ROMANIAN JOURNAL OF PUBLIC AFFAIRS

PUBLIC AUDITING IN TRANSITION ECONOMIES: THE ROLE OF PUBLIC AUDITING IN STRENGTHENING PUBLIC SECTOR INTEGRITY AND MITIGATING CORRUPTION RISKS[1]

Ridvan IBRAIMI[2]
Institute of Economics - Skopje, "Ss. Cyril and Methodius" University in Skopje
Skopje, North Macedonia
E-mail: *ibraimiridvan@gmail.com*

Chetin IBRAIMI[3]
Independent researcher
Skopje, North Macedonia
E-mail: *cetinibraimi@hotmail.com*

Abstract. *Public auditing is extensively acknowledged as an essential foundation in combating corruption and promoting good governance, particularly in transitional economies characterized by fragile institutions and inadequate accountability frameworks. The objective of this article is to examine the significance and efficacy of public auditing in combating corruption in the Republic of North Macedonia. The research employs a qualitative case study methodology, analyzing legislative structures, formal audit reports, and pertinent policy documents, utilizing institutional theory. The findings indicate that North Macedonia has made significant strides in conforming its public auditing framework to global benchmarks; yet, substantial obstacles persist in executing audit recommendations, fostering inter-institutional collaboration, and enhancing institutional independence. The research indicates that the anti-corruption capacity of public auditing is inadequately utilized and highlights the disparity between formal institutional frameworks and practical implementation. The research contributes to the current understanding of public sector accountability by providing empirical data from a transitional economy and offering policy-relevant recommendations for enhancing follow-up processes and the efficacy of anti-corruption governance.*

Keywords: *Public auditing, Anti-corruption, Transition economies, North Macedonia, Public sector accountability.*

JEL CODE: D73, H83, M42

[1] DOI: doi.org/10.69581/RJPA.2026.06.03
[2] ORCID: https://orcid.org/0009-0007-2250-6650
[3] ORCID: https://orcid.org/0000-0002-0249-6818

1. Introduction

Corruption continues to be a primary obstacle in transitional economies, eroding institutional credibility, economic viability, and public confidence (Rose-Ackerman & Palifka, 2016). In situations characterized by post-socialism and post-authoritarianism, deficiencies in public sector governance have been observed, as swift transformations in political and economic frameworks frequently occur prior to the establishment of robust accountability and monitoring mechanisms (Kaufmann, Kraay, & Mastruzzi, 2010).

There is growing acknowledgment of public audit as an institutional mechanism for identifying and mitigating corruption. Supreme Audit Institutions (SAIs) are required to assess the efficacy, efficiency, and legality of public expenditures to enhance accountability and transparency in the utilization of public resources (INTOSAI, 2019). Empirical data indicates that robust and autonomous audit businesses promote financial accountability and diminish the likelihood of rent-seeking activities (Olken, 2007; Schelker & Eichenberger, 2010).

In transition economies, the efficacy of public auditing is often obstructed by external factors, inadequate implementation of audit suggestions, and insufficient institutional independence (Stapenhurst & Titsworth, 2006). While formal legislative structures may adhere to international standards, practical deficiencies frequently hinder the real impact of audit results on anti-corruption efforts.

The situation in North Macedonia serves as a particularly vivid example of these phenomena. As a nation undergoing ongoing governance reform and European integration, North Macedonia has implemented various legal and institutional measures to enhance public financial management and auditing capabilities.

The study investigates these matters by analyzing the institutional structure, operational effectiveness, and deficiencies of public auditing in North Macedonia. The investigation is directed by the subsequent inquiries specifically:

RQ1: To what extent does the formal structure of the State Audit Office (SAO) of North Macedonia align with global auditing standards?

RQ2: What trends of fiscal discrepancies and governance issues can be discerned in the most recent SAO audit reports?

RQ3: What is the genuine impact of public auditing on corruption in North Macedonia?

RQ4: In what manner does the interplay between auditing entities and other relevant institutions affect the follow up on audit recommendations?

Although the State Audit Office is the major subject of this research, the State Commission for Prevention of Corruption (SCPC) is also taken into consideration as a supplementary body in the framework of anti-corruption measures.

This methodology aspires to contribute to the broader academic discourse on accountability and governance in transitional economies.

The paper is structured in the following manner. Section 2 presents a literature assessment of Supreme Audit Institutions and anti-corruption efforts in transitional countries. Section 3 examines the conceptual framework grounded in institutional theory. Section 4 examines the qualitative case study methodology. Section 5 presents the findings derived from the documentary examination. Section 6 discusses the results in relation to existing literature, while Section 7 concludes with ramifications for policy and future research.

2. Literature review

2.1. Auditing and accountability in the public sector

Public auditing is extensively recognized in scholarly works as a cornerstone for accountability and transparency within the public sector. It serves as an external oversight apparatus to hold governments responsible for the legality, efficiency, and efficacy of public resource management (Power, 1997). Supreme Audit Institutions (SAIs) are important in public administration, enhancing legislative scrutiny and furnishing voters with trustworthy data regarding public fund utilization (Lonsdale, Wilkins, & Ling, 2011).

Accountability specialists contend that public auditing narrows the information disparity between governmental entities and stakeholders, hence lessening the likelihood of public resource misuse (Schedler, 1999). Audit institutions facilitate vertical responsibility to the populace and horizontal accountability to legislative and oversight entities via independent and evidence-driven evaluations. Auditing transcends mere technical financial oversight and evolves into an essential component of institutional checks and balances (Pollitt et al., 1999).

The theoretical framework is bolstered by empirical data. National assessments reveal that nations possessing robust auditing frameworks get superior outcomes in public financial management and fiscal discipline (Blume & Voigt, 2011). Schelker and Eichenberger (2010) propose that the presence of autonomous Supreme Audit Institutions correlates with reduced budgetary manipulation, hence enabling auditing to limit self-serving political behavior.

2.2. Audit independence and institutional effectiveness

A crucial factor identified as influencing the efficacy of the audit is the independence of the auditor. Independence includes legal sovereignty, operational adaptability, fiscal resilience, and immunity from political influence in the audit planning and reporting processes (INTOSAI, 2019). In the absence of these conditions, audit institutions may risk transforming into mere symbolic entities with less influence in reality.

Blume and Voigt (2011) argue that formal legal autonomy is inadequate when informal influences remain present, such as through fiscal oversight or selection procedures. In a similar vein, Schelker (2013) observes that audit entities influence financial outcomes when their advice is taken into account within robust accountability frameworks.

The literature also emphasizes the significance of executing audit recommendations. Santiso (2009) asserts that audits foster accountability solely when their outcomes prompt institutional reforms, sanctions, or corrective actions. Ineffective follow-up protocols will result in the recurrence of identical deficiencies in audit cycles, thereby diminishing the reliability and deterrent impact of auditing.

2.3. Public auditing and anti-corruption

Extensive studies have been conducted in public administration and economics regarding the correlation between public auditing and anti-corruption initiatives. Corruption is frequently perceived as a breakdown in governance, characterized by excessive discretion, lack of oversight, and absence of transparency (Rose-Ackerman and Palifka, 2016). Public auditing directly tackles these elements, enhancing supervision and revealing discrepancies in public spending.

Empirical data demonstrate the capacity of audits to mitigate corruption. Olken (2007)'s experimental findings indicate that an increased likelihood of audits significantly diminishes corruption in public infrastructure initiatives. Ferraz and Finan (2011) further illustrate that the public disclosure of audit data enhances electoral accountability and deters corrupt public officials.

2.4. Public auditing in transition economies

The public audit in transitional economies exhibits various institutional frameworks. The transition from centralized governance to democratic and market-driven institutions frequently surpasses the establishment of efficient supervision structures (North, Wallis, & Weingast 2009). As a result, formal auditing frameworks are often paired with informal processes that weaken accountability.

Research concerning post-socialist and transitional nations reveals ongoing issues, including politicization, insufficient administrative competence, and failure to implement audit findings (Stapenhurst & Titsworth, 2006). Global entities advocate for the implementation of sophisticated auditing standards; yet, this is predominantly sporadic or inconsistent (OECD/SIGMA, 2023).

The study indicates the necessity for context-aware evaluations that extend beyond the formal institutional framework to analyze the actual operations of auditing. Case study methodologies are particularly adept at elucidating these processes and clarifying cross-national variations in audit efficacy (Yin, 2018).

3. Theoretical framework

This research is grounded in institutional theory, which offers a comprehensive analytical framework for examining the impact of statutory regulations, informal norms, and organizational processes on the conduct and effectiveness of public sector entities. Institutional theory proves invaluable for comprehending public audits and anti-corruption initiatives in transitional countries, where externally driven alterations frequently coincide with entrenched internal customs and institutional practices.

3.1. Institutional theory and public sector governance

Institutional theory posits that organizations are influenced not only by efficiency factors but also significantly by their institutional environments, including legal frameworks, professional norms, and shared cognitive structures. Institutional frameworks within the public sector influence not just the official organization of entities but also their operational functionality.

DiMaggio and Powell (1983) delineate three forms of institutional isomorphism: coercive (legislation, regulations, and political pressures), normative (professional benchmarks and expertise), and mimetic (organizations emulating effective paradigms). These procedures are particularly pertinent to public audits. Global auditing standards impose normative influences on supreme audit institutions, while international organizations advocate governance frameworks that provide mimetic demands for implementation, and audit legislation alongside constitutional limitations introduces coercive pressures.

3.2. Public auditing and institutional theory

The utilization of institutional theory in public auditing exposes the disparity between formal institutional frameworks and their real-world effectiveness. Audit organizations possess the legal authority to implement international standards and optimal practices; however, their efficacy is contingent upon the degree to which these standards are assimilated and utilized within specific political and administrative environments (Scott, 2014).

Academics contend that audit institutions in transitional economies frequently display a type of "ceremonial compliance," wherein legislative and procedural enhancements are implemented mainly to signify adherence to international standards (Meyer & Rowan, 1977), rather than effecting genuine changes in governance practices. In some instances, audit reports might be accessible to the public, although the ramifications of responsibility remain minimal.

Institutional theory elucidates the disparity between the robust appearance of public auditing systems and their actual inefficacy. This framework shifts the analytical focus from legal requirements to informal constraints like external constraints, organizational ethos, and enforcement capabilities.

3.3. Institutional barriers and anti-corruption outcomes

North et al. (2009) contend that corruption is a systemic issue stemming from frail or imbalanced institutional frameworks, rather than from personal wrongdoing. The efficacy of anti-corruption measures is contingent upon the alignment of regulations, follow-up, and societal norms.

Institutional discord is especially evident in transitional economies. The discourse surrounding post-socialist governance has introduced the concept of "professional islands": entities that ostensibly comply with international benchmarks regarding their legal structures, personnel, and processes, yet exist within a wider governance context characterized by broader institutional challenges, including fragmented collaboration and limited follow-up capacity. (Meyer-Sahling, 2009; Dimitrov, 2018). This underscores the paradox of institutional authority among systemic inefficacy.

3.4. The study's analytical implications

This research employs institutional theory to frame public auditing as an institution integrated within a multifaceted network of formal and informal governance frameworks. The structure facilitates the examination of:

- the difference between audit objectives and outcomes;
- administrative and external influences on audit effectiveness; and
- the conditions in which public auditing can make a major contribution to anti-corruption governance.

The theoretical framework additionally shapes the ensuing methodological structure and directs the interpretation of empirical results, allowing the research to extend beyond mere descriptive analysis to a theoretically grounded elucidation of public auditing efficacy in a transitional economic setting.

4. Methodology

4.1. Research design

The research methodology employed is a qualitative case study approach, specifically concentrating on North Macedonia as a prototypical transitional economy in Southeast Europe. The case study method is particularly adept at examining intricate institutional phenomena like public auditing and anti-corruption governance, where legislative frameworks, organizational practices, and political dynamics interrelate in context-dependent manners (Yin, 2018).

North Macedonia serves as a significant empirical context owing to its protracted transition process, persistent efforts to accede to the European Union, and the critical function attributed to public oversight institutions in governance reform initiatives. The study framework facilitates an in-depth examination of the operational dynamics of public auditing and its role, whether direct or indirect, in anti-corruption efforts.

4.2. Case selection and institutional scope

The empirical analysis focuses on two major public oversight institutions:

1. The State Audit Office of North Macedonia (SAO)
2. The State Commission for Prevention of Corruption (SCPC)

These organizations were chosen due to their official duties including financial oversight, accountability, and the prevention of corruption. The engagement of these entities mirrors the wider institutional framework of integrity governance in North Macedonia.

The State Audit Office serves as the principal entity for external public financial scrutiny. The State Commission for Prevention of Corruption is an expert body tasked with identifying conflicts of interest, overseeing asset declarations, and launching anti-corruption initiatives.

While the research inquiries predominantly center on the SAO, the SCPC is incorporated into the examination since it signifies the wider institutional framework of integrity governance.

4.3. Data collection methods

The study's primary data collection approach is documentary analysis. The examined materials include:

1. The State Audit Office's annual and special audit reports (SAO, 2024; SAO, 2025a; SAO, 2025b; SAO, 2025c; SAO, 2025d; SAO, 2025e);
2. The State Commission for the Prevention of Corruption's public decisions, annual reports, and strategic documents (SCPC, 2024-25);
3. National laws that govern public auditing, public financial management, and anti-corruption;
4. The European Commission's progress reports on North Macedonia's governance and rule of law reforms (European Commission, 2024; European Commission, 2025);
5. GRECO compliance reports (GRECO, 2025; Council of Europe, 2025);
6. Transparency International National Integrity System Assessments (Transparency International Macedonia, 2024a; Transparency International Macedonia, 2024b).

The document corpus covers the period 2022–2025, comprising the State Audit Office's annual and special audit reports, international assessments, and national legal frameworks relevant to public auditing, public financial management, and anti-corruption. Documentary analysis is suited for institutional research because it allows for a methodical assessment of formal norms, stated objectives, and reported outcomes, as well as the detection of contradictions between declared commitments and observed actions (Bowen, 2009).

4.4. Analytical strategy

The data were analyzed using qualitative content analysis, guided by the institutional theory framework previously described. Thematic coding followed the approach outlined by Braun and Clarke (2006) and Hsieh and Shannon (2005), proceeding in three stages:

1. **Open coding:** Initial reading of all documents to identify recurring issues (e.g., "budget planning failures," "unfounded payments," "recommendation non-implementation");
2. **Axial coding**: Grouping codes into broader categories (e.g., "compliance failures," "enforcement gaps," "institutional cooperation weaknesses");
3. **Selective coding:** Identifying core themes (e.g., "professional islands in a captured system").

The analysis aimed to identify reoccurring motifs associated with:

- Audit findings on financial irregularities and systemic deficiencies;
- Follow-up mechanisms and the treatment of audit recommendations by relevant institutions;
- References to corruption concerns, conflicts of interest, and the misuse of public monies;
- Coordination and information sharing among audit and anti-corruption authorities.

The coding process was iterative, facilitating the emergence of themes inductively, and was grounded in theory. This method facilitates a more refined comprehension of the role of public auditing in promoting transparency and accountability, as well as the institutional limitations that hinder its effectiveness against corruption.

4.5. Validity, reliability and limitations

The research synthesizes information from multiple authoritative sources to establish construct validity and juxtaposes audit results with anti-corruption documentation and external evaluations. Outcomes are seen more reliable when the sources of data and the methods of analysis are thoroughly recorded. Individuals may replicate the identical analytical procedures to determine if they achieve congruent outcomes.

The paper, meanwhile, acknowledges various limitations. Initially, relying on publicly accessible documents may overlook informal practices and political factors that influence institutional conduct. Secondly, employing a single-country case study constrains the generalizability of the findings; however, they can be analytically applied to other transition economies exhibiting comparable institutional traits (Yin, 2018).

5. Findings

5.1. The State Audit Office identified recurrent financial irregularities

The most recent audits conducted by North Macedonia's State Audit Office demonstrate a pattern of serious financial and operational irregularities across several governmental organizations, indicating chronic governance deficiencies.

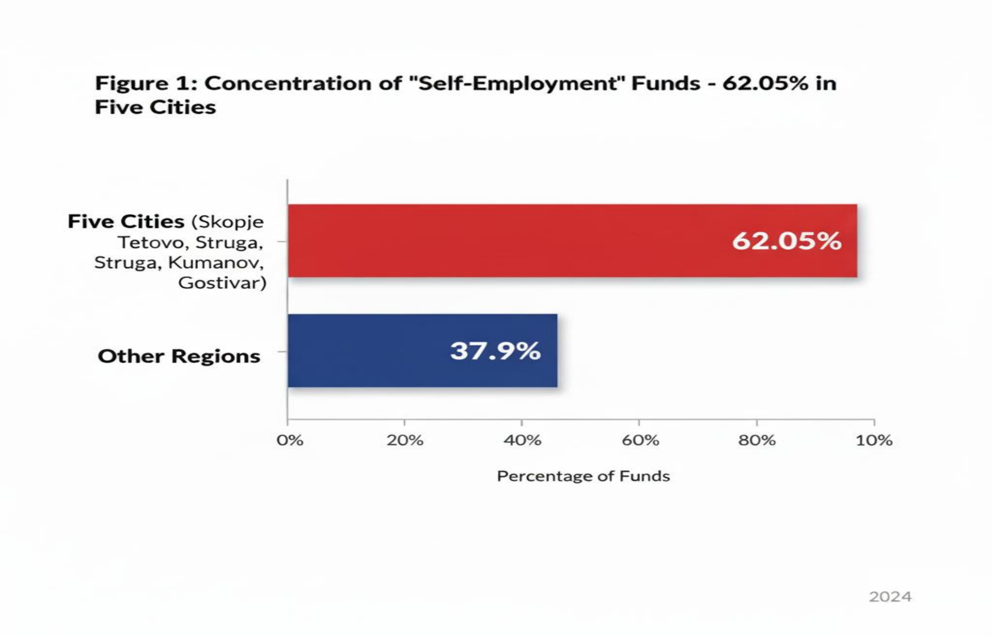
Film Agency (2024)

The examination of the Film Agency for 2024 yielded a negative assessment regarding the financial statements and adherence to regulations (SAO, 2025c). Persistent problems are those recognized in the 2021 audit that continue to be unaddressed (SAO, 2025a). The Agency consistently assumes greater financial responsibilities than its budget can accommodate. The sanctioned budget maintains a 1:5 proportion to project liabilities, indicating that the commitments exceed the available money by a factor of five (SAO, 2025a). The Agency lacks a development strategy and does not possess an essential internal audit unit. The Agency's assets, receivables, and liabilities remain unaccounted for (SAO, 2025a).

Employment Agency (2024)

According to the 2024 assessment of the Employment Agency, governance and financial management were significantly weak (SAO, 2025; Sloboden Pechat, 2026). Official commitments to support balanced regional development were not matched by a uniform distribution of active employment initiatives. Despite some municipalities getting funds up to four times higher than expected, only five municipalities: Skopje, Tetovo, Struga, Kumanovo and Gostivar, received 62.05% of the available finance under the framework of the Self-employment program (Sloboden Pechat, 2026). Besides, out of the 735 participants, only 184 completed the final exam, and this means a success proportion of less than 25% for the IT skills training program (Sloboden Pechat, 2026). Moreover, the lack of sufficient paperwork for some of the transactions and the fact that the majority of payments went to a single attorney sparked further questions regarding accountability and transparency in the allocation of legal services (Sloboden Pechat, 2026). The Agency's handling of past audit recommendations showed little improvement, with three of them being partially or not fulfilled by 2024 (SAO, 2025). The findings point to continuous difficulties with supervision and internal controls, which may indicate the misuse of resources and perhaps corruption.

Figure 1. ***Concentration of 'self-employment' funds - 62.05% in five cities***



Source: State Audit Office, 2024; Sloboden Pechat, 8 July 2026.

Social Assistance System (2022 - June 2025)

An oversight audit regarding the "Disbursement of social protection benefits" revealed that €236,000 (14,536,000 denars) was allocated to 235 beneficiaries who concurrently received social assistance and a pension (SAO, 2026c; Sloboden Pechat, 2026b). This outcome stemmed from "deficiencies in system controls and ex officio data interchange" (Sloboden Pechat, 2026b). Crucial documentation is stored in cardboard containers and registrars within the hallways and offices of the Inter-Municipal Center for Social Affairs Skopje, lacking adequate security measures (Sloboden Pechat, 2026b).

2024 Core Budget

The compliance audit of the 2024 Core Budget revealed significant deficiencies in the design and implementation of the budgetary process (SAO, 2025d). A significant portion of budget proposals exhibited insufficient strategic planning, necessitating the Ministry of Finance to establish temporary allocations, which compromised the congruence of public resources with institutional priorities (SAO, 2025d). The audit additionally underscored discrepancies from the legally mandated structure for court funding, eliciting apprehensions over compliance with statutory fiscal regulations (SAO, 2025d). Moreover, substantial discrepancies between sanctioned and executed capital expenditures indicated ongoing inefficiencies in public financial management, with a notable amount of resources remaining unutilized despite the persistence of related financial commitments (SAO, 2025d). These results indicate deficiencies in budgetary governance, transparency, and accountability that could lead to the misallocation of public resources and elevate the potential for corruption (SAO, 2025d).

State Archives (2026)

The SAO discovered inconsistencies in the functioning of the State Archives, such as noncompliance with legal financial reporting requirements, mismanagement of liabilities and concessions, and an inability to properly implement procurement procedures. The assessment expressed an unsatisfactory opinion about the financial statements' compliance and objectivity (SAO, 2025e).

5.1.1. The State Commission for Prevention of Corruption's public decisions and actions

In addition to the financial discrepancies noted by the State Audit Office, the State Commission for Prevention of Corruption (SCPC) has implemented substantial measures to mitigate corruption risks, albeit its efficacy has been hindered by institutional obstacles and insufficient enforcement follow-up. The SCPC is the principal entity tasked with identifying conflicts of interest, supervising asset declarations, and implementing anti-corruption initiatives.

SCPC Casework Summary (2024-2025)

In 2024, the SCPC received 689 complaints and adopted 742 decisions across corruption, conflict of interest, campaign financing, and asset declarations (Transparency International, 2025). In 2025, the SCPC opened 43 cases and adopted decisions in 38 of them (KOHA, 2026). During the same year, only 42% (635 out of 1,514) of institutions submitted the required vehicle registration data (KOHA, 2025).

5.2. Post-audit follow-up and institutional response

The SAO is legally mandated to report instances of violations or misappropriation of funds to the appropriate authorities. However, indications suggest that the implementation of audit recommendations remains a challenge. Audit reports indicate significant financial infractions; yet, there is limited visibility into the actions taken after audit findings are reported, including administrative, legal, or corrective follow up (Transparency International Macedonia, 2024a).

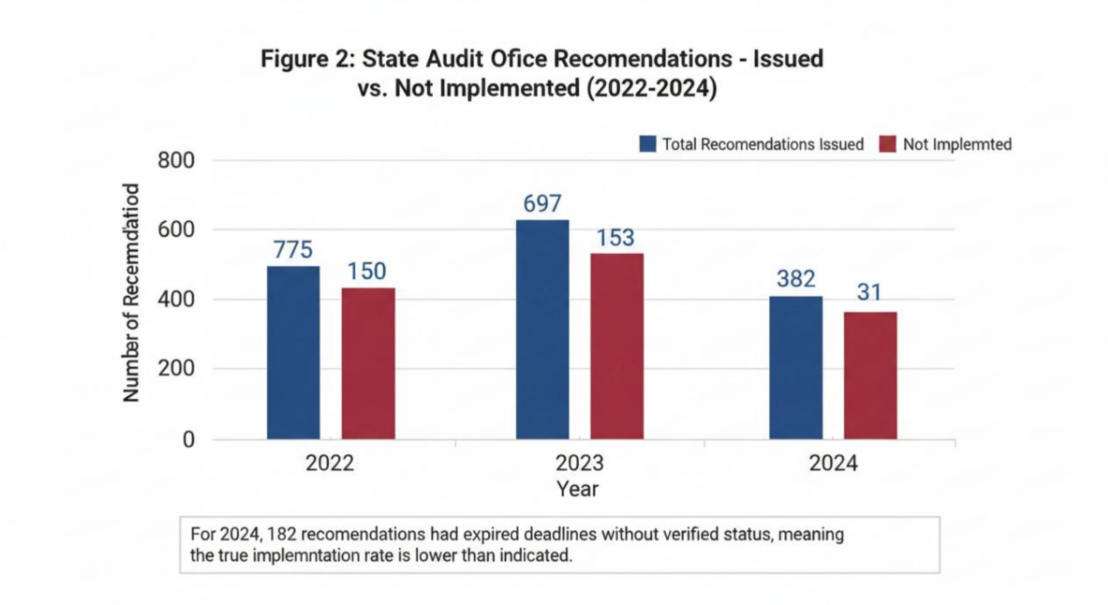
The auditing body possesses considerable strength, boasting a high integrity score of 86 out of 100 as per the National Integrity System evaluation; however, its effectiveness is constrained by the auditees' delayed execution of its recommendations (Transparency International Macedonia, 2024a).

The SAO Annual Report 2024 emphasizes that the adoption rate of audit recommendations provided, relative to the total issued, remains a persistent concern (SAO, 2025g). The European Commission (2025) similarly observed that prominent corruption trials are often postponed, resulting in the expiration of the statute of limitations or yielding minimal penalties, hence exacerbating public skepticism.

The Employment Agency failed to implement 3 out of 8 recommendations from the 2023 audit, while 3 were only partially executed in 2024 (SAO, 2025b). This represents a fundamental incapacity to address recognized shortcomings.

This trend of non-implementation is not an anomaly but signifies a pervasive enforcement deficiency among all examined organizations. As seen in Figure 2, from 2022 to 2024, a considerable quantity of audit recommendations went unexecuted, with the 2024 figures further diminished by 182 suggestions that lapsed without confirmed status.

Figure 2. ***State Audit Office recommendations - Issued vs. not implemented (2022-2024)***



Source: State Audit Office annual report 2024 (pp. 13-16). Note: For 2024, 182 recommendations had expired deadlines without verified status, meaning the true implementation rate is lower than the 85% shown.

5.3. Institutional cooperation and institutional limitations

The auditing framework in North Macedonia includes institutional arrangements for collaboration between the State Audit Office and several governmental entities, including Parliament, the Government, the State Commission for Prevention of Corruption, the Public Prosecutor, etc. These collaborative agreements aim to enhance the communication of audit findings, the exchange of information, and the initiation of actions based on audit evidence.

However, the establishment of cooperative channels has not yet resulted in effective anti-corruption enforcement. Structural restrictions may include:

1. Capacity constraints among the relevant oversight bodies (Transparency International Macedonia, 2024a);
2. Administrative follow-up is sometimes influenced by external considerations (European Commission, 2025);
3. No binding requirements for implementing audit recommendations (SAO, 2025g);
4. Fragmentation of anti-corruption mechanisms (Transparency International Macedonia, 2024b).

5.4. Post-audit follow-up and institutional response

The governance ramifications of audit evidence are further emphasized by autonomous oversight from civil society, notably by Transparency International Macedonia (2024b). Corruption barometer analyses have revealed occurrences of fiscal discrepancies in publicly-funded entities like health institutions and judicial systems, highlighting inadequate financial oversight, significant non-adherence to procurement protocols, and governance shortcomings that pose a corruption risk due to insufficient enforcement follow-up.

Furthermore, the National Integrity System Assessment 2023 underscores the necessity for reforms that guarantee a substantial degree of transparency, including the provision of audit results, governmental activities, and judicial decisions in a readily accessible format, to enhance anti-corruption governance overall (Transparency International Macedonia, 2024b).

Empirical summary

We note that, according to the reported audit outcomes in North Macedonia:

1. The SAO continues to uncover significant financial irregularities and governance problems across different public entities and sectors.

2. Audit evidence is frequently large amounts of public money (millions of euros in deviations and procedural errors).
3. While formal institutional collaboration mechanisms exist, their implementation and follow-up have been less consistent than the audit reporting process.
4. Civil society assessments emphasize that procedural compliance does not always result in satisfactory institutional responses to audit findings.
5. The recurrence of similar findings for several years may suggest that audit recommendations are not being adequately implemented.

6. Discussion

6.1. The gap between audit reporting and institutional follow up: A structural challenge

The outcomes in North Macedonia align with a recognized trend in transitional economies, characterized by a persistent disparity between exposure and enforcement (Stapenhurst & Titsworth, 2006; Mungiu-Pippidi, 2015). The State Audit Office frequently uncovers significant violations, although the findings of audits seldom lead to enduring corrective steps or legal consequences (Transparency International Macedonia, 2024a).

It should not be regarded as a comprehensive failure of the auditing entities as organizations. Conversely, auditing bodies in transitional economies frequently operate as isolated entities within wider governance frameworks that remain influenced by institutional inertia, bureaucratic stagnation, and inadequate implementation of the rule of law (Meyer-Sahling, 2009; Dimitrov, 2018). In this instance, the audit serves an informational purpose rather than a transformational one; it records and warns about hazards; however, it lacks the authority to compel institutions to act on its findings.

The recurring audit results across various institutions (such as procurement infractions, inadequate internal controls, and misappropriation of public funds) indicate that the impediment exists beyond the auditing phase, specifically within the realms of institutional follow-up, legal oversight, and broader governance frameworks (SAO, 2025b; SAO, 2025g).

6.2. Formal institutional strength versus functional effectiveness

The robust formal capabilities of North Macedonia, coupled with minimal practical influence, exemplify institutional dualism, as referred to in transition literature (North et al., 2009; Scott, 2014). Regarding legal authority, professional benchmarks, and methodological alignment, audit institutions excel in integrity evaluations (Transparency International Macedonia, 2024a); however, this proficiency does not manifest in results.

This dichotomy is strengthened by audit institutions' limited authority to:

1. Require corrective actions;
2. Demand the execution of recommendations;
3. Ensure transparent follow-up by audited entities (SAO, 2025g).

Consequently, despite the SAO's rigorous and professional audit work, the implementation of its recommendations depends largely on the responsiveness of other institutions. This outcome aligns with the overarching empirical observations from post-socialist and EU accession nations, where institutional reforms emphasize structure and form, however the authority to implement them is feeble (Meyer & Rowan, 1977; Stapenhurst & Titsworth, 2006).

6.3. Audit and anti-corruption fragmentation

The results indicate an absence of operational consistency between audits and anti-corruption measures. Despite the frequent identification of corruption risks in audit reports (SAO, 2025a; SAO, 2025b; SAO, 2025c), these indicators are not consistently converted into preventive or remedial actions by the State Commission for Prevention of Corruption and prosecutorial authorities (European Commission, 2025; Transparency International Macedonia, 2024a).

This division results in less accountability and reduced public confidence. In transitional economies, anti-corruption frameworks typically function as independent entities rather than components of a broader accountability system (Mungiu-Pippidi, 2015). Reports of corruption are frequently made, yet rarely face consequences, fostering a perception of impunity (Transparency International, 2024).

6.4. EU-driven reform and institutional mimicry

A significant characteristic of transition economies is the reform conditionality driven by external forces, as evidenced by the evaluations from the European Commission (European Commission, 2024; European Commission, 2025). North Macedonia has achieved significant advancements in conforming to EU benchmarks in audits, public financial oversight, and openness. Nevertheless, a significant portion of the harmonization has occurred inside the legislative, institutional, and procedural frameworks.

The phenomenon is institutional imitation (DiMaggio & Powell, 1983) of governance frameworks within EU Member States, yet constrained by internal political economies that hinder enforcement. Consequently, audit institutions meet the criteria for admission, although there has been no comparable advancement in anti-corruption outcomes. Meyer and Rowan (1977) refer to this as 'ceremonial compliance', wherein legislative and procedural changes are implemented primarily to demonstrate adherence to international standards, rather than to alter genuine governance practices.

6.5. Evaluating audit effectiveness in transition economies

The findings suggest that depending exclusively on enforcement results to evaluate audit efficacy could be deceptive for transitional economies. The efficacy of the audit ought to be perceived as a mechanism that fosters transparency, documentation, and risk consciousness, especially in the absence of adequate enforcement (Power, 1997; Santiso, 2009).

This, nonetheless, does not lessen the necessity to fortify the audit-enforcement connection. Instead, it indicates that audit reform alone is insufficient without concurrent enhancements to judicial autonomy, prosecutorial efficacy, and political responsibility (Rose-Ackerman & Palifka, 2016; Mungiu-Pippidi, 2015).

The concept of "professional islands" (Meyer-Sahling, 2009) holds particular significance in this context, as it aligns with the theoretical framework previously established. The North Macedonian SAO exemplifies this phenomenon: it is institutionally robust and professionally adept, yet its practical effectiveness is limited by the broader governance environment, characterized by institutional fragmentation and weak follow-up capacity. This research indicates that the essence of institutional theory, the disparity between formal regulations and informal behaviors (Scott, 2014), is crucial for comprehending why audit organizations in transitional economies often do not fulfill their anti-corruption commitments.

7. Conclusion

The study examined public auditing within the framework of anti-corruption efforts in a transitional economy, utilizing North Macedonia as a case study. The findings suggest that the government has established a robust auditing framework that adheres to international and EU standards. The State Audit Office of North Macedonia has demonstrated commendable institutional professionalism, consistently producing high quality audit reports that meet international standards and providing comprehensive financial oversight across the public sector. Nonetheless, the actual effectiveness of auditing in curbing institutional weaknesses remains constrained by factors beyond the SAO’s direct control.

The State Audit Office consistently uncovers significant financial discrepancies in critical areas like social funds, municipalities, cultural organizations, and public enterprises. These include irregularities in procurement, inefficacy of internal controls, misappropriation of public monies, and lack of transparency in budget execution. Despite the SAO’s rigorous and methodologically sound audit work, the consistent emergence of analogous results over several years suggests that audit recommendations are not being adequately followed up by the relevant institutions.

The State Commission for the Prevention of Corruption, together with other relevant institutions and audited organizations, persists in implementing inconsistent follow up measures, and the majority of audit recommendations lack a binding mechanism for implementation. Such a fragmented chain of accountability significantly reduces the deterrent impact of the SAO’s otherwise diligent and professional auditing efforts.

These conclusions are supported by evaluations from the European Commission, which recognize the SAO’s institutional strength and professionalism while noting persistent issues in the follow up and execution of its recommendations.

The results yield several implications for policy. The deterrent impact of an audit would be enhanced if the audit’s recommendations were subject to a more effective follow up mechanism. Secondly, rectifying the transparency deficit identified in this study necessitates improving the clarity of the follow up procedure, such as by disclosing the government’s responses and judicial decisions about audit findings. Thirdly, binding protocols would enhance collaboration among the SAO, the SCPC, and other relevant institutions, therefore diminishing fragmentation. Fourth, further improvements in the rule of law and institutional capacity would contribute to a more accountable governance structure.

The paper contributes three elements to the body of work regarding Supreme Audit Institutions in transitional economies. Initially, it provides methodical documentation proof of the disparity between audit exposure and follow up in a nation undergoing EU membership, derived from a comprehensive collection of SAO reports, global evaluations, and legislative texts. Secondly, it underscores persistent patterns of institutional inadequacy, including the failure to implement audit recommendations and disjointed inter agency collaboration that previous research has noted informally but not documented quantitatively. Thirdly, it introduces the concept of "follow up transparency" as a facet of audit efficacy, asserting that the lack of public follow up data constitutes a significant accountability deficiency.

Ultimately, the North Macedonian example illustrates that public auditing is a crucial yet inadequate tool for effective governance in transitional economies. The SAO stands as a professional and competent institution, yet its impact remains limited by the broader institutional environment. Audit centric oversight initiatives will persist in revealing misconduct; nevertheless, they will not result in a sustainable improvement without the establishment of effective follow up protocols and improved cooperation between auditing and oversight bodies.

References

1. Blume, L. and Voigt, S. (2011) 'Does organizational design of supreme audit institutions matter? A cross-country assessment', *European Journal of Political Economy*, 27(2), pp. 215–229. https://doi.org/10.1016/j.ejpoleco.2010.07.001
2. Bowen, G.A. (2009) 'Document analysis as a qualitative research method', *Qualitative Research Journal*, 9(2), pp. 27-40. https://doi.org/10.3316/QRJ0902027
3. Braun, V. and Clarke, V. (2006) 'Using thematic analysis in psychology', *Qualitative Research in Psychology*, 3(2), pp. 77-101. https://doi.org/10.1191/1478088706qp063oa
4. Council of Europe (2025) *North Macedonia: GRECO ends compliance procedure, welcomes progress in anti-corruption reforms in central government and the police*. Available at: https://www.coe.int/en/web/greco/home/-/asset_publisher/lxOP5Yph48Zi/content/north-macedonia-greco-ends-compliance-procedure-welcomes-progress-in-anti-corruption-reforms-in-central-government-and-the-police-1.
5. DiMaggio, P.J. and Powell, W.W. (1983) 'The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields', *American Sociological Review*, 48(2), pp. 147-160. https://doi.org/10.2307/2095101
6. Dimitrov, G. (2018) 'Audit institutions in the Balkans: Professional islands in a sea of political capture', *Southeast European and Black Sea Studies*, 18(3), pp. 401-418.
7. European Commission (2024) *North Macedonia 2024 Report*. Brussels: European Commission. Available at: https://neighbourhood-enlargement.ec.europa.eu/north-macedonia-report-2024_en.
8. European Commission (2025) *Key findings on North Macedonia*. Available at: https://westernbalkans-infohub.eu/wp-content/uploads/2025/11/north-macedonia-report-2025.pdf#19#2 .
9. Ferraz, C. and Finan, F. (2011) 'Electoral accountability and corruption: Evidence from the audits of local governments', *American Economic Review*, 101(4), pp. 1274-1311. https://doi.org/10.1257/aer.101.4.1274

10. GRECO (2025) *Fifth Evaluation Round: Addendum to the Second Compliance Report – North Macedonia (GrecoRCS(2025)1).* Available at: https://rm.coe.int/grecorc5-2025-1-final-eng-add-to-the-2nd-compliance-report-north-maced/1680b6a53c .
11. Hsieh, H.-F. and Shannon, S.E. (2005) 'Three approaches to qualitative content analysis', *Qualitative Health Research*, 15(9), pp. 1277-1288. https://doi.org/10.1177/1049732305276687
12. INTOSAI (2019) *Principles of Transparency and Accountability*. Vienna: International Organization of Supreme Audit Institutions.
13. Kaufmann, D., Kraay, A. and Mastruzzi, M. (2010) *The Worldwide Governance Indicators: Methodology and Analytical Issues*. World Bank Policy Research Working Paper No. 5430. https://doi.org/10.1596/1813-9450-5430
14. KOHA (2025) *Anti-corruption: Only 42% of institutions have submitted data on official vehicles before the 2025 local elections*. 28 September 2025. Available at: https://koha.mk/en/antikorrupsioni-vetem-42-e-institucioneve-kane-dorezuar-te-dhena-per-automjeteve-zyrtare-para-zgjedhjeve-lokale-2025/ .
15. KOHA (2026) *The Constitutional Court approved the report on campaign financing for the 2025 local elections*. 16 February 2026. Available at: https://koha.mk/en/kshpk-ja-miratoi-raportin-per-financimin-e-fushates-per-zgjedhjet-lokale-2025/ .
16. Lonsdale, J., Wilkins, P. and Ling, T. (2011) *Performance Auditing: Contributing to Accountability in Democratic Government*. Cheltenham: Edward Elgar.
17. Meyer, J.W. and Rowan, B. (1977) 'Institutionalized organizations: Formal structure as myth and ceremony', *American Journal of Sociology*, 83(2), pp. 340–363. https://doi.org/10.1086/226550
18. Meyer-Sahling, J.H. (2009) 'Varieties of legacies: A critical review of legacy explanations of public administration reform in East Central Europe', *International Review of Administrative Sciences*, 75(3), pp. 509-528. https://doi.org/10.1177/0020852309337697
19. Mungiu-Pippidi, A. (2015) *The Quest for Good Governance: How Societies Develop Control of Corruption*. Cambridge: Cambridge University Press. https://doi.org/10.1017/CBO9781316286937
20. North, D.C., Wallis, J.J. and Weingast, B.R. (2009) *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge: Cambridge University Press. https://doi.org/10.1017/CBO9780511575839
21. OECD/SIGMA (2023) *Public Financial Management Reforms in Transition Economies*. Paris: OECD. Available at: https://www.sigmaweb.org/publications/public-financial-management.htm .
22. Olken, B.A. (2007) 'Monitoring corruption: Evidence from a field experiment in Indonesia', *Journal of Political Economy*, 115(2), pp. 200–249. https://doi.org/10.1086/517935
23. Pollitt, C., Girre, X., Lonsdale, J., Mul, R., Summa, H. and Waerness, M. (1999) *Performance or Compliance? Performance Audit and Public Management in Five Countries*. Oxford: Oxford University Press.
24. Power, M. (1997) *The Audit Society: Rituals of Verification*. Oxford: Oxford University Press.
25. Rose-Ackerman, S. and Palifka, B.J. (2016) *Corruption and Government: Causes, Consequences, and Reform*. 2nd edn. Cambridge: Cambridge University Press. https://doi.org/10.1017/CBO9781139962933
26. Santiso, C. (2009) *Parliaments and Budget Oversight: The Role of Budget Offices*. World Bank Institute Working Paper. Washington, DC: World Bank.

27. Schedler, A. (1999) 'Conceptualizing accountability', in Schedler, A., Diamond, L. and Plattner, M. (eds.) *The Self-Restraining State*. Boulder, CO: Lynne Rienner, pp. 13-28.
28. Schelker, M. (2013) 'Auditor expertise and government accountability', *Quarterly Journal of Political Science*, 8(2), pp. 195-229.
29. Schelker, M. and Eichenberger, R. (2010) 'Auditors and fiscal policy: Empirical evidence on the role of supreme audit institutions', *Public Choice*, 144(3-4), pp. 281-307. https://doi.org/10.1007/s11127-009-9528-8
30. Scott, W.R. (2014) *Institutions and Organizations: Ideas, Interests, and Identities*. 4th edn. Thousand Oaks, CA: SAGE Publications.
31. Slamkov, G. (2025) 'Effectiveness of Macedonian anti-corruption legislation and implementation gaps', *Vision International Scientific Journal*, 10(1), pp. 75-85.
32. Sloboden Pechat (2025) *Audit: The Film Agency repeats the same irregularities, operates without strategy and internal control*. 20 November 2025.
33. Sloboden Pechat (2026a) *Audit "shakes up" the Employment Agency, millions in five cities, three-day contracts and 77 percent of fees for one lawyer*. 8 July 2026.
34. Sloboden Pechat (2026b)| *236,000 euros were paid unfoundedly, there is no control, and important documents are kept in boxes, Audit found a bunch of problems with social assistance*. 10 June 2026.
35. Stapenhurst, R. and Titsworth, J. (2006) *Features and Functions of Supreme Audit Institutions*. Washington, DC: World Bank.
36. State Audit Office of North Macedonia (2024) *Annual Report on Audit Activities 2023*. Skopje: SAO.
37. State Audit Office of North Macedonia (2025a) *Unresolved and recurring weaknesses in the operations and irregularities at the Film Agency*. Press Release, 20 November 2025.
38. State Audit Office of North Macedonia (2025b) *Annual Report on Performed Audits and Operations of the State Audit Office for 2024*. Skopje: SAO.
39. State Audit Office of North Macedonia (2025c) *Identified weaknesses in planning, reallocation, and execution of 2024 budgetary funds*. Press Release, 30 December 2025.
40. State Audit Office of North Macedonia (2025d) *Social Assistance Compliance Audit 2022–2025*. Skopje: SAO.
41. State Audit Office of North Macedonia (2026) *State Archives of the Republic of North Macedonia – Regularity Audit 2025*.
42. State Commission for Prevention of Corruption (2024) *Annual Report on the Work of the State Commission for Prevention of Corruption*. Skopje: SCPC.
43. Transparency International (2024) *Corruption Perceptions Index 2024: North Macedonia*. Berlin: Transparency International.
44. Transparency International Macedonia (2024a) *National Integrity System Assessment: State Audit Office*. Skopje: TI Macedonia.
45. Transparency International Macedonia (2024b) *National Integrity System Assessment: Public Sector*. Skopje: TI Macedonia.
46. Transparency International Macedonia (2025a) *Corruption Barometer 2024*. 21 January 2025.
47. Transparency International Macedonia (2025b) *Corruption Barometer June 2025*. Skopje: TI Macedonia.

48. Transparency International Macedonia (2025c) *Corruption Barometer July 2025*.
49. World Bank (2022) *Enhancing Government Effectiveness and Transparency*. Washington, DC: World Bank
50. Yin, R.K. (2018) *Case Study Research and Applications: Design and Methods*. 6th edn. Thousand Oaks, CA: SAGE Publications.