



USAID
FROM THE AMERICAN PEOPLE



MACEDONIAN
CENTER FOR
INTERNATIONAL
COOPERATION

UNLAWFUL
IRRESPONSIBLE
AND IRRATIONAL
SPENDING OF CITIZENS'
MONEY
PRESENTED IN THE
REPORTS
OF THE STATE
AUDIT OFFICE



USAID
FROM THE AMERICAN PEOPLE



MACEDONIAN
CENTER FOR
INTERNATIONAL
COOPERATION

UNLAWFUL
IRRESPONSIBLE
AND IRRATIONAL
SPENDING OF CITIZENS'
MONEY
PRESENTED IN THE
REPORTS
OF THE STATE
AUDIT OFFICE

EXECUTIVE SUMMARY

The internal audit in the public sector in the past few years has not been yielding the expected results. In the past few years, neither the central internal audit within the Ministry of Finance, nor the internal audit units within the public sector's entities themselves, have managed to establish their own functional independence or the needed professional integrity, so as to be able to face the challenge of their role. These bodies are mere spectators of the misuse and spending of the budget that happen on daily bases before their very own eyes. On the other hand, the reports that the State Audit Office (SAO) prepares based on its analyses of the operations of the Government, its ministries and the public enterprises, contain data that are shocking. The Government and the other state institutions act in an extremely non-transparent, corruptive manner and ignore the laws in the Republic of Macedonia. From the SAO's reports one can conclude that, instead of setting an example for the other institutions on how they should be functioning and implementing the laws, the Government and the government institutions are a paradigm of non-transparency and corruption. Considering the fact that the adverse opinions and the disclaimers of opinion are an indispensable part of SAO's reports on the work of the state institutions, the need is imposed for analyzing the audit reports published on the SAO's website, so as to point out again the non-earmarked and non-transparent spending of the public funds.

CONTENTS

Unlawful irresponsible
and irrational spending of
citizens' money presented
in the reports of the state
audit office

INTRODUCTION	3
CASE ANALYSIS	6
Agency for Youth and Sports.....	7
Ministry of Transport and Communications.....	7
Government of the Republic of Macedonia	7
Centar Municipality	8
Ministry of Finance	11
Ministry of Agriculture, Forestry and Water Resource Management	11
Ministry of Defence.....	12
CONCLUSIONS AND RECOMMENDATIONS.....	13
AUTHOR'S PROFILE.....	14
SOURCE LITERATURE.....	14

INTRODUCTION

The audit can be divided on the basis of a number of criteria; however, international audit theory and practice divides it on the grounds of the following criteria, as follows¹:

According to the subject of the audit:

- ▶ **Financial statements audit**, the results of which constitute an independent and objective opinion about the truthfulness and objectivity of the data presented in the financial statements of the audited entity;
- ▶ **Compliance audit**, the results of which constitute defining the degree to which the audited entity follows the standards or the rules established, i.e. adopted, by the competent authorities, the concluded agreements, etc.;
- ▶ **Operational audit**, the results of which constitute an opinion about the efficiency and effectiveness of the audited entity in the use of its funds, and
- ▶ **Forensic audit**, the activities of which represent uncovering or prevention of frauds or other illegal activities, integrated into the financial statements of the audited entity.

The audit can be divided according to the institution conducting the audit, i.e. can be internal and external, as well as according to the area of auditing, i.e. as commercial and state audit.

The opinions given by the auditors constitute conclusions in writing, provided by the auditor, about the financial statements as a result of a financial audit or audit of the regularity. After completing the audit of the accounts' regularity and/or the legality and regularity of the relevant transactions, the auditor may decide to express several types of opinion, as follows:

Unqualified/unmodified opinion – an opinion when the auditor is satisfied with each material aspect, i.e.:

1. The financial statements are prepared by using an acceptable accounting basis and policies, which have been consistently applied;
2. The statements are in accord with the legal requirements and the corresponding regulations;

1 Rulebook on Internal Audit, Ministry of Finance, http://www.finance.gov.mk/files/u10/Priracnik_z_a_Revizija.pdf

3. The statuses presented in the financial statements are consistent with the knowledge that the auditor has about the audited entity, and
4. All material matters relevant to the financial statements are disclosed appropriately.

This can also be named clean or standard opinion of the auditor. It is issued when the following conditions are fulfilled:

- ▶ The audit is conducted and all evidence that is realistically expected to be at one's disposal has been obtained and evaluated;
- ▶ The financial statements are prepared and presented, in line with the relevant reporting requirements and the valid laws and regulations;
- ▶ There have not been any inevitable uncertainties or circumstances that could have influenced the financial statements. As a general rule, the auditor who issues an unqualified opinion does not refer to any special aspects of the financial reports;

● **Unqualified opinion with a special stance, which gives an explanation / unmodified opinion with a stress on a concrete disputed issue** is an opinion in which a concrete element is being stressed. Under certain circumstances, the auditor may deem that the reader will not obtain proper understanding of the financial statements unless certain atypical or important matters or fundamental inevitable uncertainties are pointed out. If the uncertainty is of material and fundamental nature and is disclosed in tune with the accounting laws and regulations, then the auditor should make sure that such disclosure will draw the attention to the uncertainties;

● **Qualified – positive opinion with certain exceptions.** There are certain conditions in which the auditor may not be in a position to express unqualified or clean opinion, when one of the following circumstances is present and, according to the auditor's opinion, their effect is or may be of importance to the financial statements:

1. There is limitation of the audit's scope;
2. The auditor considers that the reports are incomplete or ambiguous, or there is unjustified deviation from the generally accepted accounting principles;
3. There is uncertainty that influences the financial statements.

A qualified opinion is expressed when the auditor does not agree with or is uncertain about one or more of the points presented in the financial statements which are material, but are not of essential, fundamental importance to understand the statements. The opinion is usually formulated in such a way that it points to a satisfactory result concerning the auditee, containing a clear and concise phrase about the matters on which there is disagreement or uncertainty and which have led to a qualified opinion. In each of these categories, there are different types

If the uncertainty is of material and fundamental nature and is disclosed in tune with the accounting laws and regulations, then the auditor should make sure that such disclosure will draw the attention to the uncertainties

If the reports on the audits that the SAO has conducted into the work of the government, its ministries and the public enterprises are analysed, one comes to the conclusion that the adverse opinions and the disclaimers of opinion are an indispensable part of the reports

of opinion, depending on the given circumstances, for every individual situation. There are the following types of qualified opinion:

a) Opinion with certain exceptions. This type of opinion is given when the auditor does not agree or is limited in obtaining certain evidence, but giving the opinion, i.e. the reason, is not material to that extent, or does not prevail so as to affect the financial statements as a whole;

b) Adverse opinion. This type of opinion is issued when the effects of the issue or the discrepancy are of such material and fundamental importance that they would cause the financial statements as a whole to be misleading. The formulation of such an opinion makes it clear that the financial statements are not sufficiently well presented, and states clearly and concisely all the aspects of non-conformity;

c) Disclaimer of opinion. This type of opinion is used when the auditor is unable to obtain appropriate audit evidence. The auditor concludes that the potential effects of the lack of evidence are of such material importance that the financial statements as a whole may be invalid. Since the auditor may be unable to confirm or support his/her opinion, he/she will abstain from giving an opinion. The formulation of a disclaimer of opinion makes it clear that an opinion cannot be given, and it contains, clearly and concisely stated, all uncertainties.

The types of qualified opinion largely depend on the significance of the issues the auditor is concerned about, in terms of their materiality and expansion.

Every opinion is a reflection of a certain situation. Formulating the auditor's opinion is the key element in the text and presents the conclusions of the auditing. The auditor's opinion is usually presented in a standard format, refers to the financial statements as a whole and, in this way, the need for stating in more detail what stands behind it is avoided. However, due to its nature, the readers do obtain general understanding of its meaning. The wording will be influenced by the legal framework of the audit, but the content of the opinion should unambiguously indicate if it is an unqualified or qualified opinion.

If the reports on the audits that the SAO has conducted into the work of the government, its ministries and the public enterprises are analysed, one comes to the conclusion that the adverse opinions and the disclaimers of opinion are an indispensable part of the reports.

CASE ANALYSIS

Unlawful irresponsible and irrational spending of citizens' money presented in the reports of the state audit office

In accordance with Article 12 of the Law on State Audit, “State audit is conducted over the Parliament of the Republic of Macedonia, the President of the Republic of Macedonia, the Budget of the Republic of Macedonia and the municipalities’ budgets, the budget beneficiaries, the unit beneficiaries, public enterprises, trade companies in which the state is the dominant shareholder, the agencies and other institutions founded by law, institutions financed from public funds, the National Bank of the Republic of Macedonia, the political parties funded from the Budget of the Republic of Macedonia, EU funds’ beneficiaries (except for the system for implementing, management and control of the instrument for pre-accession assistance in the Republic of Macedonia) and beneficiaries of funds from other international institutions (hereinafter: auditees)”¹.

In accordance with Article 3 of the Rulebook on the Manner of Performing State Audit, “the SAO’s Annual Work Programme is adopted by the end of November in the current year, and refers to the following year. The SAO’s Annual Work Programme contains an action plan for its implementation and an overview of the entities that will be subject to auditing.”²

2 Law on State Audit, *Official Gazette of the Republic of Macedonia*, No. 66, dated 13.05.2010.

3 Rulebook on the Manner of Performing State Audit, *Official Gazette of the Republic of Macedonia*, No. 158, dated 15.11.2011.

Year	Institution	Irregularities concluded by the SAO
2008	Agency for Youth and Sports	Unlawfully spent MKD 100 million
2008	Ministry of Transport and Communications	Unlawfully spent Euro 21 million
2008	Government of the Republic of Macedonia	Euro 10 million unlawfully spent for advertisements
2009	Centar Municipality	Euro 18,504,065 unlawfully spent for monuments
2010	Ministry of Finance	Problems with the public procurement, illegal employments
2013	Ministry of Agriculture, Forestry and Water Resource Management	Irregularities and violation of the laws concerning financial operations, the anti-corruption regulations, violation of the Law on Public Procurement
2013	Ministry of Defence	Negative opinion

● Agency for Youth and Sports

Thus, in its 2008 report on the Agency for Youth and Sports, the SAO concluded that the part of the financial statement referring to the project for building 35 sports halls does not present the situation realistically and objectively and that there is misuse of funds to the amount of ca. MKD 100 million, as well as repeated violations of the Public Procurement Law. Also, in the 2010 Annual Report of Transparency Macedonia (TM), it was concluded that the Macedonian Government had never publicly come out to shed light on this case, nor had it provided an explanation on why these irregularities had not been sanctioned.⁴

● Ministry of Transport and Communications

The state auditor concluded in the audit report on the Ministry of Transport and Communications that Euro 21 million had been spent unlawfully. However, despite the fact that this was a huge amount of money, the entire case remained a mystery, stressed by the threats of the competent minister Mile Janakievski that he was prepared to sue for slander and insult if the SAO's data were used to call him to political and criminal responsibility.

⁴ 2010 Annual Report of TM, http://www.transparentnost-mk.org.mk/Upload/Izvestaj/transparentnost_godisen_izvestaj_2010.pdf

● Government of the Republic of Macedonia

The most flagrant instance of misuse can be found in the State Auditor's Report on the operations of the Government of the Republic of Macedonia for 2008, which stresses the irregular spending of the budget and disregard for numerous laws. The fact that an institution as the Government is, may, according to the audit report, serve as an example of failure to conduct the legal regulations, rather than serving as an example of observance of the legal regulations, is worrying. In 2008, the Government acted contrary to a number of laws, such as the Budget Law, the Budget Management Law, the Law on State Servants, the Law on Property Taxes, the Law on Broadcasting Activity, Public Procurement Law (PPL), etc. A typical example of disregarding the Budget Law was the government's decision to reassign funds to the amount of MKD 86 million among budget beneficiaries outside parliamentary procedure, which brings into suspicion the transparency of the way the funds were spent. By transferring MKD 45 million to the Macedonian Radio and Television, the Government disregarded the Law on Broadcasting Activity, in addition to violating the Law on the Budget. The cases in the Government where a person holds a managerial position but the same is hired contractually are contrary to the Law on Public Servants. However, the greatest suspicion was raised by the spending on advertising campaigns. In 2008 only, the Government spent nearly MKD 600 million, or Euro 10 million, on advertising campaigns, without observing the legal or other regulations for spending the public funds.

● Centar Municipality

One cannot but mention and analyse the "Skopje 2014" project, for which SAO's 2011 Final Report on Centar Municipality confirmed, officially as well, the suspicions that there had been unlawful, irrational and non-transparent spending of people's money for the construction of the monuments of this megalomaniac project, gross violation of the laws, disregard for the procedures and extremely irresponsible attitude and arbitrariness by the competent officials of Centar Municipality towards the tax payers' money.

SAO's report concluded that the mayors Violeta Alarova and Vladimir Todorovic had acted beyond their legal competence when they decided, contrary to the Law on Monuments and Memorials, to build monuments, despite the fact that, according to the Law, only the Macedonian Parliament can make a decision to build such facilities, while the municipalities and the City of Skopje may decide only about building memorials. The fact that most of the funds for this purpose were transferred from the Ministry of Culture does not reduce their responsibility in the gross violation of the law.

Owing to the audit report, the citizens learned for the first time officially about the millions of people's money paid for the concept designs and the

Unlawful irresponsible and irrational spending of citizens' money presented in the reports of the state audit office

In 2008 only, the Government spent nearly MKD 600 million, or Euro 10 million, on advertising campaigns, without observing the legal or other regulations for spending the public funds

In this, the ratio between the calculated value of the concept designs for the monuments and the royalties was 1:3 in the authors' favour, which according to the State Auditor constitutes an unrealistic value defined in competitiveness terms

models for a number of monumental sculptures as part of this project, cast in bronze or chiselled in marble, as well as about the enormous royalties for these works. In this, the ratio between the calculated value of the concept designs for the monuments and the royalties was 1:3 in the authors' favour, which according to the State Auditor constitutes an unrealistic value defined in competitiveness terms. This, according to the Law, reduces the competitiveness in the public procurements, and thus the possibility to receive a better offer at a lower price, as one of the key principles of public procurement.

The provisions of the Public Procurement Law were grossly violated in a number of procurement procedures related to this project. Thus, following the announced competition for constructing a monumental sculpture of a warrior and a fountain, back in 2008, it was decided to select the work rated as the second, although the jury commission concluded that none of the concept designs submitted met the required competition criteria. This design was totally contrary to the criteria of the competition (the dimensions of the monument were several times larger than the requirements announced), and contrary to Article 113 of the PPL, according to which the jury commission shall assess the submitted plans and projects based on the assessment criteria stated in the advertisement and defined in the competition's documentation. According to Article 107 of the Law, the competition documentation contains complete and detailed information about the criteria that will be followed in the selection of the best ranked project or projects, the amount of the awards granted, etc. Hence, the selection of the concept design that was rated as the second – which, contrary to the criteria established in the competition, offered a totally different project (and not minor interventions into the same) – and had a much higher value than the one defined (for which a contract was concluded with the municipality) constitutes gross violation of the law, since, in this case, this was a totally new offer of different content and value of the monument. According to Article 169 of the PPL, in this case the procedure should have been annulled and, according to Article 210 of the Law, the selection of such an offer constitutes serious deviation. Instead of acting in line with the PPL and annulling the procedure, Mayor Alarova made a decision to sign a direct contract with the author of the second-ranked concept design for this monument, although the concept design had been totally changed compared to what was sought in the competition. The calculated value of the totally changed concept project for this monument was even three times higher than the value defined by the competition, which is contrary to Article 28 of the Law, according to which the decision on making a public procurement defines the quantity of the procurement, the amount and the source of funds needed for the realization of the contract and, if the procedure for assigning a public procurement contract is conducted without the elements contained in the public procurement decision, this, according to Article 210, constitutes serious violation of the PPL. The violation of the PPL's provisions indicates points

to the arbitrariness and abuse of official duty on the part of the mayor and the other competent officials in the Municipality when it comes to spending the people's money.

The public procurement procedure for preparing a concept solution for the monumental structure of a sculpture of Alexander of Macedon riding a horse and a fountain, initiated in 2007 was conducted contrary to the Law on Monuments and Memorials, and such a facility was not envisaged by the Programme for Spatial Arrangement of the Construction Land in Centar Municipality, or the 2008 Programme for Raising Memorials, due to which this monument could be considered as an illegal construction. In addition, numerous irregularities were found in the procedure for selecting and concluding a contract for the monument of Alexander of Macedon, which inflicted significant damage on the budget of the municipality and the state budget.

Thus, the author was paid an amount of MKD 40,000,000 for the construction of the horseman's sculpture representing Alexander of Macedon, and MKD 191,379,000 for the fountain. The primary project was supplemented with another MKD 57,414,000 in 2009, even before the start of the works, via an annex to the contract, which is contrary to the PPL, as, in case of substantial changes to the tender documentation, Centar Municipality should have annulled the procedure. A total of MKD 279,764,000 was spent for casting the sculpture of the horseman. In the period of 2007-2010, the obligations taken up to construct this monument amounted to MKD 569,972,000.

In addition to the numerous irregularities in the public procurement procedure for the construction of memorial monuments, also detected was unlawful and irrational spending of people's money for other purposes. In addition to the enormous royalties, the municipality spent MKD 1,796,000 as travelling expenses for the authors of the sculptures and monuments and their trips abroad, which points to reckless and irresponsible spending of citizens' money for the benefit of the selected and favoured authors. The municipality also evaded tax by paying MKD 159,000 less than it was supposed to pay as personal tax for these funds.

The SAO found numerous faults in the operations and spending of public funds in 2010 as well, with a number of state institutions, specifically the Ministry of Education, the Foreign Investments Agency, the Public Revenues Office, the Public Transport Enterprise and the Municipalities of Suto Orizari and Sopiste. TM concluded in its 2011 Annual Report that the SAO had conducted fewer audits compared to 2009, because, under the Government's pressure, in its 2010 Work Programme, it had left out the major ministries and state enterprises where one could expect presence of non-earmarked and irrational spending of state money. Namely, an impression was gained that the Government had exerted pressure in order to keep the auditors away from the ministries run by VMRO/DPMNE party members⁵. Thus, out of the four ministries envisaged for control under the SAO's 2010 Programme, two were run by DUI

Unlawful irresponsible and irrational spending of citizens' money presented in the reports of the state audit office

In this, the ratio between the calculated value of the concept designs for the monuments and the royalties was 1:3 in the authors' favour, which according to the State Auditor constitutes an unrealistic value defined in competitiveness terms.

5 2011 Annual Report of TM, , [http://www.transparentnost-mk.org.mk/Upload/Izvestaj/TransparentnostMKD_GodisenIzvestaj2011_WEB%20\(2\).pdf](http://www.transparentnost.mk.org.mk/Upload/Izvestaj/TransparentnostMKD_GodisenIzvestaj2011_WEB%20(2).pdf)

representatives, while the audit in the Ministry of Finance is obligatory under law. Suspicions grew after the Government's decision to put the auditing body in charge of the IPA funds under government control, and not to leave it independent as envisaged by the Special Protocol on IPA Funds Management signed with the EU.⁶

● Ministry of Finance

In the 2010 report on the Ministry of Finance, SAO pointed out certain systemic weaknesses. In the Ministry of Finance, there was no established procedure for planning the capital revenues and no cooperation was established between this ministry and the competent ministries in terms of exchanging data and information about the anticipated revenues, in the phase of the RM budget's preparation. This led to unrealistic planning of the stated revenues and the budget. SAO also detected problems in the area of public procurements, as well as illegal employments.

● Ministry of Agriculture, Forestry and Water Resource Management

That the unlawful and wasteful spending of the budget and the absence of any responsibility whatsoever had become a recognizable practice of the ruling structure was shown by the findings of audit conducted over the financial and economic operations of the Ministry of Agriculture, Forestry and Water Resource Management in 2013 – a ministry run for years by staff from the ranks of VMRO/DPMNE's coalition partner, the Socialist Party, led by Ljubisav Ivanov Zingo. The audit discovered numerous irregularities and violation of laws related to the financial operations and anti-corruption regulations (the budget, the accounting, the public procurements), manifested through a lack of complete records and documentation about the revenues earned, the procurements and expenditures, and the discrepancy between the presented data about the revenues obtained on various grounds and the accounting records, which created suspicions about concealment of the revenues. The Ministry did not even have complete evidence about all the vehicles in its possession, and some of the vehicles could not be located within the ministry's vehicle pool, which raised suspicions that these were being used for private purposes. That the budget was being spent unlawfully, irrationally and arbitrarily, for the benefit of certain employees, was confirmed by the findings of the audit according to which no account was taken of the approved limits and the funds spent for the use of mobile phones, nor were the amounts exceeding the defined limits charged from the employees. There were no data about all issued telephone numbers, which raised serious suspicions that the same may have been used by persons outside the Ministry, as well as that, besides by the Minister, the licenses allowing certain privileged functionaries and other employees to exceed the established mobile phone use limit were also being issued by the Minister's deputy and the state secretary contrary to the acts adopted by the Minister – probably "each to their own", which indicates

6 2011 Годишен извештај на ТМ за 2011 година, [http://www.transparentnost.mk.org.mk/Upload/Izvestai/TransparentnostMKD_GodisenIzvestaj2011_WEB%20\(2\).pdf](http://www.transparentnost.mk.org.mk/Upload/Izvestai/TransparentnostMKD_GodisenIzvestaj2011_WEB%20(2).pdf)

that there was arbitrariness in the budget disposal. That the matters in the Ministry were out of control can also be seen from the finding that even the employees whose employment status had been terminated, or were absent from work and did not receive salaries from the Ministry, were still using the official mobile phones. This enabled them to gain illegal profit, at the budget's expense, which constitutes an act of crime. The then Minister Ljupco Dimovski was generous indeed when it came to budget money, which was proven by the finding that there were no duly completed and trustworthy documents about the work of the committees in charge of preparing various programmes, nor were there any concluded contracts with the authors, or reports on their work. The audit also discovered that the amount of MKD 95,496 registered as expenditure for the contracted services and other construction works on the *Zletovica* and *Lisice* Hydro-systems did not correspond with the bills, i.e. there was no explanation about the contracted services based on the programmes under which an amount of MKD 9,996,000 was paid.

A phenomenon that the audit found with each of the auditees was the gross violation of the Public Procurement Law. In the case of this Ministry, the situation in this regard was even more drastic. Thus, the insight into the public procurement procedures in 2010-2013, or in 56 % of the audited procedures, found that the Ministry of Agriculture, Forestry and Water Resource Management had not conducted procurement procedure to the amount of MKD 8,787,000 as well as for a public procurement amounting to MKD 1,594,000, which is contrary to the Public Procurement Law. Even with the procurements for which procedures were conducted, the audit found violations of the provisions of the Public Procurement Law, as well as irrational spending of the budget because certain products were obtained at prices that were higher, or at an unusually low price, which hints at 'pre-set' tenders, as well as other violations of the Law.

● Ministry of Defence

That the highest-ranking holders of the government have been spending the citizens' money unlawfully, irresponsibly and irrationally is shown in the Report of the State Audit Office on the Ministry of Defence (MoD) in 2013, when this authority was headed by Fatmir Besimi and Talat Xhaferi – both members of the DUI. Although the state audit had given adverse opinion about the truthfulness and objectivity of the financial reports and the legal and earmarked spending of the funds back in 2011, which in a state of law would have resulted in a criminal and political accountability, the situation did not improve much in 2013, when the audit presented negative results again, due to the lack of conformity with the legal regulations and established operation practices. The audit's findings showed wasteful spending of the citizens' money on the Ministry's part. No account was taken of whether the advance payments in cash for trips abroad and for schooling had been returned, and this had been going on for years, contrary to the Law, creating the risk that the charging of these paid amounts would become obsolete. The fact

The audit also discovered that the amount of MKD 95,496 registered as expenditure for the contracted services and other construction works on the Zletovica and Lisice Hydro-systems did not correspond with the bills, i.e. there was no explanation about the contracted services based on the programmes under which an amount of MKD 9,996,000 was paid.

The procurement of flight tickets for visits by family members of the persons sent abroad for professional specialization, for which a total of MKD 1,064,000 (or more than Euro 17,000) were spent, although such expenditures are not envisaged by law, and this irrational spending is contrary to the Law on Budgets.

that there was an irresponsible and unthrifty spending of the budget was supported by the findings of the audit that even the employees who had not returned the funds and had not submitted reports on their trips or schooling, were sent on other business trips and received new advance payments, contrary to the legal regulations. In addition, some advance payments were higher than the expenditures made during the business trips owing to the absence of any calculations or assessments of the costs, contrary to the adopted regulations. It can be concluded that all this was done for one purpose – to reward the party activists and the persons close to the party of DUI. Thus, the Ministry of Defence concluded 17 outsourcing contracts for a period of 8-12 months, at established monthly remunerations, for which it paid a total of MKD 3,259,000 – and this for services that, according to the description, correspond with the tasks performed by the MoD employees who receive salaries for performing these same tasks. The fact that there is no report on the performed services for which the external consultants were hired is scandalous. Unfortunately, if one looks at the SAO's reports in the past few years, one can conclude that this is a frequent phenomenon, i.e. that the ministries and the local self-government regularly conclude agreements for tasks that can be performed by their employees, thus damaging the budget in favour of the party activists and close relatives of the functionaries. That the Ministry of Defence operated contrary to the law can be seen from the audit's finding that no public procurement procedure was conducted for the engagement of external consultants. The list of irregularities in spending the public funds by the Ministry of Defence also includes the procurement of flight tickets for visits by family members of the persons sent abroad for professional specialization, for which a total of MKD 1,064,000 (or more than Euro 17,000) were spent, although such expenditures are not envisaged by law, and this irrational spending is contrary to the Law on Budgets.

CONCLUSIONS AND RECOMMENDATIONS

Unlawful irresponsible and irrational spending of citizens' money presented in the reports of the state audit office

SAO's final reports on the work of the ministries and other state bodies have detected a number of irregularities in their financial and economic operations, as well as serious suspicions about misuses of the official duty and corruption. The attitude of the State Audit Office is incomprehensible, as it has not submitted any initiatives for criminal prosecution against the responsible persons in these institutions but stops at merely issuing recommendations. It can be concluded that, by acting in this way, the SAO raises serious suspicions that this controlling authority deliberately, or under the influence of the executive government, tolerates and ignores the detected irregularities and irrational spending of the public funds, which leads to continuation of such unlawful actions.

The recommendation to the state auditor is that, in line with his/her legal competences, he/she starts filing criminal charges with the Public Prosecution against the established irregularities in spending the citizens' money and disregard for the laws, instead of waiting for other authorities to do the same, such as, for instance, the State Commission for Preventing Corruption. The latter have not demonstrated any efficiency in their practice so far and have not reacted in line with their obligations and competencies, in this way concealing crime and corruption.

State Audit Office is incomprehensible, as it has not submitted any initiatives for criminal prosecution against the responsible persons in these institutions but stops at merely issuing recommendations.

AUTHOR'S PROFILE

Slagjan Penev was born in Skopje, in 1977. He graduated from the Faculty of Philosophy in Skopje. From 1999 to 2008, he worked as a journalist in several papers, including the “Forum” magazine and the “Sekojden” web-magazine. As an external associate, he wrote for the dailies of “Dnevnik” and “Vest”, the “Globus” and “Gragjanski” weeklies, and the periodicals of “Kinopsis”, “Forum Analitika” and “Evrodialog”.

From 2009 to date, he has been engaged in the association of *Forum – Centre for Strategic Research and Documentation* (CSID) in Skopje, where he takes part in conducting researches and project activities related to decentralization, interethnic relations, development of civil society and assistance to the marginalized communities. Since 2010, he has been the Executive Director of Forum-CSID.

Source literature

Audit Law

Rulebook on the Manner of Conducting State Audit

Financial Audit Guide, Ministry of Finance

SAO's Annual Programmes

Final audit reports for the period 2008-2013

Annual Reports of *Transparency Macedonia*, 2009-2013

Corruption and Government: Causes, Consequences and Reform, by Susan Rose-Ackerman

CIP - Каталогизација во публикација
Национална и универзитетска библиотека «Св. Климент Охридски», Скопје

336.1:343.35(497.7)(047)
336.5:336.146(497.7)(047)

PENEV, Slagjan

Unlawful, irresponsible and irrational spending of citizens's
money presented in the reports of the state audit office
[Електронски извор] / author Slagjan Penev. - Текст во PDF
формат, содржи 18 стр. - Skopje : Macedonian center for
international cooperation, 2015

Начин на пристап (URL): www.mcms.mk. - Наслов преземен од екранот.
- Опис на изворот на ден 25.12.2015. - Фусноти кон текстот

ISBN 978-608-4681-45-8

а) Јавни финансии - Злоупотреба - Македонија - Извештаи б) Државна
потрошувачка - Анализа - Државен завод за статистика - Македонија -
Извештаи

COBISS.MK-ID 100235530

