriateness and the functionality carried out through self-assessment by the management, as well as the internal and external audit activities. On the basis of the submitted self-assessment, the level of development of the internal financial control system in 2017, is noticed.

1.1 Legal Basis for Preparation of the Annual Report

Pursuant to Article 47 of the Law on Public Internal Financial Control and the Rulebook on the Form and the Contents of the Reports and the Statement on Quality and Status of Internal Controls under the Annual Financial Report², the Head of the first line budget user from the legislative, executive and judicial branches (except for the State Audit Office), the Funds and municipalities and the City of Skopje, are obliged to submit Annual Financial Report to the Central Harmonization Unit by 10th May in the current year for the previous year at the latest.

Annual Financial Report includes the following:

- report on planned and spent funds by items (comparable overview tables),
- report on realized programs, projects and agreements,
- annual statements or consolidated annual statement,
- report on the carried out self-assessment (results from the self-assessment not being completely positive, comments of the head of the entity referring to the recommendations from the self-assessment and opinion on the financial management and control),
- Statement on Quality and Status of Internal Controls,
- Report on activities for establishment and development of financial management and control
- Report on the performed audits and internal audit activities.

² „Official Gazette of the Republic of Macedonia“, nos.147/10, 34/11 и 113/14

1.2. Purpose of the Annual Report

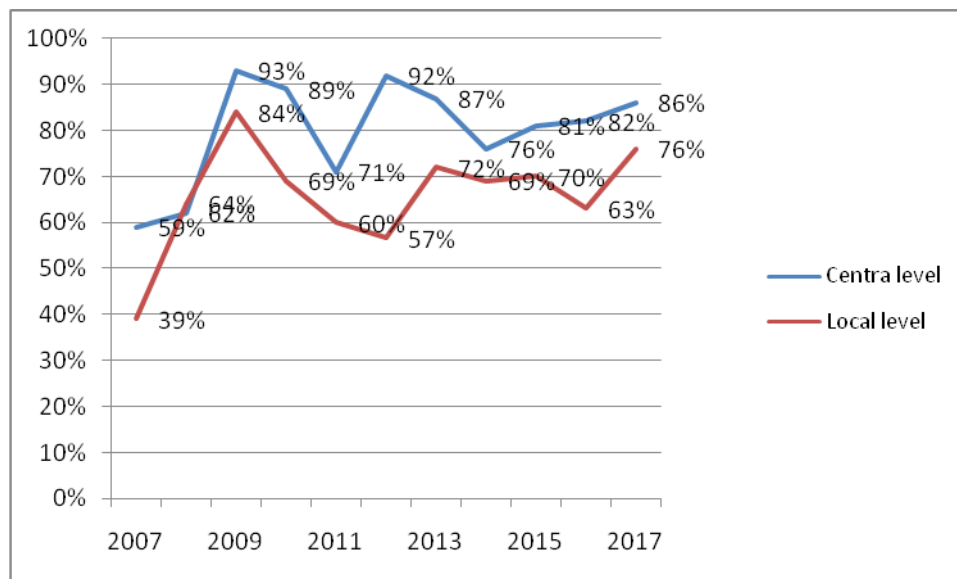
The Annual Report is prepared in order to present the level of internal financial control development and inform the Government of the Republic of Macedonia and other stakeholders about the activities implemented in the reporting period, as well as provide instructions for the future development of the public financial control system and internal audit in an integrated manner.

1.3 Submitted 2017 Annual Financial Reports

Total number of the budget users obliged to submit annual financial report is 174, 93 out of which are at central and 81 are at local level (80 municipalities and the City of Skopje). Out of total 174 entities at central and local level, 81%, i.e. 141 entities submitted Annual Financial Report, 83% out of which were entities at central level and 79% were entities at local level.

17% of the budget users at central level and 21% of the municipalities did not submit Annual Financial Report. **(1. Review of institutions at central and local level, which did not submit Annual Financial Report)**

Observed by years, from 2007 to 2017, percentage of submitted annual financial reports at central and local level is as follows:



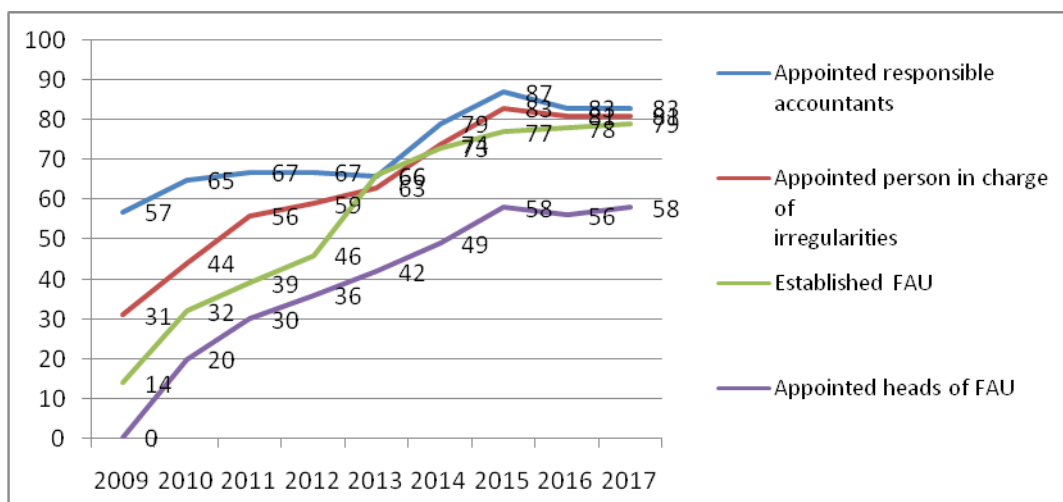
2. REPORT ON QUALITY AND STATUS OF FINANCIAL MANAGEMENT AND CONTROL

2.1. Current state of play as regards financial management and control at central level

Current state of play as regards financial management and control at direct budget users - entities at central level at the end of 2017 is as follows:

- Financial Affair Units (departments/units) were established in 86% of the entities at central level (79);
- Heads of Financial Management and Control Units were appointed in 63% of the entities at central level (58);
- Accountants were appointed in 90% of the entities at central level (83) pursuant to the Law on Accounting on Budgets and Budget Users;
- Irregularities Officers were appointed in 88% of the entities at central level (81) pursuant to Article 50 of the Law on Public Internal Financial Control.
- Risk Management Strategies were adopted in 68% of the entities at central level (63), pursuant to paragraph 12, Article 15 of the Law on Public Internal Financial Control and
- Risk Registries were prepared in 54% of the entities at central level (50).

Observed by years, from 2009 to December 2017, current state of play as regards financial management at central level is as follows:



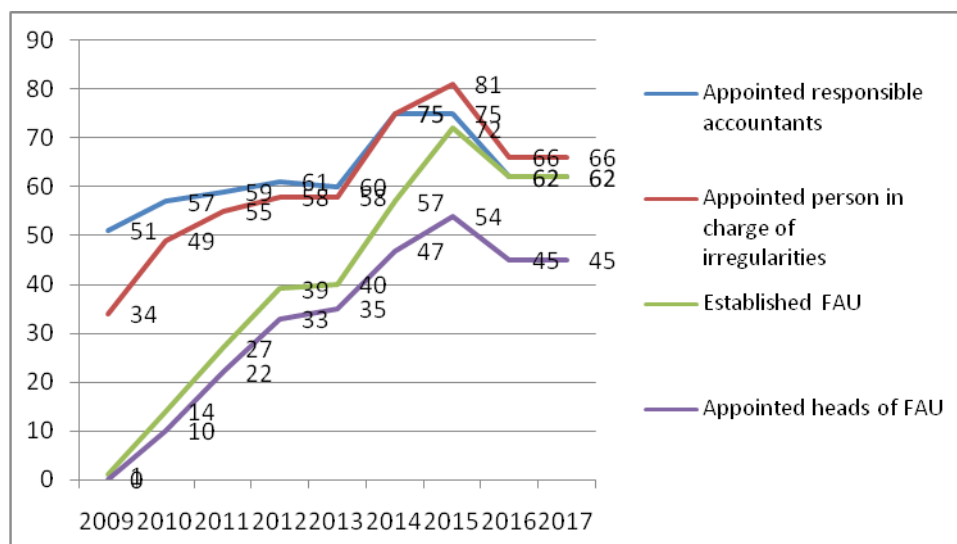
2.2. Current state of play as regards financial management and control at local level

Current state of play as regards financial management and control at 81 local government units at the end of 2017 is as follows:

- Financial Affair Units (departments/units) were established in 76% of the local government units (62);
- Heads of Financial Management and Control Units were appointed in 56% of the local government units (45);
- Authorized accountants were appointed in 76% of the local government units (62) pursuant to the Law on Accounting on Budgets and Budget Users;

- Irregularities Officers were appointed in 81% of the local government units (66) pursuant to Article 50 of the Law on Public Internal Financial Control;
- Risk Management Strategies were adopted in 42% of the entities at local level (34).
- Risk Registries were prepared in 35% of the entities at local level (28).

Observed by years, from 2009 to December 2017, current state of play as regards financial management at local level is as follows:

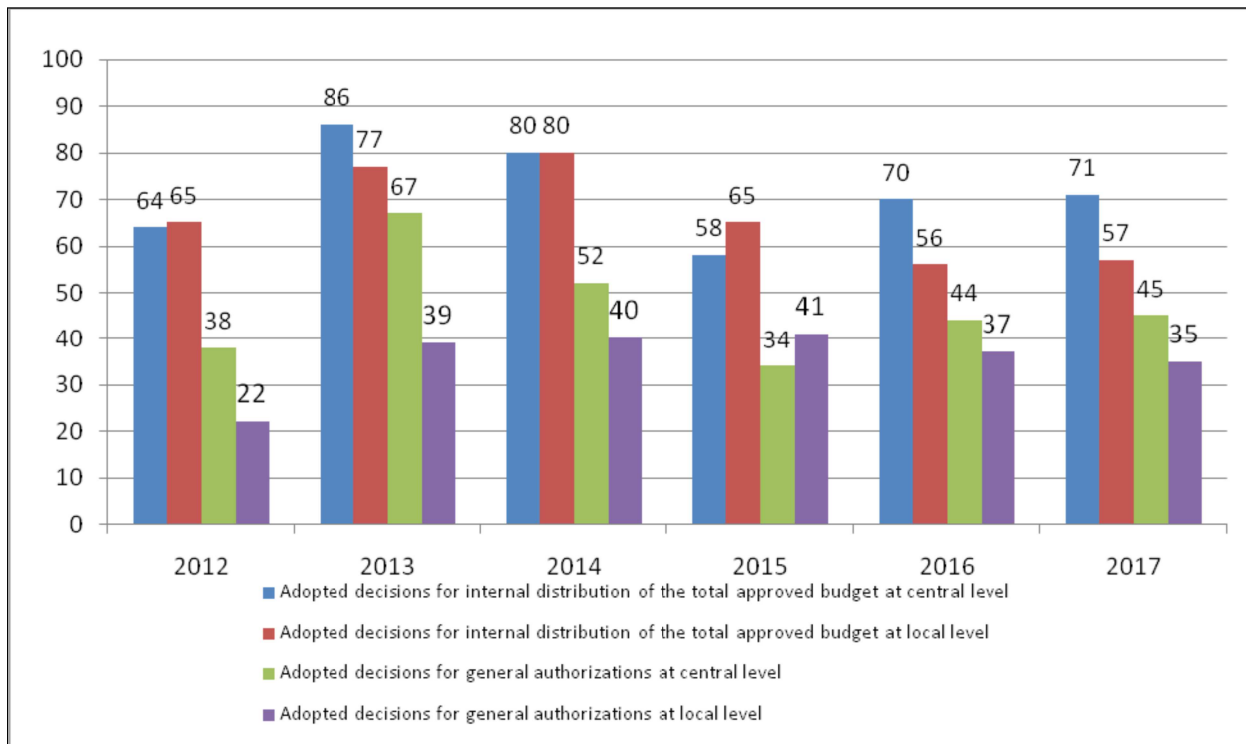


2.3. Establishment of Decentralized System of Financial Management and Control

State of play as regards establishment of decentralized system of financial management and control as of December 2017 inclusive is as follows:

- 77% of the entities at central level (71) and 70% of the municipalities and the City of Skopje (57) adopted decisions on internal allocation of the total approved budget and
- 49% of the entities at central level (45) and 43% of the municipalities and the City of Skopje (35) adopted decisions on general authorizations.

Status of decentralization of financial management and control at both central and local level on the basis of adopted decisions on internal allocation of the total approved budget and adopted decisions on general authorizations as of December 2017 inclusive is presented as percentage of implementation in the following chart:



2.4 Achieved Progress in Financial Management and Control at Central and Local Level Compared to the Previous Year

Data provided in the submitted annual reports on the functioning of the financial management and control and the records of the Central Harmonization Unit show the following progress achieved in 2017:

- new Financial Affairs Unit was established in 1 entity at central level,
- Heads of Financial Affairs Units were appointed in 2 entities at central level,
- Three Risk Management Strategies were adopted in 3 entities at local level and
- Risk Registries were prepared in 2 entities at central level and 3 entities at local level.
- 2 entities at central level submitted Rulebook On the Manner of Internal Allocation of Total Approved Budget, Assuming Liabilities and Making Payments

2.5 Detected Weaknesses

Weaknesses detected in the establishment and functioning of the financial management and control are the following:

- 13 central level entities and 19 local government units did not establish Financial Affairs Units (Attachment 2: Review of entities at central and local level not having established separate Financial Affairs Units);
- 34 central level entities and 36 local government units did not appoint Heads of Financial Affairs Units (Attachment 3: Review of entities at central and local level not having appointed Heads of Financial Affairs Units);

- 12 entities at central level and 15 local government units did not appoint Irregularities Officers pursuant to Article 50 of the Law on Public Internal Financial Control (Attachment 4: Review of entities at central and local level not having appointed Irregularities Officers);
- 9 entities at central level and 19 local government units did not appoint authorized accountants pursuant to requirements in the Law on Accounting on Budgets and Budget Users (Attachment 5: Review of entities at central and local level not having appointed authorized accountant);
- 29 entities at central level and 46 local government units did not adopt Risk Management Strategy (Attachment 6: Review of entities at central and local level not having adopted Risk Management Strategy) and
- 42 entities at central level and 52 local government units did not prepare Risk Registry (Attachment 7: Review of entities at central and local level not having prepared Risk Registry).
- 50 entities at central level and 56 local government units did not submit Rulebook on the Manner of Internal Allocation of Total Approved Budget, Assuming Liabilities and Making Payments (Attachment 8: Review of institutions at central and local level not having submitted Rulebook on the Manner of Internal Allocation of Total Approved Budget, Assuming Liabilities and Making Payments).
- 65 entities at central level and 74 local government units did not appoint coordinator in charge of establishing the risk management process (Attachment 9: Review of institutions at central and local level not having appointed coordinator in charge of establishing the risk management process)

2.6. Results from the carried out self-assessment of financial management and control components

Internal financial control systems are established and developed for the purpose of providing sound financial management in the public sector. They are aimed at targeting and controlling the financial effects in the operations by supporting the achievement of the objectives, thereby using the funds in a legal, proper, cost-effective, efficient and effective manner. In addition, the purpose of the system is to provide safety and comprehensiveness of the financial reports, as well as to protect the funds against losses caused by improper management, unjustified spending and usage. Heads of the budget users are responsible for development of efficient and effective internal control system.

Due its complexity, the internal control systems require monitoring and assessment of the appropriateness and the functionality carried out through: self-assessment of the systems carried out by the management, as well as the internal and external audit activities.

Statement on Quality and Status of Internal Controls is an annual statement, by which the head of the budget user confirms that legal, earmarked and purposeful usage of the funds was provided, as well as efficient and effective functioning of the internal control systems during the operations.

In 2017, the budget users who submitted statements and self-assessment, included detected weaknesses and irregularities, however only 20% of them were at central level, while 14% of the budget users at local level submitted plans for establishment and development of financial management and control, by which the respective weaknesses and irregularities will be eliminated.

Under the new Draft Law on Internal Control System in the Public Sector being under preparation, new manner of preparing the Statement on Quality and Status of Internal Controls will be suggested, thus imposing an obligation for also preparing and submitting a plan for establishment and development of financial management and control under the annual report, by which the respective weaknesses and irregularities will be eliminated. At the same time, the methodology for carrying out self-assessment and reporting will be improved by preparing a new questionnaire.

Analysis of the carried out self-assessment of the annual reports of the budget users, referring to the activities related to establishment and development of financial management and control, was carried out on the basis of the data classified by separate financial management and control components, presenting the current status at central and local level. Subject-matter of the respective analysis were the results from the self-assessment, not being completely positive, the comments of the head of the entity referring to the recommendations from the self-assessment and the opinions of the internal auditors about the financial management and control.

Results from the analysis of the organizational establishment of financial management and control at central and local level is at relatively satisfactory level given that 80.3% (84.1% at central level and 76.5% at local level) of the budget users established separate financial affairs unit, while 83% of them (90% at central level and 76% at local level), have appointed authorized accountant.

Difficulties in the financial management and control functioning arise from the fact that only 58.7% of the budget users at central and local level (61.7% at central level and 55.6% at local level) have appointed heads of Financial Affairs Units.

New Law on Internal Control System in the Public Sector, which is under preparation, will stipulate reduction of the number of the budget users that will be obliged to establish a separate financial affairs unit, i.e. small budget users (committees, regulatory bodies and other budget users at central level and municipalities with small budgets and small number of employees) will be freed from this obligation, and only one person will be in charge of carrying out the financial management and control.

Irregularities Officers were appointed by 83.3% of the budget users at central and local level (85.1% at central level and 81.5% at local level). However, the reporting of irregularities in practice started to be functional only when using the resources from the IPA Funds, which was not the case with the budget funds.

New Law on Internal Control System in the Public Sector, which is under preparation, will impose an obligation for the internal auditors to report any irregularities to the irregularities officer, or to the head of the budget users in case irregularities officer is not appointed. In case of irregularities detected by the internal auditor or another person, the financial inspection will undertake appropriate measures.

Table no.1: Results from the Organizational Establishment of Financial Management and Control

Organization and establishment of financial management and control	July 2018			
	Central level		Local level	
	94 ³ users		81 users	
	Number	%	Number	%
Established Financial Affairs Unit (Department/Unit)	79	84.1	62	76.5
Appointed Head of of Financial Affairs Unit	58	61.7	45	55.6
Appointed authorized accountants	83	90.0	62	76
Appointed Irregularities Officer	80	85.1	66	81.5

A. CONTROL ENVIRONMENT

Control environment is one of the financial management and control components covering:

- ethics and integrity - personal and professional integrity, i.e. ethical values of the employees and their competences,
- manner of governance and style of management,
- existence of planning approach to operating (defining the mission, the vision, determining strategic goals and their connection with the operational - annual objectives).
- determined organizational structure with clearly set authorizations and responsibilities for carrying out the goals and managing the budget funds and
- establishment of reporting lines for the achieved goals and spent budget funds. <

a) Ethics and Integrity

Analysis of the data from the submitted self-assessment of the budget users at central and local level indicates that 92% of them have code of ethics and the employees are familiar therewith, however, great number of the budgets users have accepted the general code of administrative servants, without having special codes for integrating the specifics from their work or profession.

In practice, the codes of ethics are not satisfactorily applied mainly because they are not sufficiently elaborated for all critical areas and professions. In addition, there is a need for finalizing the area related to ethics and integrity, given that it is not envisaged to appoint a person, who will receive the charges for disrespect of the ethical values, as well as a body (for instance: Council for Ethics), which will organize "dilemma debates" and adopt conclusions for modifications and amendments to the code of ethics.

Bylaws and other guidelines prepared on the basis of the New Law on the Internal Control System in the Public Sector under preparation, will regulate the area for assessment of the risks against

³ Also including the State Audit Office not being obliged to submit annual report

fraud and corruption, whereby the risks for tackling unethical and unprofessional behavior of employees will be especially addressed.

Table 2: Results Achieved in the field of "Ethics and Integrity"

Ethics and Integrity	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
Familiarity of the employees with the Code of Ethics of civil servants or the separate code of ethics of the respective entity	72	93.5	55	90.2
Appointed person for ethics (ethics commissioner)	12	15.6	3	4.9
Existence of additional internal guidelines and or/instructions for behavior of the employees	45	58.4	21	34.4
Existence of clear rules (internal acts) defining the status of potential conflict of interests and the manner of acting	26	33.8	18	29.5

b) Governance and style of management,

Analysis of the data obtained from the budget users at central and local level, which submitted annual report, indicates the fact that the governance and the style of management at budget users is at high professional level, that high level meetings (collegiums) are held on regular basis and that they regularly cover topics related to the field of financial management and control (strategic goals, implementation of programs/projects and achieved results, key challenges in the operations and the realization of the financial plan/budget execution).

However, the heads of the budget users of their bodies, the regional offices and the heads of the second line budget users at only 32% of the budget users, take part at these high level meetings at central level.

In certain institutions, the style of governance of the heads of the budget users is still strictly centralized, i.e. decision-making was still not delegated (established system of general authorizations) and accountability of the line managers was not increased.

Results from the analysis of data in the field of governance and style of management show that at central level, there is a sufficient percentage of managers' assurance that the risk management and the internal control are useful processes, i.e. a system which significantly contributes to achieving the goals, implementing the programs/projects and protecting the property. However, upon the inspection of the submitted reports, one can conclude that they mainly do not include sufficiently conclusive evidence confirming these claims, particularly if one takes into account the fact that the risk management is still not sufficiently developed.

Table 3: Results in the field of "Governance and Style of Management"

Governance and style of management	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
High-level meetings (collegiums) are held on regular basis	69	89.6	56	91.8
Topics discussed at the high-level meetings are the following:				
a) strategic goals	70	91	50	82.0
b) implementation of programs/projects and achieved results	70	91	55	90.2
c) key operational risks	61	79.2	50	82.0
d) realization of the financial plan/budget execution	67	87	56	91.8
Heads of the bodies within the entity also take part in the high level meetings	24	31.2	42	68.8

c) Planning approach to operating

Planning approach to operating of the budget users is of essential importance for successful realization of the goals set in line with the determined mission and vision.

Results show that 95% of the budget users at central level defined the mission and the vision, the strategic goals and program objectives related thereto. At central level, 75%⁴ of the institutions submitted data on the realized programs, whereby this percentage at local level accounts for 72%⁵.

Weaker performance were recorded at budget users at central level, where 87% of them do not include their bodies and the second line budget users when preparing the strategic documents, while 66% of the local government units did not determine performance indicators, through which the implementation of the set goals is monitored. At central level, the situation improved, i.e. 28.6% of the entities did not determine performance indicators.

Occurrence of overestimated revenues and outstanding liabilities, especially at local level, is the reason for not observing the planning approach to operating and providing timely preparation of all plans throughout the year in line with the budget process.

Table 4: Results in the field of "Planning Approach to Operating"

⁴Out of which the biggest are: Ministry of Labour and Social Policy with 23 programs in the amount of Denar 42.1 billion, Ministry of Education and Science with 10 programs in the amount of Denar 20.1 billion, the Agency for Financial Support in Agriculture and Rural Development with 4 programs in the amount of Denar 7.6 billion, Ministry of Transport and Communications with 17 programs in the amount of Denar 3.5 billion and the Ministry of Foreign Affairs with 7 programs in the amount of 1.1 billion, Ministry of Internal Affairs with 13 programs in the amount of Denar 10 billion, etc.

⁵Out of which the biggest are: City of Skopje with 46 programs in the amount of Denar 4.8 billion, Centar Municipality with 8 programs in the amount of Denar 270 million, Kisela Voda Municipality with 34 programs in the amount of Denar 252 million, Karpos Municipality with 6 programs in the amount of Denar 707 million, Kumanovo Municipality with 18 programs in the amount of Denar 193 million, etc.

Planning approach to operating	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
Determined vision and mission of the institution	73	94.8	42	68.8
Determined strategic goals	73	94.8	52	85.2
Determined programs	67	87	57	93,4
Determined goals of the programs	67	87	56	91.8
Goals of the programs are related to the strategic goals	66	85.7	54	88.5
Adopted annual operational plan/program	64	83.1	47	77.1
Goals, which every organizational unit should realize throughout the year are defined in the annual operational plan/ program,	62	80.5	44	72.1
Goals of the annual operational plans/ programs are related and harmonized with the strategic goals	65	84.4	44	72.1
Planning documents including data on the goals, comprise data on the estimated financial resources necessary for realizing the set goals	58	75.3	44	72.1
There are determined performance indicators, through which the implementation of the set goals is monitored	55	71.4	21	34.4
Second line budget users are also included in the preparation of the strategic documents.	10	13	36	59.0

d) Organizational structure, authorizations, responsibilities and reporting system

Internal organizational structure of budget users at central and local level is governed under rulebooks on organization and operations, being harmonized with the regulatory framework, while the distinct division of the authorizations and the responsibilities is regulated under a decision from the head of the budget user, pertaining to internal allocation of the total approved budget and decisions for general authorizations in line with which, the functions and the operational goals are realized.

Decisions on internal allocation of the total approved budget were adopted by 77% of the budget users at central level and 70% of the municipalities and the City Of Skopje. Weaker performance is achieved when adopting decisions on general authorizations, i.e. 49% of the budget users at central level and 43% of the municipalities and the City Of Skopje adopted such decisions.

In addition, unsatisfactory performance was achieved when introducing reporting lines, by which the heads will be able to supervise the realization of the strategic and operational goals, the allocation of financial resources, the results and effects, as well as the operations of the competent institutions.

Table 5: Results achieved in the field of "Organizational Structure, Authorizations, Responsibilities and Reporting System"

ORGANIZATIONAL STRUCTURE, AUTHORIZATIONS, RESPONSIBILITIES AND REPORTING SYSTEM	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
Clearly defined competences and responsibilities of the organizational units in the strategic planning process	65	84.4	37	60.7
Clearly defined authorizations and responsibilities for realizing the goals agreed under the program/project/activity	61	79.2	45	73.8
Activities for coordination of the financial management and control development are under the competence of the Financial Affairs Unit	59	76.6	44	72.1
Finance-related working posts are determined in the other organization units/bodies	16	20.8	12	19.7
Heads of the organizational units are authorized to manage the approved budget funds aimed at realizing the activities under their competence	47	61	38	62.3
Top management has introduced reporting lines for realization of the goals and accordingly the realization of the financial plan/budget execution (realized goals, spent budget funds, generated income, incurred liabilities, and similar)	55	71.4	51	83.6
Organizational units prepare reports on realization of the goals, programs, projects	60	77.9	52	85.2
Organizational units prepare report on realization of the approved budget (spent budget funds for realization of programs, projects, activities, revenues, contractual obligations, and similar)	40	52	46	75.4

e) Human resource management

Results from the analysis show that 91% of the budget users at central level and 88% of them at local level prepare training plans for the employees related to the scope of the work they perform, whereby records/registry is being kept for the implemented trainings per each employee separately.

However, if one takes into account the fact that only 35% of the budget users at central level and 38% of them at local level, have established a practice for assigning tasks/activities per each employee separately under the annual operational plans of the organizational units, it can be concluded there is not sufficient connection of the training plans for the employees with the assigned tasks.

Table 6: Results achieved in the field of "Development of Human Resources"

Development of human resources (planning of the operations and monitoring the achieved results)	2017	
	Central level	Local level
	77 users	61 users

	Number	%	Number	%
There are training plans for the employees related to the scope the work they perform	70	91	54	88.5
Records/registry for training per each employee separately is being kept	65	84.4	41	67.2
Employees are sent to trainings related to financial management and control (including training in the field of strategic planning, preparation and drafting of budget request, risk management, procurement and conclusion of agreements, accounting systems, irregularities and frauds, and similar)	64	83.1	52	85.2
Under the annual operational plans of the organizational units, tasks/activities are assigned per each employee separately	27	35.1	23	37.7

B. RISK MANAGEMENT

69% of the budget users at central level document the operational risks in the Risk Registry, while 58% of the budget users document them in their planning documents. This percentage is significantly lower at budget users at local level, since 46% of them documents the operational risks in the planning documents, and 34% documented them in the Risk Registry.

At local level, only 25% of the entities have appointed person in charge of coordinating the establishment of risk management process, while 11% of them have appointed risk coordinators in the organizational units. Situation at central level is somewhat better, i.e. 56% of the entities have appointed person in charge of coordinating the establishment of risk management process, while 36% of them have appointed risk coordinators in the organizational units. In order to establish a sound risk management system, it is necessary for all budget users to appoint the required risk coordinators.

Only 14% of the budget users at central level obtain information about the most significant risks from their bodies and the second line budget users. This percentage is somewhat bigger at local level, accounting for 29%.

In practice, public sector entities assess the different types of risks to which they are exposed, focusing on the risk assessment related to harmonization of the operations with the regulations, assessing to a lesser extent the risks affecting the results achieved from their operations.

In the period to come, a need is imposed for strengthening the risk management, particularly in the ministries, which should cover the risks from their competence as a whole (including the risks in their bodies, the second line budget users and the state-owned enterprises). Reporting on the realization of the measures determined for overcoming or mitigating the risks, should be improved.

Table 7: Results Achieved in the field of "Risk Management"

	2017	
	Central level	Local level

Risk Management	77 users		61 users	
	Number	%	Number	%
Determination of risks that may affect the realization of the following:				
a) strategic goals	52	67.5	31	50.8
b) goals of the program/project/activity	49	63.6	36	59.0
c) goals included in the annual operational program	46	60	31	50.8
Risks are included in writing in the following:				
a) planning documents (strategic documents/ plan of development programs/annual operational plans)	45	58.4	28	45.9
c) in the Risk Registry, determined in line with the instructions for implementing the risk management process at budget users	53	68.8	21	34.4
As regards the determined risks, their probability and effects are estimated	52	67.5	30	49.2
System on reporting the most significant risks was established	38	49.3	12	19.7
Person responsible for coordinating the establishment of risk management process, was appointed	43	56	15	24.6
Risk coordinators were appointed in the organizational units	28	36.4	7	11.5
Budget users within the respective entity submit reports on the main risks	11	14.3	18	29.5

C. CONTROLS

Analysis of the 2017 data

Analysis of the data with respect to the controls determined at the budget users at central level indicates deficiencies as follows:

- 47.1% of the institutions have prescribed written procedures for the process of preparing and realizing the strategic plan,
- 75.5% of the institutions have prescribed written procedures for the process of preparing and realizing the budget request/the draft budget,
- 68% of the institutions have prescribed internal procedures for the process of recording the business processes and transactions,
- 76% of the institutions have prescribed written internal procedures for the process of procuring and contracting,
- 57.5% of the institutions have prescribed written internal procedures for the process of managing the property - tangible and intangible assets,
- 44.3% of the institutions have procedures for collecting own revenues,
- 41.6% of the institutions have procedures for refunding the unjustifiably spent or erroneously paid budget funds,
- 53% of the institutions carry out ex post controls over the earmarked spending of the budget funds paid to the final beneficiaries,

- 32% of the institutions have procedures for carrying out ex post controls,
- procedure for carrying out ex post controls is part of the daily operations at 62.3% of the institutions,
- procedure for carrying out ex post controls is ad hoc task at 49.5% of the institutions,
- 75% of the institutions update the internal procedures on regular basis,
- 18% of the institutions have prescribed written internal procedures referring to preparation and realization of the strategic plans, preparation and realization of the financial plan/budget execution, procurement and contracting, ex post control and similar, including guidelines on the manner of cooperation and the activities for the second line budget users and
- 14.2% of the institutions are familiar with the extent to which the second line budget users have regulated the control activities in the processes of preparation and realization of the financial plans/budget execution, procurement and contracting, property management and similar.

In the period to come, special attention should be paid to the following:

- Adoption of internal acts and procedures (guidelines and instructions) for all significant operational processes, by which on the basis of the laws and the other regulations,
 - acting rules will be more thoroughly regulated,
 - participants, their authorizations and responsibilities and control activities, including ex ante and ex post controls will be defined and
 - forms will be stipulated.

Table 8: Results Achieved in the field of Controls

CONTROLS	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
There are written internal procedures (rulebooks, guidelines, instructions), which, as an extension of the regulations, more thorough regulate the following processes:				
a) process of preparing and realizing the strategic plan	41	53.2	25	41
b) process of preparing and realizing the budget request/draft budget	57	74	47	77
c) process of recording the operations and the business transactions	56	73	38	62.3
d) process of procuring and contracting	60	78	45	73.8
e) process of managing the property - tangible and intangible assets	43	56	36	59
f) process of collecting own revenues	19	24.7	39	63.9
g) process of refunding the unjustifiably spent or erroneously paid budget funds	25	32.5	31	50.8
Internal procedures are updated	60	78	44	72.1
It is ensured for the principle of segregation of duties to be applied pursuant to the law and the standards, i.e. for the same person not to be responsible for approval, execution, accounting and control	62	80.5	40	65.6
Ex post controls over the earmarked spending of the paid budget funds are carried out. (For instance, on-site controls for the paid subsidies, grants, assistance, various fees, transferred budget funds to the final beneficiaries, and similar)	37	48	35	57.4
Procedure of carrying out ex post controls is regulated under written procedures	30	39	15	24.6
Procedure for carrying out ex post controls over the earmarked spending of the paid budget funds is:				
a) part of the regular operations of the organization units in the institution in charge therefor	48	62.3	38	62.3
b) ad hoc task in cases when there is a need for ex post controls (for instance in case of anonymous reporting for potential irregularities when using the budget funds)	41	53.2	28	45.9
Written internal procedures referring to preparation and realization of the strategic plans, preparation and realization of the financial plans/budget execution, procurement and contracting, ex post control and similar, include guidelines on the manner of cooperation and the activities for the second line budget users	5	6.5	18	29.5
There is information about the extent to which the second line budget users have regulated the control activities in the processes of preparation and realization of the financial plans/budget execution, procurement and contracting, property management and similar.	3	3.9	15	24.6

D. INFORMATION AND COMMUNICATIONS

Analysis of the 2017 data

As regards the reporting on monitoring the set goals and carrying out effective supervision over the operations, i.e. implementation of programs/projects/activities, there is a high percentage of budget users at central and local level indicating that the reporting system has been established. However, it is mainly a matter of reports prepared in the Financial Affairs Units and mostly for the purpose of monitoring the realization of financial resources in relation to the projections.

There is more thoroughly elaborated economic classification than the one stipulated in the Rulebook on the Accounting Plan for Budgets and Budget Users, i.e. there is analytics of the accounting plan in 65% of the entities at central level and 77% of them at local level, for the purpose of monitoring the realization of the financial plan/budget execution.

Second line budget users do not prepare other reports apart from the prescribed financial reports submitted to the first line budget users in 88% of the institutions at central level and 69% of the local government units, and there is no IT connection with the second line budget users in 83% of the institutions at central level.

Despite this, there are still no established reporting systems, which the accounting services should provide as information/data on realization of the strategic goals, realization of the programs and projects, information on the contractual obligations and similar, whereby the cash-basis accounting is not sufficiently used as a financial management and control tool, although it is a known fact that the cost-related information may help the budget users to improve the financial management and the quality of their budgeting, i.e. ensure reaching of more rational decisions on allocation of the budget and the other resources, as well as for the “value for money” assessment.

In practice, the calculation of costs is still not sufficiently used for determining standard "benchmark" costs that will provide for comparing these costs among the budgets users and within the budget users (regional offices, departments, etc.) when delivering the same type of service. This should provide for comparing the costs, this increasing the operational efficiency. On the other hand, cost-related information, is also insufficiently used for calculating the value of the new programs. One of the reasons for this condition is the insufficient education of accountants and heads about the possibilities for cost classification, as well as the manner of using the cost-related concepts (absorption costing, costs per organizational unit, costs per working position, activity-based costs, marginal costs and relevant techniques for cost calculation).

Table 9: Results Achieved in the field of “Information and Communications”

INFORMATION AND COMMUNICATIONS	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
Defined appropriate reporting lines referring to the realization of the strategic goals included in the strategic documents	42	54.5	25	41

Established reporting system referring to the realization of the programs/projects	50	65	44	72.1
Established regular system for monitoring and analyzing the realization of the financial plan/budget execution	70	91	56	91.8
Organizational units participate in preparation of the financial plan/budget	65	84.4	56	91.8
Organizational units obtain information about the approved budget funds for implementing the programs/projects/activities under their competence	62	80.5	56	91.8
For the purpose of monitoring the realization of the financial plan/budget execution, there is more thoroughly elaborated economic classification than the one stipulated in the Rulebook on the Accounting Plan for Budgets and Budget Users, i.e. there is analytics of the accounting plan.	50	65	47	77
Accounting systems enable monitoring of expenditures/revenues by:				
a) programs	64	83.1	59	96.7
b) projects	42	54.5	44	72.1
c) activities	37	48	41	67.2
d) organizational units	40	52	39	63.9
8) Do you have centralized records of all signed agreements and contractual obligations and are they supported by the IT system	49	63.6	38	62.3
In addition to the stipulated financial reports (balance sheet, income statement and consolidated balance sheet), there are additional internal reports on the financial management needs (for instance reports on unpaid liabilities by programs/projects/organizational units, reports on contracted, but still not invoiced liabilities, reports on the achieved results of the programs/projects, and similar)	53	69	43	70.5
Working systems (finances, procurement and contracting, operational records, personnel, and similar) are sufficiently supported under the IT technology (IT system)	64	83.1	50	82
IT systems supporting certain processes are integrated with each other	39	50.6	28	45.9
Key operational processes, which are implemented within the organizational units are documented, i.e. are the procedures, the tasks of the separate participants, the authorizations and the responsibilities clearly defined? (for instance, are there internal guidelines, instructions, rulebooks, are maps/books of the operational processes and similar, prepared?)	63	81.8	37	60.7
Second line budget users also prepare other reports apart from the stipulated financial reports, which they submit to the first line budget users*	9	11.7	19	31.1
IT connection with the second line budget users was achieved (for instance, through the Treasury Department system and similar)	13	17	40	65.6

E. SUPERVISION/MONITORING AND ASSESSMENT OF THE SYSTEM

Analysis of the 2017 data

Financial management and control is supervised and assessed through: constant monitoring, self-assessment and internal audit activity.

Results from the analysis show that 58% of the budget users at central level and 58% of the budget users at local level established a reporting system, by which they obtain reports on the functioning of the financial management and control system, for which they are responsible. 82% of the budget users at central level and 90% at local level implemented the external audit

recommendations. In addition, 66% of the budget users at central level and 87% of them at local level implement the internal audit recommendations.

However, it is necessary to strengthen the supervision by the Financial Affairs Units, which should carry out self-assessment of certain processes of the financial management and control system, throughout the year, as well as self-assessment of the structure and the functioning of the whole financial management and control system once in five years. Self-assessment should be aimed at determining whether the financial management and control system provides not only regularity, but also ethical, cost-effective, efficient and effective operations.

Table 10: Results in the field of "Monitoring and Assessment of the System"

Monitoring and assessment of the system	2017			
	Central level		Local level	
	77 users		61 users	
	Number	%	Number	%
Top management has established reporting system, by which they obtain reports on the functioning of the financial management and control system, for which they are responsible	44	57.1	36	59.0
Established procedures providing for the internal acts (rulebooks, guidelines, instructions and similar) to be implemented in practice, as well as to be updated	48	62.3	32	52.4
Recommendations of external auditors are being implemented	63	81.8	55	90.2
Internal audit recommendations are implemented in line with the actions plans for implementation of the recommendations	51	66.2	53	86.9
There are appropriate reporting systems established by the first line budget users, providing for monitoring the functioning of the financial management and control system at second line budget users.	7	9.1	22	36.1

2.2. Implemented Trainings and Working Meetings in the Field of Financial Management and Control

For the purpose of strengthening the financial management and control system, in 2017, the following trainings and working meetings were held:

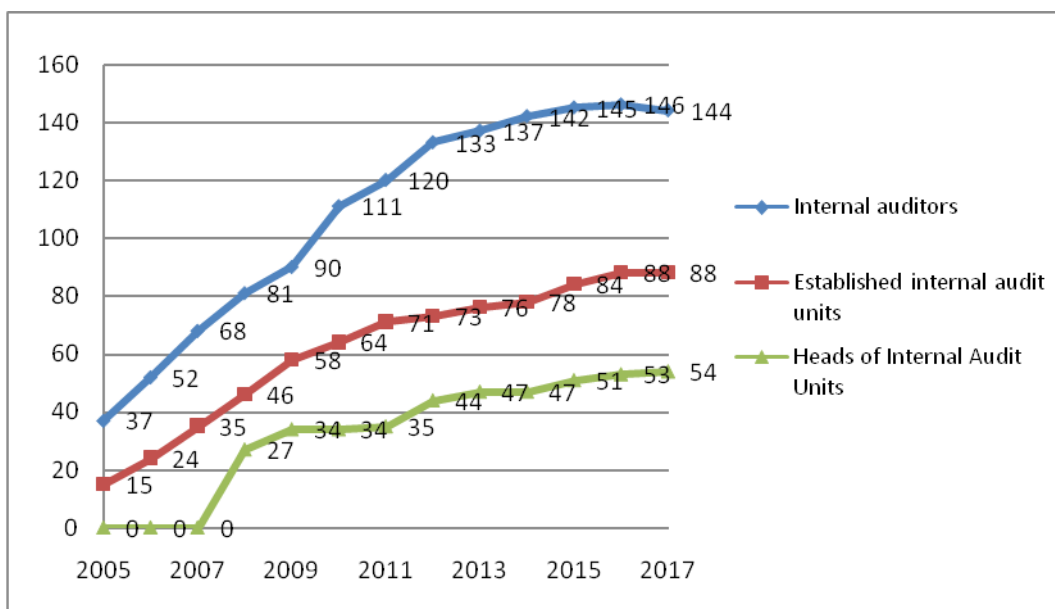
- On 6th March, 16th March, 12th April and 11th May 2017, one-day trainings were held, covering the topic "Risk Management", whereby representatives from the Real Estate Cadastre Agency, the Ministry of Transport and Communications and the Parliament of the Republic of Macedonia took part therein. Purpose of the training was presenting the risk management system. Heads of departments, risk management coordinators from separate departments and representatives from the Financial Affairs Department participated in the training.
- Two employees from the Central Harmonization Unit took part in the workshop "Managerial Accountability and Risk Management" held in Belgrade on 28th June and 29th June 2017 organized by the Regional School for Public Administration (RESPA).

- On 16th August 2017, working meeting was held with a team from the Ministry of Finance - Public Internal Financial Control Department and Financial Inspection Department with the Director and employees from in the Youth and Sports Agency. On 7th September 2017, working meeting was held with a team from the Ministry of Finance - Public Internal Financial Control Department and the Deputy Prime Minister in charge of European Affairs and employees from the Secretariat for European Affairs. Status as regards the financial management and control system and the internal audit was considered at the meetings, whereby respective conclusions were adopted thereon.

3. REPORT ON PERFORMED AUDITS AND INTERNAL AUDIT ACTIVITIES

3.1. Current State of Play as Regards Internal Audit at Central and Local Level in line with the Central Harmonization Unit Records

As of 31st December 2017 inclusive, 88 internal audit units, employing 144 internal auditors, 54 out of which are heads (38%) were established in the public sector entities at central level, while 23 public sector entities concluded agreements for performing internal audit with internal audit unit from another entity. Number of established internal audit units, internal auditors and appointed heads at central level is presented by years in the following chart:



As of 31st December 2017 inclusive, 70 internal audit units, employing 71 internal auditors, 21 out of which are heads (30%) were established in the public sector entities at **local level**, while 26 municipalities concluded agreements for performing internal audit with another municipality. Number of established internal audit units, internal auditors and appointed heads at local level is presented by years in the following chart:

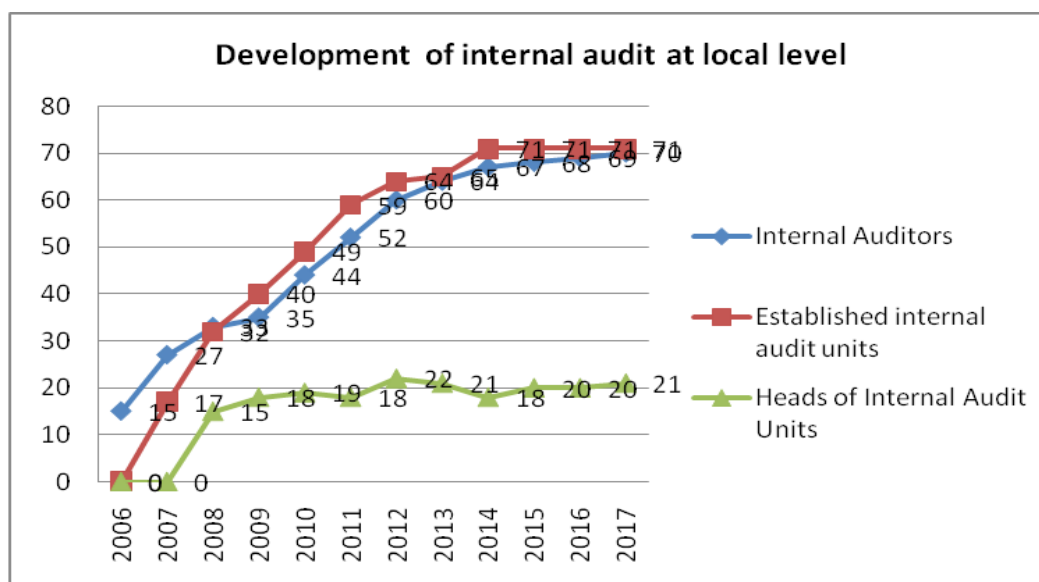


Table 11: Review of First Line Budget Users, Funds and Municipalities, which Established Internal Audit Function

First line budget users, funds and municipalities	Total number of entities (first line budget users, funds and municipalities)	Number of first line budget users, funds and municipalities, which established internal audit function by 31 st December 2017				% of entities, which established internal audit function by 31 st December 2017
		Internal Audit Unit	Agreement	Internal Audit Unit and Agreement	Total	
Central level	94	61 ⁶	14	4	79	84
Local level	81	52	12	14	78	96
Total	175	113	26	18	157	89

61 (77%) out of 79 first line budget users and funds, which established internal audit function, have established their own internal audit units, 14 (18%) concluded internal audit agreements, while 4 (5%) established their own internal audit unit and concluded internal audit agreements at the same time. Out of the total established 65 internal audit units, 18 (28) are not staffed, 21 (32%) are staffed with one internal auditor each. The remaining 15 first line budget users and funds not having established internal audit function are 8 inspectorates, 4 committees, the Bureau for Representation of the Republic of Macedonia before the European Court of Human Rights, the Agency for Management of Seized Property and the Public Procurement Council⁷.

52 (67%) out of 78 municipalities which established internal audit function, have established their own internal audit units, 12 (15%) concluded internal audit agreements, while 14 (18%) both established their own internal audit unit and concluded internal audit agreements. Out of the total established 66 internal audit units, 30 (45%) are not staffed, 28 (36%) are staffed with one internal auditor each. The remaining 3 municipalities which did not establish internal audit function are Staro Nagoricani, Studenicani and Aracinovo.

Internal audit function was also established in 37⁸ public sector entities, budget users established by law, holders of public authorizations and spending units at central level (30) and (4) at local level.

Table 12: Review of Budget Users Established by Law, which are Given Public Authorization and Spending Units which Established Internal Audit Function

Budget users established by law, being	Total number of budget users established by	Number of budget users established by law, being given public authorization and spending units, which established internal audit function by 31 st December 2017	% of entities, which established internal audit

⁶ Also including the Commission for Verification of Facts, which was disbanded in 2018.

⁷ Abolished as of 2018

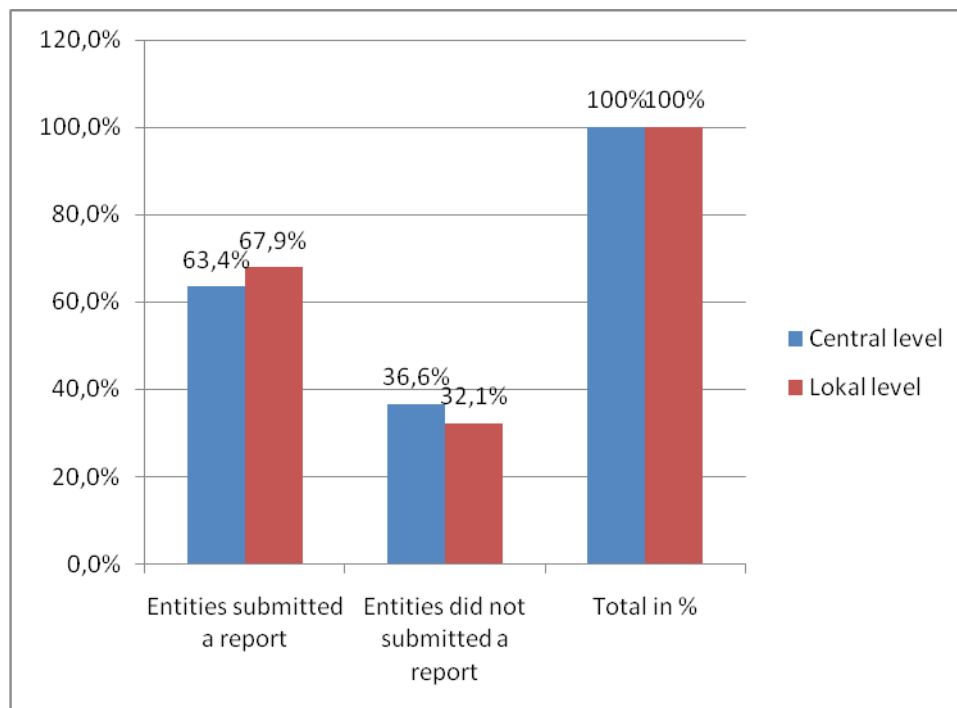
⁸ For which PIFCD has records

given public authorization and spending units	law, being given public authorization and spending units for which PIFCD has records	Internal Audit Unit	Agreement	There is no Internal Audit Unit, there is internal auditor	Total	function by 31 st December 2017
Central level	31	23	5	2	30	97
Local level	7	4	0	3	7	100
Total	38	27	5	5	37	97

3.2 Status of Internal Audit at Central and Local Level as per Submitted 2017 Annual Reports

Total number of entities obliged to submit reports on carried out audits and internal audit activities was 174, out of which 93 at central and 81 at local level (80 municipalities and the City of Skopje).

Out of 174 entities at central and local level, 114 entities (65.5%) submitted reports, out of which 59 at central (63.4%) and 55 at local (67.9%) level. In addition, 5 public sector entities at central level submitted reports although they were not obliged to do so, hence total of 74 reports were submitted. Percentage of entities having submitted and not having submitted reports is shown on the chart below:



Out of 174 entities at central and local level, 34.3% or 60 entities (out of which 34 (37%) at central and 26 (32%) at local level) failed to submit reports.

(Attachment I/14. Summary of entities at central and local level which did not submit reports on audits and internal audit activities).

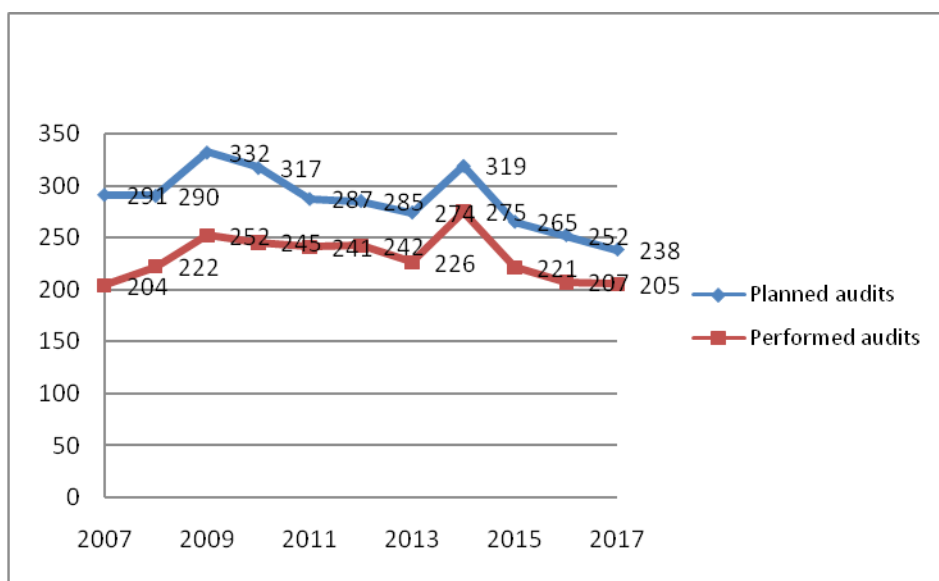
3.2.1 Status of Internal Audit at Central Level as per Submitted 2017 Annual Reports

Out of the total 64 entities at central level which submitted reports, 47 have established internal audit units with 23 working positions according to the Systematization Act, 106 of which being filled in, accounting for only 44%.

According to 2017 Annual Plans, 238 were envisaged to be carried out at public sector entities at central level. Total of 205 audits were carried out in 2017, for which final audit reports were produced, out of which 190 planned audits (80% of the total planned audits) and 15 audits upon request by Heads of entities (ad hoc audits) at 48 public sector entities having submitted reports.

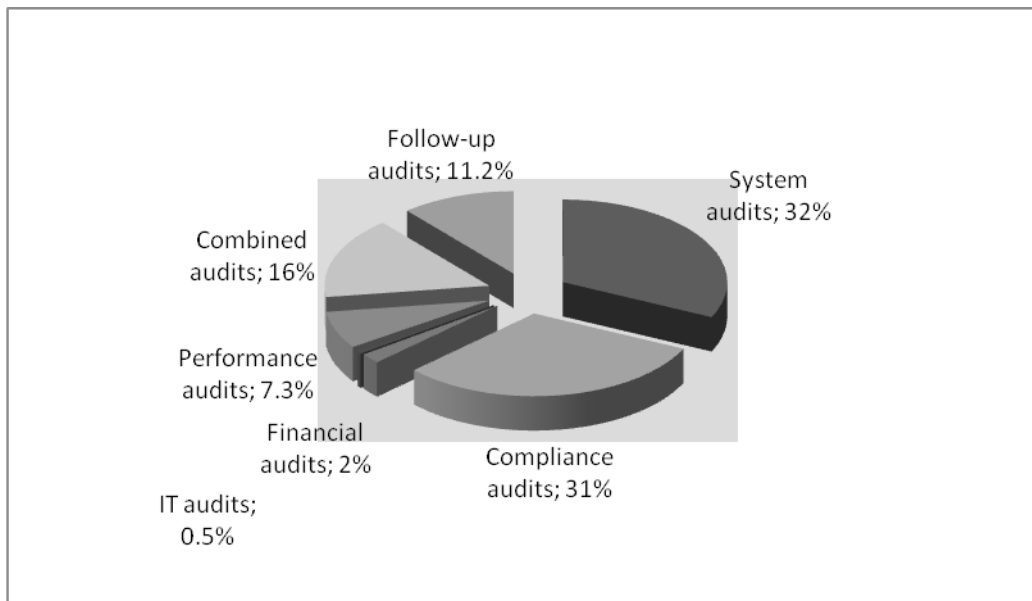
In the course of 2017, 30 audits as regards EU programs were planned to be carried out, out of which 27 (90%) audits were performed and 2 audits upon request by Heads of entities (ad hoc audits) were carried out.

Planned and carried out audits by year are shown below:



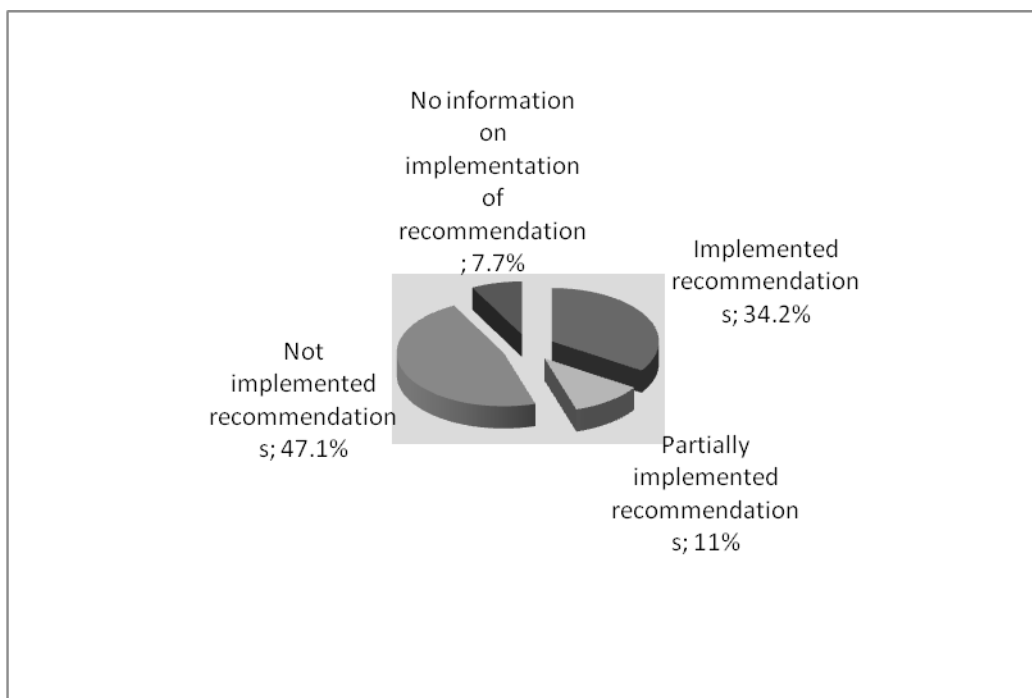
Out of 25 audits carried out, 32% (65) were system-based audits, 31% (63) were compliance audits, 2% (4) were financial audits, 7.3% (15) were performance audits, 11.2% (23) were follow-up audits, 0.5% (1) were IT audits and 16% (33) were combined audits.

Percentage of audits carried out by type is shown in the chart below:



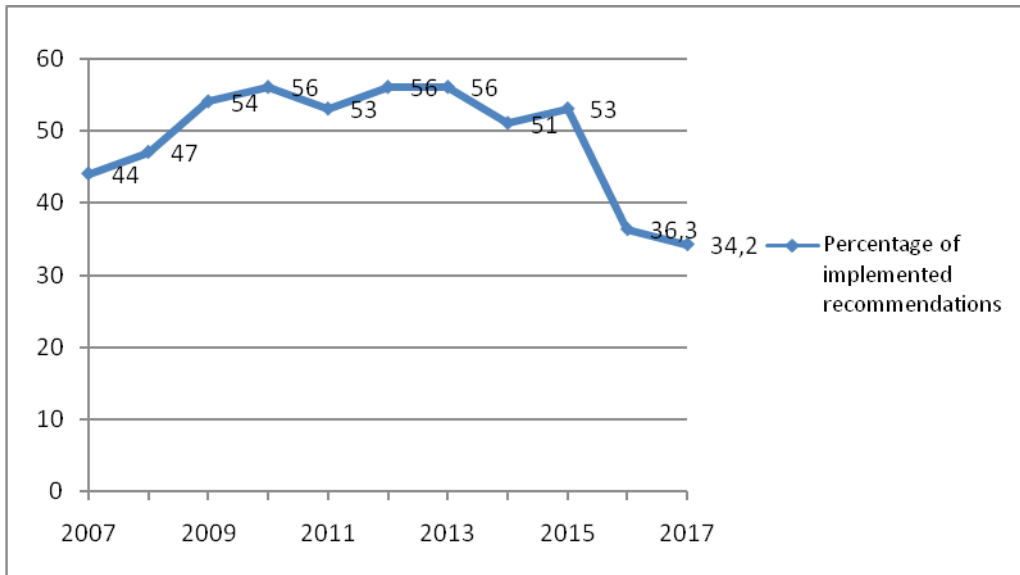
As regards the audits carried out in 2017, 1,063 recommendations were given, 34.2% (364) out of which were implemented, 11% (116) were partially implemented, 47.1% (501) were not implemented⁹, while there is no information of recommendation implementation for 7.7% (82) thereof.

Percentage of recommendation implementation in 2017 is presented in the chart below:

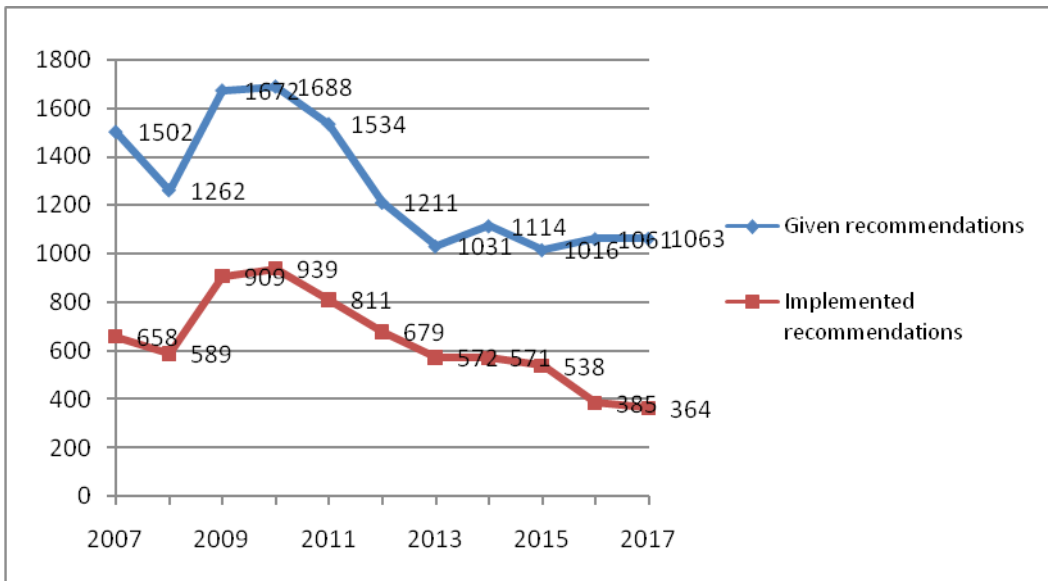


Percentage of recommendation implementation by year is presented in the chart below:

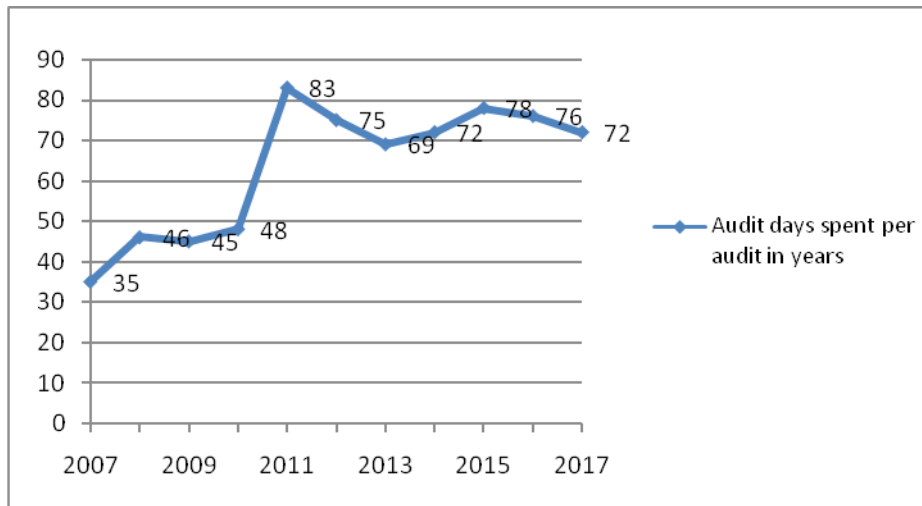
⁹ As regards 303 (28.5%) of recommendation not being implemented, deadline for their implementation was not expired yet.



Given and implemented recommendations by year are shown in the chart below:



Internal Audit Units at central level carried out 201 audits in 2017¹⁰, 14,405 audit days being spent therefore, i.e. 72 audit days on average, being by 4 days less compared to the previous year.



¹⁰ Total 205 audit carried out, however, no data was submitted on total spend audit days for 4 audits.

3.2.1.1 Progress Achieved in Internal Audit at Central Level in 2017 compared to 2016

Data in submitted annual reports on internal audit functioning and records at the Central Harmonization Unit in 2017, compared to 2016, lead to the following conclusion:

- increased number of appointed heads by 1.9 % (from 53 to 54);
- increased number of entities having submitted reports, although not being obliged to do so, by 25% (from 4 to 5);
- increased number of filled in working posts in internal audit units by 0.5% (from 105 to 106);
- increased number of performed audits as regards EU programs by 16% (from 25 to 29);
- increased number of performed system-based audits by 14% (from 57 to 65);
- increased number of performed compliance audits by 37% (from 46 to 63);
- increased number of recommendations given in the audit reports by 0.19% (from 1,061 to 1,063);
- reduced percentage of partially implemented recommendations by 4.1 percentage points (from 15.1% to 11%); and
- reduced number of audit days spent on average by 5.26% (from 76 to 72).

3.2.1.2 Weaknesses Detected in Internal Audit at Central Level in 2017 compared to 2016

Following weaknesses were detected in implementing and functioning of internal audit at central level in 2017:

- reduced number of internal auditors by 1.37% (from 146 to 144);
- reduced number of entities being obliged to submit reports, but not adhering thereto, by 7.8% (from 64 to 59);
- reduced number of planned audits by 0.83% (from 240 to 238);
- reduced number of carried out audits by 0.97% (from 207 to 205);
- increased percentage of ad hoc audits upon request by Heads of entities by 1.9 percentage points (from 5.8% to 7.7% out of the total carried out audits form which final audit reports were produced);
- reduced number of planned audits related to EU funds by 21% (from 38 to 30);
- reduced number of carried out performance audits by 55.9% (from 34 to 15);
- reduced percentage of implemented recommendations by 2.1 percentage points (from 36.3% to 34.2%);
- increased number of recommendations for which internal audit units failed to submit data on their implementation by 6.3 percentage points (from 1.4% to 7.7%); and
- internal auditors in 5 public sector entities at central level¹¹ did not solely perform internal audit activities.

3.2.2 Status of Internal Audit at Local Level as per Submitted 2017 Annual Reports

¹¹ Ombudsman of Republic of Macedonia, Agency for Financial Support of Agriculture and Rural Development, Ministry of Information Society and Administration, State Archives of Republic of Macedonia, Ministry of Health

Out of the total 55 entities at local level which submitted reports, 47 have established internal audit units with 149 working positions according to the Systematization Act, 58 of which being filled in, accounting for only 38.9%.

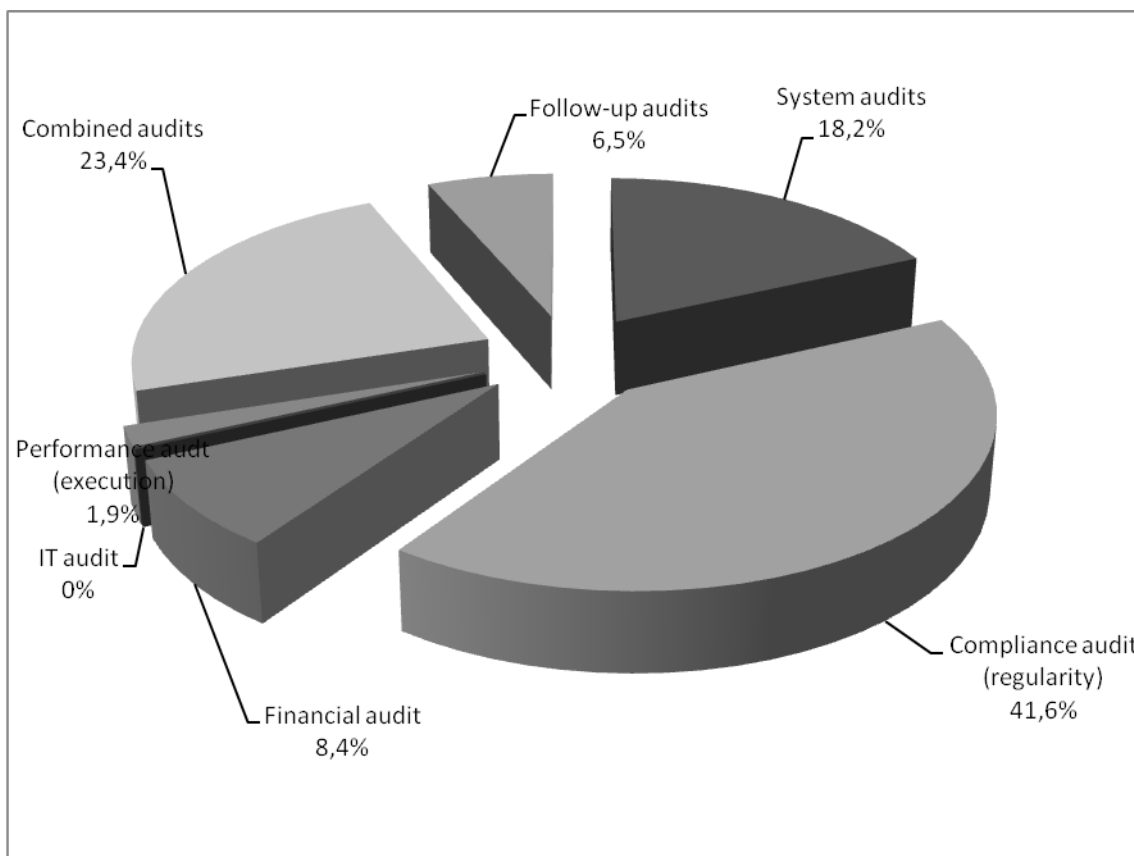
According to 2017 Annual Plans, 188 were envisaged to be carried out at public sector entities at local level. Total of 154 audits were carried out in 2017, for which final audit reports were produced, out of which 138 planned (73.4% of the planned audits) and 16 upon request by Heads of entities (ad hoc audits) at 42 municipalities having submitted reports.

No audits as regards EU programs were planned or performed in 2017, although 17 municipalities reported they used EU funds.

Planned and carried out audits by year are shown below:

Out of 154 audits carried out, 18.2% (28) were system-based audits, 41.6% (64) were compliance audits, 1.9% (3) were performance audits, 8.4% (13) were financial audits, 6.5% (10) were follow-up audits and 23.4% (36) were combined audits.

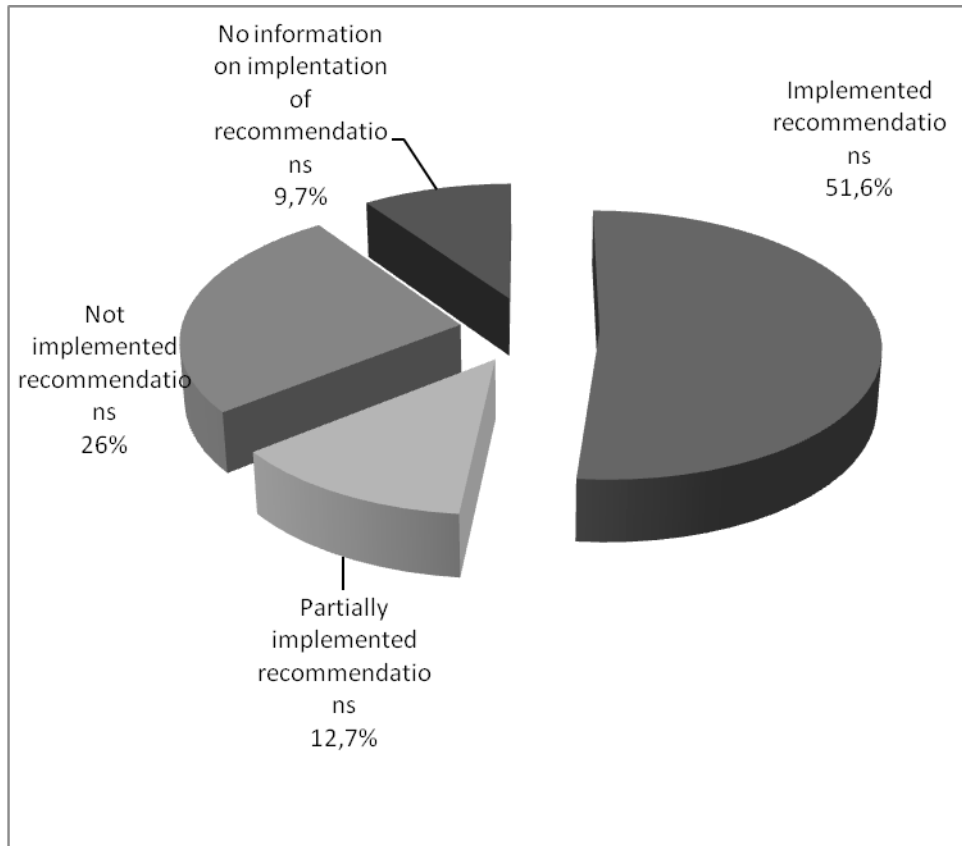
Percentage of audits carried out by type is shown in the chart below:



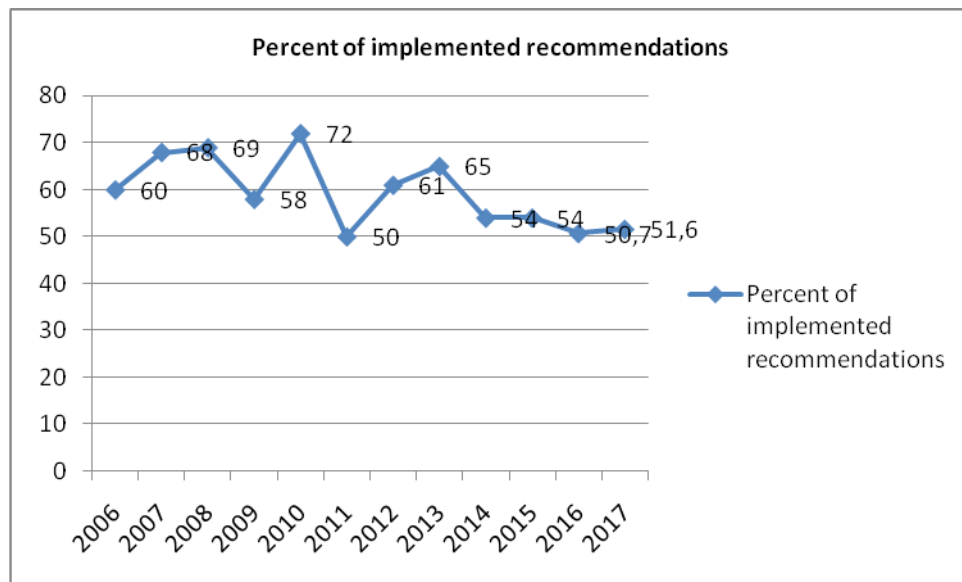
As regards the audits carried out in 2017, 864 recommendations were given, 51.6% (446) out of which were implemented, 12.7% (110) were partially implemented, 26% (224) was not implemented¹², while there is no information of recommendation implementation for 9.7% (84) thereof.

Percentage of recommendation implementation in 2017 is presented in the chart below:

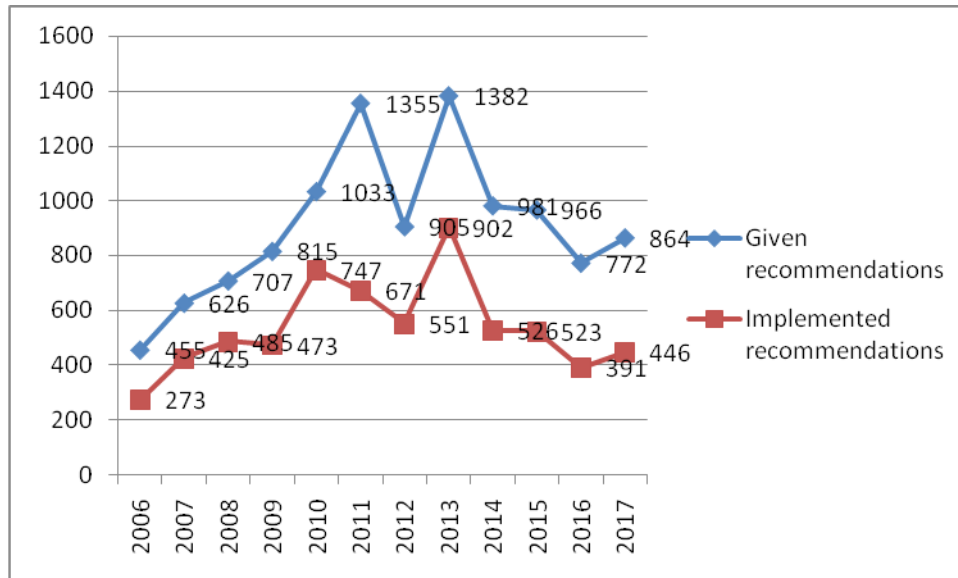
¹² As regards 132 (15.3%) of recommendation not being implemented, deadline for their implementation was not expired yet.



Percentage of recommendation implementation by year is presented in the chart below:

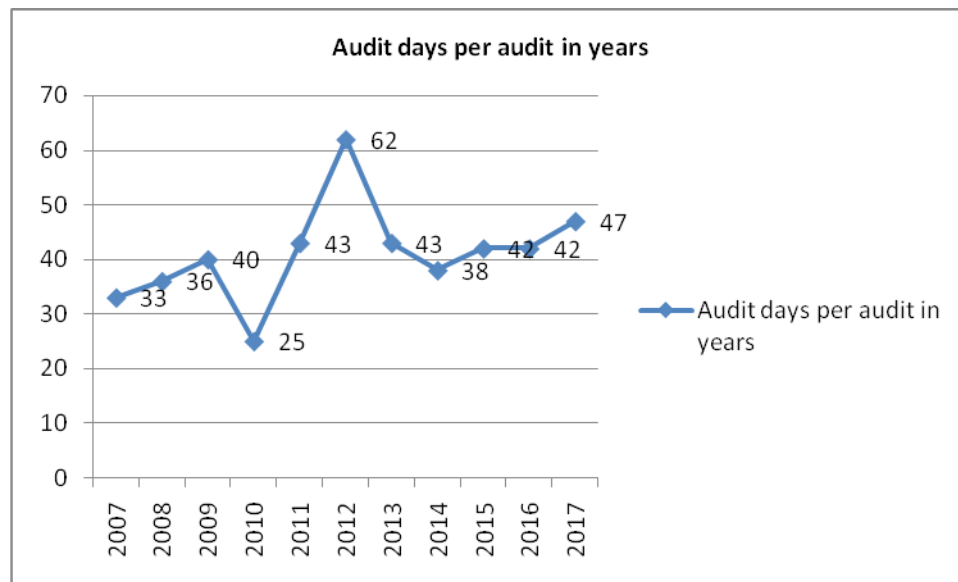


Given and implemented recommendations by year are shown in the chart below:



Internal Audit Units at local level carried out 154 audits in 2017, 6,987 audit days being spent therefore, i.e. 47 audit days on average.

Number of audit days spent for a single audit by year is presented in the chart below:



3.2.2.1 Progress Achieved in Internal Audit at Local Level in 2017 compared to 2016

Data in submitted annual reports on internal audit functioning and records at the Central Harmonization Unit in 2017 lead to the following conclusion:

- reduced number of internal auditors by 2.9% (from 69 to 71);
- increased number of municipalities having submitted reports on audit and internal audit activities by 5.8% (from 52 to 55);
- increased number of planned audits by 5.6% (from 178 to 188);
- increased number of performed audits by 11.6% (from 138 to 154);
- increased number of recommendations given by 11.9% (from 772 to 864); and
- increased number of implemented recommendations by 0.9 percentage points (from 50.7% to 51.6%).

3.2.2.2 Weaknesses Detected in Internal Audit at Local Level in 2017 compared to 2016

Following weaknesses were detected in implementing and functioning of internal audit at local level in 2017:

- reduced percentage of carried out performance audits by 80% (from 15 to 3);
- non-performance of IT audits;
- reduced number of partially implemented recommendations by 3 percentage points (from 15.7% to 12,7%);
- increased number of recommendations not being implemented by 2.2 percentage points (from 23.8% to 26%);
- increased number of audit days spent on average from 42 to 47 days;
- like in 2016, no audit as regards EU programs was planned or carried out in 2017, although 17 municipalities reported they used EU funds; and
- internal auditors in 6 local government units¹³ did not solely perform internal audit activities.

4. CENTRAL HARMONIZATION UNIT

4.1 Activities Realized by the Central Harmonization Unit in 2017

In 2017, most important activities the Central harmonization Unit undertook in 2017 were aimed at implementing the regulations on public internal financial control for the purpose of establishing a decentralized public finance management system by giving authorizations and strengthening the managerial accountability as the main precondition for development of financial management and control and internal audit.

In 2017, activities of the Central harmonization Unit were focused on coordinating and harmonizing the development of this system in three areas:

- cooperation with key implementing bodies of budget reforms and public administration reform, which includes cooperation with Treasury Department and Budget and Funds Department at the Ministry of Finance and the Ministry of Information Society and Administration, as well as the State Audit Office,
- continuation of coordination with budget users at both local and central level, and
- cooperation with institutions included in managing and using EU pre-accession funds.

4.1.1 Cooperation with Key Implementers of Budget Reforms and Public Administration Reform

Budget and Funds Department, Treasury Department and Financial System Department at the Ministry of Finance gave their contribution to the process of preparation of “2019 - 2021 Public Internal Financial Control Policy” document as regards improvement of financial management and control process.

Activities were coordinated, together with the Ministry of Information Society and Administration, as regards organizational assumptions for internal financial control development by applying the Decree on Principles of Internal Organizational Setup of State Administration

¹³ Gostivar LGU, Aerodrom LGU, Delcevo LGU, Gorce Petrov LGU, Berovo LGU and Bitola LGU.

Bodies, related to more precise defining of competences and responsibilities of individual participants in the strategic planning process, ensuring organizational status of Financial Affairs Units, the Head of which is responsible directly to the office holder managing the body and the most senior managing civil servant, defining the structure of Financial Affairs Departments (Budget Coordination Unit, Budget Control Unit and Accounting and Payment Unit), considering their role in coordinating the development of financial management and control.

4.1.2 Coordination of PIFC System Development with Budget Users at Central and Local Level

In 2017, working meetings with heads and coordinators of Financial Affairs Units, as well as heads of Internal Audit Units at central level, were held, all to the end of informing on the course of activities related to the development of financial management and control and the implementation of regulations.

4.1.3. Activities related to Chapter 32 - Financial Control

Government of the Republic of Macedonia is regularly informed on the status and the realization of measure and activities under Chapter 32 - Financial Control through the Secretariat for European Affairs, while the progress achieved therein is presented to the Sub-Committee on Economic and Financial Affairs and Statistics held on 7th and 8th May 2017 in Skopje.

4.1.4. International Cooperation and Activities

Draft document “2019 - 2021 Public Internal Financial Control Policy” was prepared in cooperation with SIGMA, to be submitted to the Government of the Republic of Macedonia by end-September 2018.

4.1.5. Cooperation with Professional Associations

Cooperation was established with the Association of Internal Auditors of the Republic of Macedonia, whereby working meetings and seminars were organized with its representatives, covering topics on the current development of internal audit.

4.1.6. Cooperation with State Anti-Corruption Commission

Regional Anti-Corruption Initiative (RAI), in cooperation with the Central Harmonization Unit, organized “Training in Corruption Risk Assessment in Public Authorities of Republic of Macedonia”, which was held on 21st and 22nd December 2017 Skopje. Representatives from the State Anti-Corruption Commission and their peers from Serbia, as well as representatives from: Ministry of Justice (in charge of amendments to the regulations), Public Revenue Office, Public Prosecutor’s Office, Customs Administration and Ministry of Finance, took part in the training. Goal of the Training was exchange of information, experience and knowledge among the countries on issues related to corruption risk assessment.

Cooperation between the Central Harmonization Unit and the State Anti-Corruption Commission continued in 2017, whereby many working meetings were held, at which the concept of integrity which internal audit relies on and the internal creation of regulations were discussed among other things, all to the end of detecting, managing and preventing corruption risks.

4.2. Future Activities of the Central Harmonization Unit

Future activities of the Central Harmonization Unit are aimed at:

- adoption of the document “2019 - 2021 Public Internal Financial Control Policy”;

- adoption of 2019 - 2021 Action Plan on Development of Public Internal Financial Control, to the end of applying the document “2019 - 2021 Public Internal Financial Control Policy”;
- adoption of new Law on Internal Financial Control System in the Public Sector;
- adoption of bylaws thereof;
- further development of working methodology in the field of FMC and internal audit;
- further strengthening of the coordinative role, which covers cooperation with all stakeholders in the development of this system, including the budget users, Treasury department at the Ministry of Finance, State Audit Office, institutions included in managing and using EU pre-accession funds;
- monitoring the quality of the established internal financial control systems;
- organizing FMC and internal audit training; and
- strengthening the capacities of the employees with the Central Harmonization Unit.

5. CONCLUSIONS

Despite the progress achieved in the development of **financial management and control** system, additional efforts are needed for further development and improvement, in particular as regards the following:

- development of strategic planning, especially in terms of linking the strategic and the annual planning with the resource planning;
- application of the managerial accountability concept, according to which the managers will be accountable for the results arising from their work only if being assigned decision-making authorization, autonomy and funds to achieve the expected results;
- developing the role of Financial Affairs Units in line with the development of financial management and control;
- development of risk management;
- development of control mechanisms, in particular in the processes within the budget cycle, including the process of planning, programming, preparing and executing the budget/financial plan, as well as in the process of procurement and contracting, paying special attention to the development of the ex-ante and the ex-post control;
- development of the recording and reporting system, in particular the accounting system, thus providing complete data on expenditures, revenues, property, liabilities, all to the end of better budget planning and execution, expenditure control, determining possible savings, as well as rational and effective operations, and
- introducing reports on attained goals and achieved results.

What is of particular importance is the need to develop a coordinated approach as regards the development of financial management and control among the first-line and second-line budget users, i.e. among the ministries and the agencies, as well as among the local government units and their budget users.

To the end of further harmonization of PIFC system with the development of the budget system, the public administration reform, as well as the development of this system aimed at the need to

manage EU funds, Central Harmonization Unit will continue to actively cooperate with the departments within the Ministry of Finance, State Audit office and Ministry of Information Society and Administration, as well as the institutions involved in the system for management and usage of EU funds.

Despite the progress achieved in the development of **internal audit**, additional efforts are needed for further development and improvement, in particular as regards the following:

- determining new criteria on establishment of internal audit units to the end of their merging,
- improving the quality of auditing activities by having CHU perform checks, and external assessments, of the quality of internal audit;
- stimulating internal auditors to perform more complex audits (performance in implementing programs and projects, public procurement, property management, IT audits, financial audits and audits as regards EU programs, etc.);
- organizing and carrying out exam on acquiring national certificate for internal auditor in public sector; and
- updating the regulations and the methodology in the field of internal audit, including the development of methodology for external assessments of the quality of auditing activities and preparing new Manual on Internal Audit harmonized with the latest IIA Standards for the Professional Practice of Internal Auditing in Public Sector.

As per the above mentioned, Ministry of Finance proposes for the Government of the Republic of Macedonia to consider the 2017 Annual Report on Functioning of Public Internal Financial Control System and to adopt the following:

CONCLUSION

Government of the Republic of Macedonia considered and adopted the 2017 Annual Report on Functioning of Public Internal Financial Control System as a material for information purposes.

ATTACHMENTS

1. Review of Entities at Central and Local Level not having submitted Annual Financial Report

No.	Name of Institution
1	Fact Verification Commission
2	Commission for Protection against Discrimination
3	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
4	Constitutional Court of the Republic of Macedonia
5	Secretariat for Implementation of Ohrid Agreement
6	Protection and Rescue Directorate
7	Bureau for Representation of Republic of Macedonia before the European Court of Human Rights
8	State Foreign Exchange Inspectorate
9	Public Procurement Council
10	State Bureau for Protection of Industrial Property
11	State Transport Inspectorate
12	State Utilities Inspectorate
13	State Labour Inspectorate
14	Ministry of Health
15	State Local Government Inspectorate
16	Commission for Relation with Religious Communities and Religious Groups

No.	Local Government Unit	No.	Local Government Unit
1.	Aracinovo	11.	Rankovce
2.	Bogdanci	12.	Saraj
3.	Demir Kapija	13.	Staro Nagoricane
4.	Karbinci	14.	Studenicani
5.	Konce	15.	Tearce
6.	Lipkovo	16.	Rosoman
7.	Mavrovo and Rostuse	17.	Grivogastani
8.	Negotino		
9.	Novo Selo		
10.	Petrovec		

2. Review of Entities at Central and Local Level not having established Separate Financial Affairs Unit

No.	Name of Institution
1	Commission for Protection against Discrimination
2	Secretariat for Implementation of Ohrid Agreement
3	Inspection Council
4	Protection and Rescue Directorate
5	Financial Police Office
6	State Foreign Exchange Inspectorate
7	Directorate for Technological Industrial Development Zones
8	State Inspectorate for Technical Inspection
9	State Environmental Inspectorate
10	State Utilities Inspectorate
11	State Labour Inspectorate
12	State Sanitary and Health Inspectorate
13	Bureau for Representation of Republic of Macedonia before the European Court of Human Rights

No.	Local Government Unit
1	Aracinovo
2	Veles
3	Vrapciste
4	Gradsko
5	Debarca
6	Dolneni
7	Zelino
8	Zelenikovo
9	Zrnovci
10	Kavadarci
11	Karbinci
12	Kocani
13	Kriva Palanka

14	Negotino
15	Ohrid
16	Petrovec
17	Saraj
18	Strumica
19	Studenicani

3. Review of Entities at Central and Local Level not having Appointed Heads of Financial Affairs Units

No.	Name of Institution
1.	Commission for Protection of Competition
2.	Regulatory Housing Commission
3.	Commission for Protection against Discrimination
4.	Constitutional Court of Republic of Macedonia
5.	State Attorney's Office of Republic of Macedonia
6.	Secretariat for Implementation of Ohrid Agreement
7.	Agency for Management of Confiscated Property
8.	Inspection Council
9.	Directorate for Security of Classified Information
10.	Protection and Rescue Directorate
11.	State Foreign Exchange Inspectorate
12.	Agency for Tourism Promotion and Support
13.	Directorate for Technological Industrial Development Zones
14.	State Inspectorate for Technical Inspection
15.	State Bureau for Protection of Industrial Property
16.	State Environmental Inspectorate
17.	State Transport Inspectorate
18.	State Inspectorate on Civil Engineering and Urbanism

19.	State Utilities Inspectorate
20.	Ministry of Agriculture, Forestry and Water Economy
21.	State Agriculture Inspectorate
22.	State Inspectorate on Forestry and Hunting
23.	State Labour Inspectorate
24.	Ministry of Education and Science
25.	National Agency for European Educational Programs and Mobility
26.	Ministry of Information Society and Administration
27.	State Sanitary and Health Inspectorate
28.	State Local Government Inspectorate
29.	Commission on Protection of Right to Free Access to Public Information
30.	Commission for Relation with Religious Communities and Religious Groups
31.	Regional Development Bureau
32.	Judicial Council of Republic of Macedonia
33.	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
34.	Bureau for Representation of Republic of Macedonia before the European Court of Human Rights

No.	Local Government Unit
-----	-----------------------

1.	Strumica
2.	Bogovinje
3.	Konce
4.	Makedonska Kamenica
5.	Aracinovo
6.	Dojran
7.	Novo Selo
8.	Aerodrom
9.	Brvenica
10.	Veles
11.	Vinica
12.	Vrapciste
13.	Gevgelija
14.	Kriva Palanka
15.	Sveti Nikole
16.	Cucer - Sandevo
17.	Gradsko
18.	Negotino
19.	Pehcevo

20.	Vevcani
21.	Zelenikovo
22.	Zrnovci
23.	Karbinci
24.	Petrovec
25.	Plasnica
26.	Studenicani
27.	Saraj
28.	Suto Orizari
29.	Dolneni
30.	Debarca
31.	Kavadarci
32.	Kocani
33.	Ohrid
34.	Cair
35.	Butel
36.	Cesinovo - Oblesevo

4. Review of Entities at Central and Local Level not having Appointed an Irregularities Officer

No.	Name of Institution
1.	Audit Promotion and Supervision Council
2.	Commission for Protection against Discrimination
3.	Constitutional Court of the Republic of Macedonia
4.	Secretariat for Implementation of Ohrid Agreement
5.	Agency for Management of Confiscated Property
6.	State Foreign Exchange Inspectorate
7.	State Inspectorate for Technical Inspection
8.	State Environmental Inspectorate
9.	State Utilities Inspectorate
10.	State Labour Inspectorate
11.	State Sanitary and Health Inspectorate
12.	State Local Government Inspectorate

No.	Local Government Unit
1.	Veles
2.	Gevgelija
3.	Dolneni
4.	Zelenikovo
5.	Zrnovci
6.	Karbinci
7.	Kicevo
8.	Kriva Palanka
9.	Lipkovo
10.	Ohrid
11.	Saraj
12.	Sopiste
13.	Strumica
14.	Studenicani
15.	Tetovo

5. Review of Entities at Central and Local Level not having Appointed an Accountant

No.	Name of Institution
1.	Audit Promotion and Supervision Council

2.	Constitutional Court of the Republic of Macedonia
3.	Financial Police Office
4.	State Foreign Exchange Inspectorate
5.	Directorate for Technological Industrial Development Zones
6.	State Inspectorate on Civil Engineering and Urbanism
7.	State Utilities Inspectorate
8.	State Labour Inspectorate
9.	State Sanitary and Health Inspectorate

No.	Local Government Unit
1.	Aracinovo
2.	Bogovinje
3.	Vevcani
4.	Dojran
5.	Zelenikovo
6.	Zrnovci
7.	Karbinci
8.	Konce
9.	Kratovo
10.	Mogila
11.	Negotino
12.	Novaci
13.	Novo Selo
14.	Petrovec
15.	Rankovce
16.	Saraj
17.	Sopiste
18.	Studenicani
19.	Suto Orizari

6. Review of Entities at Central and Local Level not having Adopted Risk Management Strategy

No.	Name of Institution
1.	Parliament of the Republic of Macedonia
2.	State Audit Office
3.	State Election Commission
4.	Commission for Protection of Competition
5.	Regulatory Housing Commission
6.	Commission for Protection against Discrimination
7.	Constitutional Court of the Republic of Macedonia
8.	Common Service Agency

9.	Secretariat for Implementation of Ohrid Agreement
10.	Agency for Management of Confiscated Property
11.	Ministry of Defence
12.	Protection and Rescue Directorate
13.	Vital Records Office
14.	Directorate for Compulsory Reserves of Oil and Oil Derivative
15.	State Foreign Exchange Inspectorate
16.	Agency for Foreign Investments and Export Promotion of Republic of Macedonia
17.	Directorate for Technological Industrial Development Zones
18.	State Market Inspectorate
19.	Ministry of Environment and Physical Planning
20.	State Environmental Inspectorate
21.	State Utilities Inspectorate
22.	Ministry of Health
23.	State Local Government Inspectorate
24.	Emigration Agency
25.	State Archives of Republic of Macedonia
26.	Macedonian Academy of Science and Arts
27.	Regional Development Bureau
28.	Judicial Council of Republic of Macedonia
29.	Public Prosecutor's Office of Republic of Macedonia

No.	Local Government Unit
1.	Aracinovo
2.	Bogdanci
3.	Bogovinje
4.	Bosilovo
5.	Brvenica
6.	Vasilevo
7.	Veles
8.	Vrapciste

9.	Gevgelija
10.	Gradsko
11.	Debar
12.	Debarca
13.	Delcevo
14.	Demir Kapija
15.	Demir Hisar
16.	Dojran
17.	Dolneni
18.	Zelino
19.	Zelenikovo
20.	Zrnovci
21.	Kavadarci
22.	Kisela Voda
23.	Kicevo
24.	Konce
25.	Lipkovo
26.	Lozovo
27.	Mavrovo and Rostuse
28.	Makedonska Kamenica
29.	Mogila
30.	Negotino
31.	Novaci
32.	Novo Selo
33.	Pehcevo
34.	Plasnica
35.	Radovis
36.	Rankovce
37.	Rosoman
38.	Saraj
39.	Sveti Nikole
40.	Sopiste

41.	Staro Nagoricane
42.	Studenicani
43.	Tearce
44.	Tetovo
45.	Cair
46.	Caska

7. Review of Entities at Central and Local level not having prepared Risk Registry

No.	Name of Institution
1.	Cabinet of the President of republic of Macedonia
2.	Parliament of the Republic of Macedonia
3.	State Audit Office
4.	State Election Commission
5.	Commission for Protection of Competition
6.	Regulatory Housing Commission
7.	Commission for Protection against Discrimination
8.	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
9.	Constitutional Court of the Republic of Macedonia
10.	General Secretariat of the Government of Republic of Macedonia
11.	Common Service Agency
12.	Secretariat for Implementation of Ohrid Agreement
13.	Agency for Management of Confiscated Property
14.	Ministry of Defence
15.	Protection and Rescue Directorate
16.	Ministry of Internal Affairs
17.	Vital Records Office
18.	Financial Police Office
19.	Directorate for Compulsory Reserves of Oil and Oil Derivative
20.	State Foreign Exchange Inspectorate
21.	Agency for Foreign Investments and Export Promotion of Republic of Macedonia
22.	Directorate for Technological Industrial Development Zones
23.	State Market Inspectorate
24.	State Inspectorate for Technical Inspection
25.	State Bureau for Protection of Industrial Property
26.	Ministry of Environment and Physical Planning
27.	State Environmental Inspectorate
28.	State Transport Inspectorate
29.	State Inspectorate on Civil Engineering and Urbanism
30.	State Utilities Inspectorate

31.	State Labour Inspectorate
32.	Ministry of Health
33.	State Local Government Inspectorate
34.	Emigration Agency
35.	Commission for Relation with Religious Communities and Religious Groups
36.	State Archives of Republic of Macedonia
37.	Macedonian Academy of Science and Arts
38.	Regional Development Bureau
39.	Judicial Council of Republic of Macedonia
40.	Public Prosecutor's Office of Republic of Macedonia
41.	Employment Agency of Republic of Macedonia
42.	Bureau for Education Development

No.	Local Government Unit
1.	Aracinovo
2.	Bitola
3.	Bogdanci
4.	Bogovinje
5.	Bosilovo
6.	Brvenica
7.	Vasilevo
8.	Veles
9.	Vinica
10.	Vrapciste
11.	Gevgelija
12.	Gradsko
13.	Debar
14.	Debarca
15.	Delcevo
16.	Demir Kapija
17.	Demir Hisar

18.	Dojran
19.	Dolneni
20.	Zelino
21.	Zelenikovo
22.	Zrnovci
23.	Kavadarci
24.	Kisela Voda
25.	Kicevo
26.	Konce
27.	Kriva Palanka
28.	Lipkovo
29.	Lozovo
30.	Mavrovo and Rostuse
31.	Makedonska Kamenica
32.	Mogila
33.	Negotino
34.	Novaci
35.	Novo Selo
36.	Petrovec
37.	Pehcevo
38.	Plasnica
39.	Radovis
40.	Rankovce
41.	Rosoman
42.	Saraj
43.	Sveti Nikole
44.	Sopiste
45.	Staro Nagoricane
46.	Struga
47.	Studenicani
48.	Tearce
49.	Tetovo

50.	Caska
51.	Cucer - Sandevo
52.	Stip

8. Review of Institutions at Central and Local Level not having submitted Rulebook on the Manner of Internal Allocation of Total Approved Budget, Assuming Liabilities and Making Payments

No.	Institution
1.	Cabinet of the President of republic of Macedonia
2.	Parliament of the Republic of Macedonia
3.	State Audit Office
4.	State Anti-Corruption Commission
5.	State Election Commission
6.	Commission for Protection of Competition
7.	Commission for Protection against Discrimination
8.	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
9.	Constitutional Court of the Republic of Macedonia
10.	General Secretariat of the Government of Republic of Macedonia
11.	Common Service Agency
12.	Secretariat of Legislation
13.	Secretariat for European Affairs
14..	Secretariat for Implementation of Ohrid Agreement
15.	Agency for Management of Confiscated Property
16.	Inspection Council
17.	Ministry of Defence
18.	Directorate for Security of Classified Information
19.	Protection and Rescue Directorate
20.	Ministry of Internal Affairs
21.	Vital Records Office
22.	Bureau for Representation of Republic of Macedonia before the European Court of Human Rights
23.	Ministry of Finance
24.	Customs Administration of Republic of Macedonia

25.	Commodity Reserves Agency
26.	Financial Police Office
27.	Directorate for Compulsory Reserves of Oil and Oil Derivative
28.	State Foreign Exchange Inspectorate
29.	Agency for Foreign Investments and Export Promotion of Republic of Macedonia
30.	State Bureau for Protection of Industrial Property
31.	State Environmental Inspectorate
32.	Ministry of Transport and Communications
33.	State Inspectorate on Civil Engineering and Urbanism
34.	State Utilities Inspectorate
35.	Ministry of Agriculture, Forestry and Water Economy
36.	State Agriculture Inspectorate
37.	State Labour Inspectorate
38.	Bureau for Education Development
39.	National Agency for European Educational Programs and Mobility
40.	Youth and Sports Agency
41.	Ministry of Culture
42.	Ministry of Health
43.	State Local Government Inspectorate
44.	Emigration Agency
45.	State Archives of Republic of Macedonia
46.	Macedonian Academy of Science and Arts
47.	Regional Development Bureau
48.	Judicial Council of Republic of Macedonia
49.	Public Prosecutor's Office of Republic of Macedonia
50.	Pension and Disability Insurance Fund of Macedonia

No.	Local Government Unit
1.	Aracinovo
2.	Bitola
3.	Bogdanci

4.	Bogovinje
5.	Bosilovo
6.	Brvenica
7.	Butel
8.	Valandovo
9.	Vasilevo
10.	Veles
11.	Vrapciste
12.	Gevgelija
13.	Gorce Petrov
14..	Gostivar
15.	Gradsko
16.	Debar
17.	Debarca
18.	Delcevo
19.	Demir Kapija
20.	Dolneni
21.	Zelino
22.	Zelenikovo
23.	Zrnovci
24.	Jegunovce
25.	Kavadarci
26.	Karpos
27.	Kisela Voda
28.	Kicevo
29.	Konce
30.	Kratovo
31.	Kriva Palanka
32.	Grivogastani
33.	Lipkovo
34.	Lozovo
35.	Mavrovo and Rostuse

36.	Makedonska Kamenica
37.	Mogila
38.	Negotino
39.	Novaci
40.	Novo Selo
41.	Plasnica
42.	Prilep
43.	Probistip
44.	Rankovce
45.	Rosoman
46.	Saraj
47.	Sveti Nikole
48.	Sopiste
49.	Staro Nagoricane
50.	Struga
51.	Strumica
52.	Studenicani
53.	Tearce
54.	Tetovo
55.	Centar Zupa
56.	Caska

9. Review of Institutions at Central and Local Level not having Appointed a Coordinator in charge of Establishing the Risk Management Process

No.	Institution
1.	Intelligence Agency
2.	Parliament of the Republic of Macedonia
3.	State Audit Office
4.	State Election Commission
5.	Commission for Protection of Competition
6.	Directorate for Personal Data Protection
7.	Regulatory Housing Commission
8.	Audit Promotion and Supervision Council

9.	Commission for Protection against Discrimination
10.	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
11.	Constitutional Court of the Republic of Macedonia
12.	General Secretariat of the Government of Republic of Macedonia
13.	Common Service Agency
14.	Secretariat for Implementation of Ohrid Agreement
15.	Agency for Exercising the Communities' Rights
16.	Agency for Management of Confiscated Property
17.	Ministry of Defence
18.	Directorate for Security of Classified Information
19.	Protection and Rescue Directorate
20.	Crisis Management Center
21.	Vital Records Office
22.	Ministry of Foreign Affairs
23.	Customs Administration of Republic of Macedonia
24.	Financial Police Office
25.	Directorate for Compulsory Reserves of Oil and Oil Derivative
26.	State Foreign Exchange Inspectorate
27.	Agency for Foreign Investments and Export Promotion of Republic of Macedonia
28.	Agency for Tourism Promotion and Support
29.	Directorate for Technological Industrial Development Zones
30.	State Market Inspectorate
31.	State Inspectorate for Technical Inspection
32.	State Bureau for Protection of Industrial Property
33.	State Environmental Inspectorate
34.	State Inspectorate on Civil Engineering and Urbanism
35.	State Utilities Inspectorate
36.	Ministry of Agriculture, Forestry and Water Economy
37.	Agency for Agriculture Development Promotion Bitola
38.	Agency for Financial Support of Agriculture and Rural Development
39.	Food and Veterinary Agency of Republic of Macedonia

40.	State Agriculture Inspectorate
41.	State Inspectorate on Forestry and Hunting
42.	Ministry of Labour and Social Policy
43.	State Labour Inspectorate
44.	Ministry of Education and Science
45.	State Education Inspectorate
46.	Youth and Sports Agency
47.	Ministry of Information Society and Administration
48.	State Administrative Inspectorate
49.	Ministry of Culture
50.	Ministry of Health
51.	State Sanitary and Health Inspectorate
52.	State Local Government Inspectorate
53.	Emigration Agency
54.	Commission on Protection of Right to Free Access to Public Information
55.	Commission for Relation with Religious Communities and Religious Groups
56.	Agency for Real Estate Cadastre
57.	State Statistical Office
58.	State Archives of Republic of Macedonia
59.	Macedonian Academy of Science and Arts
60.	Regional Development Bureau
61.	Judicial Council of Republic of Macedonia
62.	Public Prosecutor's Office of Republic of Macedonia
63.	Ombudsman
64.	Health Insurance Fund of Macedonia
65.	Employment Agency of Republic of Macedonia

No.	Local Government Unit
1.	Aracinovo
2.	Berovo
3.	Bitola
4.	Bogdanci

5.	Bogovinje
6.	Bosilovo
7.	Brvenica
8.	Butel
9.	Valandovo
10.	Vasilevo
11.	Vevcani
12.	Veles
13.	Vinica
14.	Vrapciste
15.	Gazi Baba
16.	Gevgelija
17.	Gorce Petrov
18.	Gostivar
19.	Gradsko
20.	Debar
21.	Debarca
22.	Delcevo
23.	Demir Kapija
24.	Demir Hisar
25.	Dojran
26.	Dolneni
27.	Zelino
28.	Zelenikovo
29.	Zrnovci
30.	Ilinden
31.	Jegunovce
32.	Kavadarci
33.	Karbinci
34.	Karpos
35.	Kisela Voda
36.	Kicevo

37.	Konce
38.	Kratovo
39.	Kriva Palanka
40.	Grivogastani
41.	Krusevo
42.	Kumanovo
43.	Lipkovo
44.	Lozovo
45.	Mavrovo and Rostuse
46.	Makedonska Kamenica
47.	Mogila
48.	Negotino
49.	Novaci
50.	Novo Selo
51.	Ohrid
52.	Pehcevo
53.	Plasnica
54.	Prilep
55.	Probistip
56.	Radovis
57.	Rankovce
58.	Resen
59.	Rosoman
60.	Saraj
61.	Sveti Nikole
62.	Sopiste
63.	Staro Nagoricane
64.	Struga
65.	Studenicani
66.	Tearce
67.	Tetovo
68.	Centar

69.	Centar Zupa
70.	Cair
71.	Caska
72.	Cesinovo - Oblesevo
73.	Cucer - Sandevo
74.	Stip

10. Review of Institutions at Central and Local Level not having submitted Annual Audit Report

No.	Name of Institution
1.	Cabinet of the President of republic of Macedonia
2.	State Election Commission
3.	Commission for Protection of Competition
4.	Fact Verification Commission
5.	Regulatory Housing Commission
6.	Commission for Protection against Discrimination
7.	State Commission on Second Instance Decision Making related to Administrative Procedure arising from Labour Relations
8.	State Commission on Second Instance Decision Making in the field of Inspection Supervision and Misdemeanour Procedure
9.	Constitutional Court of the Republic of Macedonia
10.	Secretariat of Legislation
11.	Secretariat for Implementation of Ohrid Agreement
12.	Protection and Rescue Directorate
13.	Ministry of Justice
14.	Sanctions Enforcement Office
15.	Vital Records Office
16.	Bureau for Representation of Republic of Macedonia before the European Court of Human Rights
17.	State Foreign Exchange Inspectorate
18.	Public Procurement Council

19.	Agency for Tourism Promotion and Support
20.	Directorate for Technological Industrial Development Zones
21.	State Market Inspectorate
22.	State Inspectorate for Technical Inspection
23.	State Environmental Inspectorate
24.	State Transport Inspectorate
25.	State Inspectorate on Civil Engineering and Urbanism
26.	State Utilities Inspectorate
27.	State Labour Inspectorate
28.	Bureau for Education Development
29.	State Sanitary and Health Inspectorate
30.	Ministry of Local Government
31.	State Local Government Inspectorate
32.	Emigration Agency
33.	Bureau of Court Forensic Expertise
34.	Public Prosecutor's Office of Republic of Macedonia

No.	Institution
35.	Cair Municipality
1.	Karbinci Municipality
2.	Ohrid Municipality
3.	Kicevo Municipality
4.	Aracinovo Municipality
5.	Bogdanci Municipality
6.	Bosilovo Municipality
7.	Brvenica Municipality
8.	Vasilevo Municipality
9.	Gevgelija Municipality
10.	Debarca Municipality
11.	Demir Kapija Municipality
12.	Karpos Municipality

13.	Konce Municipality
14.	Lipkovo Municipality
15.	Mavrovo and Rostuse Municipality
16.	Negotino Municipality
17.	Novo Selo Municipality
18.	Petrovec Municipality
19.	Plasnica Municipality
20.	Rankovce Municipality
21.	Saraj Municipality
22.	Staro Nagoricane Municipality
23.	Studenicani Municipality
24.	Tearce Municipality
25.	Dojran Municipality