



TWINNING NEWS

No. 2, December 2021



PRE-HOLIDAY review of activities from July till December 2021

2021 TWINNING PROJECT IN NUMBERS

- 59 MISSIONS CONDUCTED IN TOTAL
- 16 ACTIVITIES COMPLETED
- 5 STUDY VISITS & 3 INTERNSHIPS ORGANIZED

Introduction

In the second “pre-holiday” issue of the Twinning newspaper, we bring you an overview of events in the past five months.

A total of 16 activities were completed. The biggest number of activities completed is from the *Component 4. Improved external and internal communication and IT audit capacities* (6).

Within *Component 2. Improved administrative capacities and external audit processes*, five study visits and three internships for representatives of the State Audit Office of the Republic of North Macedonia were organized in the Supreme Audit Institutions of the Republic of Croatia, the Republic of Bulgaria and the Republic of Estonia.

In order to get acquainted with the way of work during missions, we talked to CRO STEs about their *Activity 2.3.3. Develop methodology acts for improved audit of EU funds and fraud and irregularities detection*, who shared their experiences, pointed out challenges, but also gave recommendations to other experts on how to prepare better and what to expect on their missions.

Changes of EU delegation representative in the Twinning project



New member in management team

In August 2021 there was a change of the representative of the EU delegation in the Twinning project. Ms. Paulina Stanoeva left the position of Programme Manager of the EU Delegation for this Twinning project and was replaced by Mr. Javier Castillo Alvarez.



Public event was organized as a part of the Twinning project



As a part of the Twinning project "Improvement of external audit and Parliamentary oversight", Public event was organized at the Europe House in Skopje on July 8th 2021.

Introductory speeches about the role in the Twinning project were given by Mr Talat Xhaferi - President of the Assembly of the Republic of North Macedonia, EU Ambassador David Geer – Head of Delegation of the European Union in the Republic of North Macedonia, Mr Maksim Acevski – Auditor General of the State Audit Office of the Republic of North Macedonia, Ms Nediljka Rogosic – Deputy Auditor General of the State Audit Office of the Republic of Croatia and Mr Tzvetan Tzvetkov – President of the National Audit Office of the Republic of Bulgaria.

After introductory part, Beneficiary Country Project Leader Ms Tanja Janevska from the State Audit Office of the

Republic of North Macedonia, Senior Member State Project Leader Ms Martina Jurjevic from the State Audit Office of the Republic of Croatia and Junior Member State Project Leader Ms Vyara Angelova from the National Audit Office of the Republic of Bulgaria held a presentation about Twinning project and shared information on the objectives of the Twinning project, management structure, components, activities per component, expected results and the current state of implementation of the Twinning project.

After closing words, video clip about the Twinning project activities was presented and it is available at the YouTube channel.

Due to COVID 19 restrictions, STEs and Working groups from the Republic of North Macedonia attended the Public event through the Zoom platform, while others were able to attend it online through broadcasted stream via Facebook (EU Delegation and IEAPO Project) and YouTube channel.

The Steering Committee meetings



Rolling Work Plans and Interim Quarterly Reports were discussed and agreed.

In July and October of 2021, second and third Steering Committee meetings were held at the premises of the State Audit Office of the Republic of North Macedonia and via Webex platform, attended by project managers from the Republic of Croatia, the Republic of Bulgaria and the Republic of North Macedonia, representatives of EU Delegation, the Resident Twinning Adviser from Republic of Croatia and BC and MS Component Leaders.

During these meetings Rolling Work Plans and Interim Quarterly Reports were discussed and agreed.



Within the Component 1. activities that are **fully completed** between April and December of 2021 are:

1.1. Preparing assessment report of the legal framework of external audit with proposals for enhancements

1.3.1. Assessment report of law related to auditing of financing of political parties and election campaigns

*1.3.2. Assessment report of law with regards to auditing of public procurement**

1.3.3. Assessment report of law with regards to the new organic budget law (OBL)

Activities that **started in this period**, but according to the plan will be completed during the next period are:

*1.2. Development of legal changes**

*1.5. Elaborate SAO development strategy for the next five year period with action plan covering a performance appraisal and monitoring system of its implementation**

Within the **Activity 1.3.2. Assessment report of law with regards to auditing of public procurement** BNAO STEs carried out two missions in which they reviewed and analysed the existing legal framework with regards to auditing of public procurement of the Republic of North Macedonia such as State Audit Law and its rulebook and Public Procurement Act.

**The missions carried out by BNAO STE's from July till December of 2021.*

The review focused on what are the audit responsibilities of the SAO, what are the control responsibilities of the other stakeholders involved, as well as on the compliance of SAO rules and procedures with the legal requirements and with the relevant directives of the European Parliament and the Council of the European Union.

Within the **Activity 1.2. Development of legal changes**, first mission was held, during which the draft version of provisions for amendment of the Constitution of the Republic of North Macedonia, the State Audit Law and its rulebook, the Administrative Officials Law and the Budget Law were presented.

During three missions within the **Activity 1.5. Elaborate SAO development strategy for the next five year period with action plan covering a performance appraisal and monitoring system of its implementation** following topics were discussed and analysed: the current and desired situation, challenges and opportunities for improvement, the SAO's environment (current and expected future major national policy trends and financial management development) including identification and mapping stakeholders and methods for gathering their views and expectations. BNAO STEs prepared a Draft SWOT matrix, considering the findings from the assessment of current SAO performance and the external environment. Based on the summary of the results of the discussions, a draft of objectives, which describe how the organization intends to achieve its vision and fulfil its mission, was defined and presented by BNAO STEs.

Component 1.

Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning



Component 2. Improved administrative capacities and external audit processes

Interview with CRO STEs

Activity 2.3.3. Develop methodology acts for improved audit of EU funds and fraud and irregularities detection



CRO STEs introduced us to the activities carried out, the results of the missions and gave some useful advice to other experts in the coming period.

1. What missions were carried out and when?

Within the Activity 2.3.3. a total of 4 missions are planned. So far, three missions have been completed (in September, October and November 2021), and the last one, although planned for December 2021, has been postponed to early February 2022 at the request of the beneficiary.

2. Which CRO STEs participated in those missions?

We worked on a combination of experts for each mission, but in general we can say that three CRO STEs participated: Ms. Martina Jurjević, Ms. Mia Garma and Ms. Marijana Verović.

3. What topics were covered by the missions completed?

The implementation of audits of EU funds, detection of fraud and the identification of irregularities related to the audit of EU funds were discussed, as well as irregularities and fraud in generally.

4. What were the biggest challenges and why?

The biggest challenge was the lack of a methodological framework for conducting audits of EU funds, detection of fraud and the identification of irregularities related to the audit of EU funds.

5. What was the result of the missions conducted?

It was agreed with the beneficiary that the result of the activity will be the development of two separate methodological acts (more precisely guidelines). First guidelines related to the implementation of audits of EU funds were presented to the beneficiary and sent for review and approval. Second guidelines, related to irregularities and fraud, are under preparation and will be presented during the last mission in February 2022.

6. Did the implemented activities and the delivered product meet the expectations of beneficiary?

The beneficiary stated that they are satisfied with the missions and results achieved so far, and we are still waiting for comments on the guidelines.

7. What would you recommend to other experts who will have missions in the upcoming period, what can they expect and how can they best prepare?

We would recommend to experts to prepare the best possible for the missions, to specifically ask the beneficiary for all the documentation they need to work with, to get well acquainted with the national regulations and the work of the beneficiary. Also, for successful work, open communication with the beneficiary is important in order to take into account SAO's real needs and to reach mutually satisfactory results.

Component 2. The past six months have been very active within this component with 3 completed and 4 started activities, 5 study visits and 3 internships organized

Within the Component 2. activities that are **fully completed** between April and December of 2021 are:

2.1. Development of analysis report with proposals on improvement of the organizational structure and human resources capacity

2.2. Elaborate analysis report with recommendations on improvement of the interaction of the SAO with the relevant stakeholders

2.3.2. Develop methodology acts for improved follow-up of audit recommendations

Activities that **started in this period**, but according to the plan will be completed during the next period are:

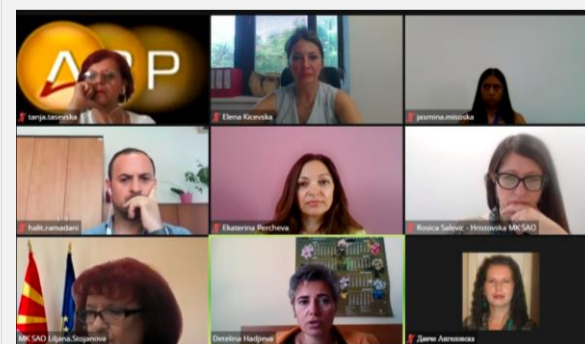
2.3.1. Develop methodology acts for improved performance audit

2.3.3. Develop methodology acts for improved audit of EU funds and fraud and irregularities detection

2.4. Introduce new structure and content of audit reports with improved presentation of audit results and recommendations

2.5. Develop guidelines on improved audit quality control and quality assurance processes

In the period from the end of August to the end of November 2021, 5 study visits and three internships were held in the Republic of Bulgaria, the Republic of Croatia and the Republic of Estonia in organization of the relevant audit institutions.



Component 2. continued...

STUDY VISITS & INTERNSHIPS



THE STATE AUDIT OFFICE THE REPUBLIC OF CROATIA

Within *Activities 2.8.1. and 2.8.2.*, two study visits and one internship were organized in the State Audit Office of the Republic of Croatia.

The first study visit, organized from 27 September to 1 October, 2021 was attended by Goran Misovski, Vice President of the Assembly of North Macedonia and Maksim Acevski, Auditor General of the State Audit Office of the Republic of North Macedonia, with their associates. As part of this study visit, representatives of the State Audit Office of the Republic of Croatia informed the representatives of the Assembly and the State Audit Office of the Republic of North Macedonia about the work of the Croatian State Audit Office, preparation and submission of reports to the Croatian Parliament and conclusions of the Croatian Parliament regarding audit reports. Participants were introduced to the planning and conduct of audits in one regional office, and they exchanged experiences on auditing and relations with Parliament. Participants visited the Croatian Parliament where a meeting was held with Academician Zeljko Reiner, Vice President of the Croatian Parliament, Grozdana Peric, Chairperson of the Committee on Finance and Central Budget, Ermina Lekaj-Prljaskaj, Member of Parliament for the Albanian, Bosnian, Macedonian, Montenegrin and Slovenian national minority, Erik Fabijanic, Chairperson of the Committee on interparliamentary cooperation and Silvano Hrelja, former Head of the Interparliamentary Friendship Group Croatia - North Macedonia.

Second study visit, from 8 to 12 November, 2021 was attended by representatives of the State Audit Office of the Republic of North Macedonia, headed by Maksim Acevski, Auditor General of the State Audit Office of the Republic North Macedonia. Among other things, as a part of the study visit, a workshop on the development of indicators for evaluating state auditors was organized and a series of presentations about the communication with the public concerned, monitoring the implementation of orders and recommendations, implementation of the compliance audit of the Croatian National Bank, manual for performance audit and implementation of performance audits were held, and participants also exchanged experiences on these topics. Marija Udiljak, HINA journalist as a guest presenter, introduced participants to the communication and perception of the state audit from the aspect of journalists.

Internship was held from 11 to 15 November, 2021 for nine BC SAO participants/three audit teams. The most important topics covered by this visit were Regularity pilot audit, Financing of political parties and election

THE NATIONAL AUDIT OFFICE OF THE REPUBLIC OF BULGARIA

As SAO Croatia, in this period NAO Bulgaria also organized two study visits and one internship with the aim of implementing *Activities 2.8.1. and 2.8.2.*

The first study visit, from 30 October to 3 September, 2021, was attended by Maksim Acevski, Auditor General of the State Audit Office of the Republic of North Macedonia and Tanja Janevska, Beneficiary Country Project Leader, and their associates. Main topics covered by this study visit were SAO's Annual Reporting, Rules /Policies/Procedures and internal flow of paper and electronic documentation, Policies and procedures for publishing on SAO web site and communication relevant stakeholders, as well as SAO information security management system. The topics were related to *Component 4 - 4.1. Prepare amendments to the structure and content of SAO's Annual Report, 4.5. Develop rules for internal flow of paper and electronic documentation, 4.6. Prepare report with recommendations for revising and updating policies and procedures on using SAO web site, communication with relevant stakeholders, 4.7. Develop updated policies and procedures for publishing on SAO web site, communication relevant stakeholders, 4.8. Prepare review of the SAO website and recommendations for improvement, 4.13. Make assessment report with recommendations for introduction, implementation, monitoring and maintenance of the SAO information security management system.*

The second study visit, took place from 8 to 12 November, 2021 and was attended by eighteen representatives of the State Audit Office of the Republic of North Macedonia, three of whom were management representatives and fifteen members of the Working group. During the visit, topics related to the activities within the Component 1 - analysis of the legal framework and strategic framework for external audit were covered.

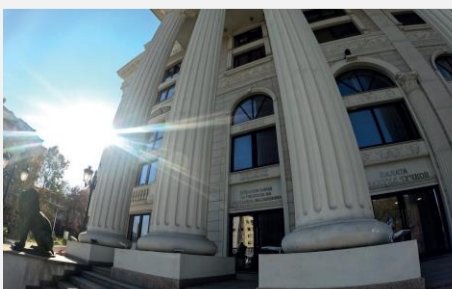
Internship was held from 22 to 26 November, 2021 for twelve BC SAO participants/four audit teams who will conduct planned pilot audits on the topics related to the pilot audits which are going to be performed within the Component 2. (two pilot audits related to EU funds and two pilot audits related to performance audit).

THE NATIONAL AUDIT OFFICE OF THE REPUBLIC OF ESTONIA

At the beginning of October 2021, a study visit and internship for nine representatives of the State Audit Office of the Republic of North Macedonia were held at the NAO Estonia in Tallin. Three representatives, as a part of their internship, came to NAO Estonia to learn about conducting the IT audits and six representatives have joined the trip as part of the Group for the study visit with IT related topic - Component 4. for example, IT tools and processes.



Component 3. Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports



Within the Component 3. activities that are fully completed between April and December of 2021 are:

3.1. Develop Memorandum of Understanding between Parliament and SAO for review of audit reports

3.2. Elaborate assessment report with proposals on legal framework of SAO and Parliament for submission and reviewing of the audit reports

3.4. Prepare analysis report with recommendations on changes to be introduced in Parliament for reviewing of audit reports

Component 3. continued...

Within *Activity 3.2. Elaborate assessment report with proposals on legal framework of SAO and Parliament for submission and reviewing of the audit reports* STEs analyzed proposals for harmonization and improvement of the regulations related to BC SAO and procedures for submission and review the audit reports. They prepared Assessment report with recommendations and proposals for improving the legislative framework.

For *Activity 3.4. Prepare analysis report with recommendations on changes to be introduced in Parliament for reviewing of audit reports* a report with recommendations on changes to be introduced in Parliament for processing and discussing audit reports was prepared based on analysis of ISSAI standards regarding the relation between Parliament and SAO, draft Memorandum of Understanding and other documents. Recommendations were given regarding structure (Assembly – plenary session, Finance and budget committee, subcommittee), organization (administrative services) and procedures for processing and discussing audit reports (formal procedures are not adapted but there are procedures which are used in practice). It was assessed that it is necessary to improve the cooperation between BC SAO and BC Parliament, for which recommendations were given regarding amendment of regulations or legislative framework, improving the institutional framework and development of procedures in the BC Parliament regarding the procedures and discussion of audit reports.

Activities that **started in this period**, but according to the plan will be completed during the next period are:

3.5. *Elaborate written procedures of SAO on developing and submitting audit reports or documents to the Parliament*

3.6. *Prepare written procedures of the Parliament on mechanism for reviewing audit reports (organize at least 2 panel discussions on receipt, adoption of conclusions, following the implementation of the recommendations)*

3.7. *Prepare amendments to the existing Manual "Introduction to Audit Reports"*

3.8. *Prepare proposal for changes of the internal rules of functioning of the Parliament*

3.11. *Prepare analysis report of the audit process of the Annual Account of the Budget with recommendations for improvement*

Component 4. Improved external and internal communication and IT and IT audit capacities

Within the Component 3. activities that are **fully completed** between April and December of 2021 are:

4.1. *Prepare amendments to the structure and content of SAO's Annual Report*

4.5. *Develop rules for internal flow of paper and electronic documentation*

4.6. *Prepare report with recommendations for revising and updating policies and procedures on using SAO web site, communication with relevant stakeholders*

4.7. *Develop updated policies and procedures for publishing on SAO web site, communication relevant stakeholders*

4.10. *Prepare report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project*

4.11. *IT Audit Manual updated in accordance with GUID - 5100 - Guidance on Audit of Information Systems (test manual on IT pilot audit)*

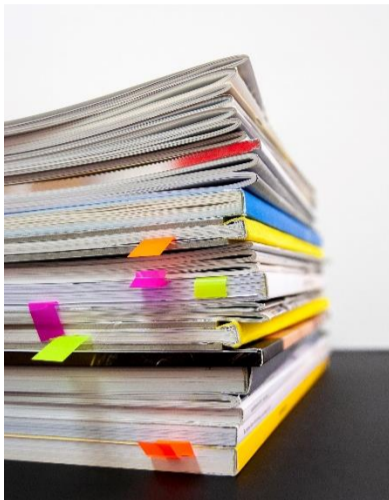
Activity 4.1. Prepare amendments to the structure and content of SAO's Annual Report was carried out by BNAO STEs who reviewed the structure and contents of BC SAO annual report, discussed about different practices of SAIs for organization of the annual report and outlined good practices and their applicability. The appropriate ways for promoting the annual report of the BC SAO to the stakeholders were also discussed and outlined. The proposals for amendments to the structure and content of SAO's Annual Report to improve presentation of BC SAO performance and results of audit reports were summarized.

Within *Activity 4.5. Develop rules for internal flow of paper and electronic documentation* the existing rules and practices for document circulation within the BC SAO were discussed, as well as the internal flow of paper and electronic documents and the state and functioning of the institutional central archive. In connection with the increase of the efficiency of the work and the requirements of the legislation in the SAO North Macedonia, proposals and recommendations for possible changes in the organization of work with electronic and paper documents, and creation of an institutional central archive were discussed. The proposed draft Rules were clarified and agreed upon.

Following aspects were discussed and developed in detail during *Activity 4.7. Develop updated policies and procedures for publishing on SAO web site, communication relevant stakeholders*: the types of information to be published, the ways and channels for obtaining publication on the site, the prior approval of the information by various executives, prohibitions on publishing information, publishing information in other language versions, the units and persons responsible for the maintenance, update and protection of the site and protection of personal data when publishing information. A detailed review of the developed procedures was carried out as some additions and corrections to the texts have been made for a more complete and accurate description.

Within the *Activity 3.5. Elaborate written procedures of SAO on developing and submitting audit reports or documents to the Parliament* the second mission was held. Implementation of recommendations from "Final report with recommendations and action plan for cooperation between Parliament and SAO" from previous Twinning project regarding procedures were discussed with BC SAO experts. Action plan and flow chart with procedures were analysed and compared to procedures that are currently in use in BC SAO and in SAO Croatia, after which improvements were suggested.

Three missions were held within the *Activity 3.6. Elaborate written procedures of Parliament on developing and submitting audit reports or documents to the BC Parliament*. Draft procedures were written for Annual report on performed audits and BC SAO work, as well as for Audit report of the final account of the budget of the Republic of North Macedonia.



Within the *Activity 3.8. Prepare proposals for changes of the internal rules of functioning of the Parliament* first mission was held. It was concluded that proposals for changes of the internal rules of functioning of the Parliament should be made according to previously proposed Draft Memorandum of Understanding/cooperation between the Parliament and SAO and amendments to Rules of procedure of the Assembly of the Republic of North Macedonia. These changes should take part in two internal acts: Rulebook on the internal organization of services in the Parliament of the Republic of North Macedonia and Rulebook on job systematization for the services in the Parliament of the Republic of North Macedonia.

During this mission Rulebook on the internal organization of services in the Parliament of the Republic of North Macedonia was analysed and draft recommendations and conclusions were made.



Component 4. continued...

During *Activity 4.10. Prepare report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project* two missions were held. Estonian STE reviewed all the recommendations made as a result of ITSA and ITASA, what changes have been implemented so far and how these changes are reflected (e.g., changed laws, developed documents / procedures, implemented new software, etc.). The recommendations made in the second mission were validated with the IT audit team and the report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project was prepared.

Within *Activity 4.11. IT Audit Manual updated in accordance with GUID - 5100 - Guidance on Audit of Information Systems (test manual on IT pilot audit)*, the most important parts of the IT audit manual and changes related to its updating were presented by the Estonian STE. The SAO IT audit team was introduced to relevant examples of the Estonian National Audit Office work: "Principles of IT monitoring and auditing", "IT checklist for financial auditors" and plan of the audit "Management and reliability of the X-Road". At the end of the mission, an IT audit manual draft was presented, taking into account the principles set out in GUID 5100.

Activity that **started in this period**, but according to the plan will be completed during the next period is:

4.13. Make assessment report with recommendations for introduction, implementation, monitoring and maintenance of the SAO information security management system

First mission within this activity was carried out by BNAO STEs. Introduction of the existing IT infrastructure, server room, user access to applications, resources and shared folders in the SAO North Macedonia was made, as well as presentations of organization of the physical security in the building of SAO North Macedonia and of the main stages and documents in the process of preparation for implementation of the standard ISO/IEC 27001: 2013. The following issues were identified during the mission meetings: it is necessary to educate employees of all the organization levels about the Standard ISO/IEC 27001: 2013, to determine an information security officer in the SAO, to establish an expert council for information security to support the process of implementation of new rules and policies in SAO, to update an existing IT policies, to evaluate all assets in the organization and risk assessment and to determinate appropriate risk levels.



This project is funded by European Union



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