

LOCAL SELF-GOVERNMENT

In 2015 the State Audit Office conducted audit on the financial statements for 2014 together with compliance audit in two local self-government units (LSGUs) – the City of Skopje and the municipality of Kocani.

The audits covered 14% of the total expenditure i.e. public spending at local level.

With the audits we ascertained shortcomings in relation to: the internal control system in the process of setting up and collecting own revenues and the process of budgeting; payment of various allowances; the inventory; the liabilities; implementation of public procurement procedures and realization of awarded public procurement contracts. We made recommendations to the competent authorities and agencies that would help overcome identified shortcomings.

In this annual report we highlight systemic weaknesses that are present in LSGUs and relate to the Law on Property Tax, the Law on Communal Taxes, the Law on Firefighting and the Law on Secondary Education. These systemic weaknesses have financial implications on the operation of LSGUs and the competent authorities should take appropriate action.

According to Article 39, paragraph 1 and 2 of the Law on Property Taxes, the municipalities, the municipalities of Skopje and the City of Skopje should regularly synchronize the real property registry with the registry kept by the Agency for Real Estate Cadaster of the Republic of Macedonia; no later than 31 December each year the registry data should be submitted to the Central Registry of the Republic of Macedonia and to the headquarters of the Public Revenue Office.

Data from the register of real property of the City of Skopje and the municipalities in Macedonia are not harmonized with data from the Geodetic Cadaster Information System (GCIS) of the Agency for Real Estate Cadaster, due to the conflicting basis for recording data (registries), i.e. in the City of Skopje and in the municipalities the taxpayers are recorded by their unique master citizen number and other personal data, and in GCIS of the Agency for Real Estate Cadaster by cadastral municipality and cadastral parcel. Alignment of these data is a legal obligation of LSGUs, which has an effect on the completeness of data in LSGUs and has financial implications on the completeness of the revenue on this basis.

For complete, efficient and quality update of database on property tax, it is necessary to have compatible registers and software connection with the state bodies and institutions (the Agency for Real Estate Cadaster of the Republic of Macedonia, the Central Registry, the Public Revenue Office, and other institutions).

Pursuant to the Law on communal taxes, collection of communal taxes for using roads with passenger vehicles, cargo vehicles, buses, special vehicles and motorcycles (Tariff List, tariff no. 9), should be done by the body responsible for vehicle registration and payed to the appropriate account within the treasury account of the municipality, the municipalities in Skopje or the City of Skopje. The current legal solution does not prescribe deadline for depositing the collected tax on the municipality account; it also does not prescribe obligation to inform the municipality on the number of registered vehicles by different cubic capacity and on the monthly amount of collected tax individually and cumulatively. The existing legal provisions do not stipulate setting up a system that would provide accurate data on registered vehicles by cubic capacity and purpose, and on the other

hand, municipalities do not have legal possibility to get assurance about the accuracy and reliability of funds paid and the completeness of revenue on this basis.

Concerning the communal tax for street lighting, the municipalities do not receive data from EVN Makedonija AD Skopje on:

- the number of tax payers by category (number of meters), in accordance with tariff no. 10 from the Tariff List of the Law on communal taxes;
- report on the monthly amount of funds collected individually and cumulatively;
- six-monthly report on the real situation with the number of meters; and
- notice of uncollected receivables based on this communal tax.

The present Law on communal taxes does not prescribe obligation for submitting the above data. To overcome this situation, ZELS (Association of LSGUs) and EVN Makedonija AD Skopje signed Memorandum of cooperation.

Despite the signed Memorandum, EVN Makedonija AD Skopje does not adhere to the contractual obligations for submitting the above data and reports (Article 6). This practice affects the completeness and accuracy of realized revenue on this basis; the municipalities only record this revenue in the accounting books as an inflow without specific information on it. In order to ensure completeness and transparency of collection of municipalities' own revenue, as well as for overcoming identified weaknesses, we recommend to the legislator to amend the legal solution.

Block subsidies received by the municipalities in the Republic of Macedonia for secondary education are not sufficient to cover the costs relating to the organization of free bus transportation in accordance with the Law on Secondary Education. The subsidy for financial costs of high schools is not sufficient to cover the costs for student transportation and other costs. This situation requires additional funds from the core budget of the municipality and for increasing the liabilities towards transporters. Such conditions are present in several municipalities in the country.

In order to overcome these weaknesses, the Ministry of Education and Science in coordination with the Government of the Republic of Macedonia and in cooperation with LSGUs should take measures and activities aimed at finding new solution for the transportation of students.

In line with Article 49 of the Law on Firefighting, the activities of territorial firefighting units (TFFUs), of the City of Skopje and the municipalities in the Republic of Macedonia could be financed by the additional revenue from: collected fines for violations regarding fire protection and explosions; donations and other funds from insurance companies, foundations, and legal and natural persons intended for promoting fire safety; and from own revenues for services rendered. The City of Skopje and the municipalities in the Republic of Macedonia do not generate revenue on this basis, except for the revenue from the insurance companies amounting to 2% of collected premiums for insurance of motor vehicles and liability insurance for the use of motor vehicles. However, the municipalities have no information on the amount of funds to be paid on this basis, and there is no legal obligation to verify the accuracy and reliability of funds paid. The imprecise legal solution results in failure to collect revenue on this basis for financing TFFUs.

The competent authorities need to take measures aimed at more specific definition of other types of revenues for financing TFFUs in the legal solution for implementation thereof by the relevant institutions.