



# TWINNING NEWS

No. 1, July 2021



**FIRST** twinning  
activities have just  
been **SUCCESSFULLY**  
completed

## About the Twinning project

The State Audit Office of the Republic of Croatia (SAO Croatia), as senior partner in cooperation with the State Audit Office of the Republic of Bulgaria (BNAO), as a junior partner, is implementing in the State Audit Office of the Republic of North Macedonia (BC SAO) the Twinning project "Improvement of External Audit and Parliamentary Oversight".

The Twinning Contract for implementation of the Twinning Project was concluded between the Delegation of the European Union in the Republic of North Macedonia, the State Audit Office of the Republic of Croatia and the National Audit Office of the Republic of Bulgaria on 4 December 2020.

The contract stipulates the project duration of 24 months and the implementation period of 21 months, starting from 1 February 2021.

The value of the Twinning project is 1 500 000 EUR. The Twinning project will assist the State Audit Office of the Republic of North Macedonia in further improvement of external audit's efficiency and impact in the Republic of North Macedonia.

Specific objective of this project is to improve the external audit through further harmonization of legal framework and development of methodological tools as well as through strengthening the capacities of BC SAO to perform efficiently external audit in the country.

In addition, the project is aimed to enhance the parliamentary scrutiny over public funds and to improve the co-operation between SAO and Parliament with providing direct expert assistance, jointly and in full synergy.

## *Twinning Project has started its implementation on 1st of February 2021*

The official technical Kick-off meeting was held online on 11th of February 2021 and the first Steering Committee Meeting was held on 1st of April 2021.



Member State Twinning partners, Croatian State Audit Office and Bulgarian National Audit Office together with North Macedonian SAO as beneficiary institution and EU Delegation, have developed the relevant documents for the start of implementation of project activities.

Initial Rolling Work Plan is prepared with all prioritized project activities for the period until the end of July 2021 and first Short Term Experts (STEs) from Croatia, Bulgaria and Estonia have started with their missions through online work with colleagues from the beneficiary institution (BC SAO) in late April.

# Component 1: Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning

3 activities, 9 missions, several online meetings, a lot of constructive discussions, reviews and analyses



The mandatory result of this component is defined as “Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning”. To achieve the mandatory result, Croatian & Bulgarian STEs developed recommendations related to the legal framework of external audit with proposals for enhancements, law related to auditing of financing of political parties and election campaigns and law with regards to the new organic budget law (OBL). During the course of this Component, three activities and nine missions were held from April till end of June 2021.

Because of COVID-19 pandemic, online meetings were the main tool for mutual discussions, exchange of ideas and experiences, presentations of results of recommendations for change of legal framework relevant to external audit and improved SAO strategic and annual planning. As a result of these discussions, wherein the Workgroup expressed their views, comments and suggestions, the scope of activities within the missions and steps to be taken to finalize the assessment reports were agreed.

Component 1: Croatian (SAO & State Electoral Commission - SEC) & Bulgarian STEs



## ACTIVITY 1.3.1. ASSESSMENT REPORT OF LAW RELATED TO AUDITING OF FINANCING OF POLITICAL PARTIES AND ELECTION CAMPAIGNS

Objective of the activity was to provide Assessment report of laws related to auditing of financing of political parties and election campaigns with recommendations for harmonization and improvement.

Objective of the activity was to provide Assessment report on laws related to auditing of financing of political parties and election campaigns with recommendations for harmonization and improvement. During four missions by Croatian (SAO & SEC) & Bulgarian STEs, the legislation in the Republic of Croatia and the Republic of Bulgaria in the field of auditing annual financial statements of political parties and election campaigns was presented and discussed with BC Working group, in order to select and formulate the most appropriate options for possible improvements in the legislation of the Republic of North Macedonia. A review on the existing legal framework on audit of financing of political parties and election campaigns of the Republic of North Macedonia was made and relevant parts of the law were analyzed.

The analysis also covered existing regulations governing the competence of BC SAO to carry out audits of political parties. An overview of Benchmark report B9 under activity 1.6 Comparative analysis of EU best practices in the field of audit of political parties of Twinning project was conducted and the progress achieved and the status of the recommendations were analyzed and assessed.

Croatian (SAO & SEC) & Bulgarian STEs cooperated in the implementation of activities and presented draft recommendations and proposals for improvements in half day workshops. After coordination with the BC SAO Working group, a joint Assessment report with recommendations was prepared.

Within **Component 2. Improved administrative capacities and external audit processes** the following activities were carried out: 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 and 2.3. Development of methodology acts for improved performance audit and follow-up of audit recommendations and guidelines on improved audit quality control and quality assurance processes. The first activities started on April 26, while the last ones ended on July 1, 2021. (except Activity No 2.3.1.)

Within seven missions Croatian & Bulgarian STEs analyzed INTOSAI principles, standards and guidelines regarding human resource management, performance audit and follow-up of audit recommendations.

They also analyzed best practices in the Republic of Croatia, Republic of Bulgaria and the Republic of North Macedonia to find similarities and use best practices.

Within the **Activity 2.1. Development of analysis report with proposals on improvement of the organizational structure and human resources capacity** a proposal for a strategic plan for new employment was drawn up regarding the need to harmonize the actual number of employees with the number determined by systematization and to replace employees due to their retirement. It was also concluded that the criteria and procedures for new employment and the criteria for selecting suitable employees are determined by the Law on Administrative Officers, but having in mind the standards and independence of the BC SAO, it would be useful for new employment procedures to be part of the State Audit Law and for selecting suitable employees criteria to be regulated by BC SAO's Internal Acts.

Croatian STEs have also determined that it is necessary to clearly define the criteria and procedures for evaluating the work of BC SAO employees.

Based on the performed tasks and results obtained during the analysis of internal documents, the Proposal of the report with recommendations for improvement was made or conclusions were given that with internal documents are created preconditions and fulfilled preconditions for successful performance of tasks expected from BC SAO employees. The Proposal of the report also contains the proposal of the Strategic Plan for ensuring the required number of employees and the proposal of the Criteria for evaluating the work of employees.



## Component 2.

### Improved administrative capacities and external audit processes





Within **Activity 2.3.1. Develop methodology acts for improved performance audit**, Bulgarian STEs and BC SAO participants discussed about the latest changes of the INTOSAI Framework of Professional Pronouncements (IFPP) regarding performance audit and defined expected improvements and which level (standards or standards and guidance) of the updated IFPP requirements should be incorporated in the new BC SAO Performance Audit Manual. Based on the PA iCAT tool for implementation of the needs assessment, a questionnaire for self-assessment of the implementation of the requirements of ISSAI 3000 in audit practice was

prepared and distributed among the BC SAO participants. The Bulgarian STEs reviewed the current Performance Audit Manual and performed a comparative analysis with the requirements of the ISSAI 300, ISSAI 3000, GUID 3910 and GUID 3920. The first draft version of the new BC SAO Performance Audit Manual is expected to be prepared and presented in early September 2021 during second mission of this Activity.

The focus of the **Activity 2.3.2. Develop methodology acts for improved follow-up of audit recommendations**, was to review and analyze the existing BC SAO legal framework (State Audit Law and Manual for following the recommendations), practice and use of ISSAI standards on follow-up of audit recommendations.

The above tasks were successfully performed through review of documents, given presentation of EUROSAI practice but also held discussion about similarities and differences between the existing legal framework and audit practice within SAO working group and EUROSAI members. The aim was to determine BC SAO needs in order to improve follow-up of audit recommendations. Possible recommendations are drafted and stated in an assessment report.



Within this component first visibility material - the brochure "**Communication of the State Audit Office of the Republic of Northern Macedonia with stakeholders**" was published.

## A webinar "Improving the interaction of the State Audit Office of the Republic of North Macedonia and its relevant stakeholders" was held



At the end of April 2021, the implementation of the first Activity (**Activity 2.2. Elaborate analysis report with recommendations on improvement of the interaction of the SAO with the relevant stakeholders**) within component 2 Improved administrative capacities and external audit processes, begin.

After the introductory online meetings and mutual exchange of experiences and practices, during May and June, a survey was conducted through a questionnaire, a webinar was organized and a brochure was published on the importance of communication between the State Audit Office and its stakeholders. In cooperation with the BC SAO, a webinar "Improving the interaction of the State Audit Office of the Republic of North Macedonia and its relevant stakeholders" was organized with 46 participants, out of which 17 were stakeholder representatives, representatives of the EU Delegation in the Republic of North Macedonia and employees of the BC SAO.

The webinar discussed the importance of communication with external and internal stakeholders in order to achieve greater efficiency, transparency and accountability of the public sector and the quality of public services, and thus the quality of life of all citizens.

The webinar participants were introduced to the basis of interaction between supreme audit institutions and its stakeholders and the expectations and benefits of well-established communication processes, the role and importance of the BC SAO and its current communication processes. During the webinar, the results of a survey based on a survey conducted among stakeholders of the BC SAO were presented.

The brochure "**Communication of the State Audit Office with stakeholders**" was compiled and published on the website of the BC SAO.

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

Within Component 3. Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports two activities have started in May.



Within Component 3. Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports two activities have started in May. First **Activity 3.1. Develop Memorandum of Understanding between Parliament and SAO for review of audit reports** was carried out by Croatian STEs who have analyzed ISSAI standard regarding the relation between Parliament and SAO and existing Memorandum of Understanding, Rules of Procedures, Rules for internal organization at SAO, rulebooks and other documents relevant for interaction with Working group. They have compared Rules of Procedures with Croatian Parliament's procedures and SAO Croatia's procedures, analyzed them and gave draft conclusions. ISSAI standards were also analyzed and it was checked whether ISSAI requirements were implemented in the legal framework and BC SAO practice regarding the relationship between BC SAO and Assembly.

A peer review on Rules of Procedures of the Assembly of the Republic of North Macedonia, Rules of Procedures of BC SAO, Rules for internal organization at BC SAO, rulebooks and other relevant documents was performed.

Those analyses, conclusions and recommendations were the basis for expression of the opinion whether the Working group should prepare the draft of the new Memorandum of Understanding (MoU) or improve the current one. Final products of this Activity were the drafts of the new MoU and the Assessment report. During a mission that will be held in mid-July the draft of the new MoU will be presented physically in the Assembly of the Republic of North Macedonia.

Within the **Activity 3.3. Prepare Action Plan to improve cooperation between the Parliament and SAO for processing and discussing audit reports**, existing cooperation procedures, practices and modalities for interaction with Parliament related to processing and discussion of SAO audit reports were analyzed. Insight was made in relevant documentation related to processing and discussion of SAO audit reports as well as in the conclusions and recommendations given in the previous twinning project. Croatian (SAO & Parliament) STEs have prepared gap analysis and discussed about it with the Working Group, together with the proposal of the concept and deadline of the Action Plan for improvement of cooperation between the Parliament and SAO for processing and discussing audit reports.

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

During the first mission of **Activity 4.5. Develop rules for internal flow of paper and electronic documentation** currently applied and existing rules and practices for document circulation within the Bulgarian STEs and Working group were discussed and analyzed, including the internal flow of paper and electronic documentation. In connection with the increase of the efficiency of the work in BC SAO, proposals and recommendations for possible changes in the organization of work with electronic and paper documents were discussed and analyzed between Bulgarian STEs and Working group.

Within **Activity 4.6. Prepare report with recommendations for revising and updating policies and procedures on using SAO web site, communication with relevant stakeholders** the main needs for revising and updating the policies and procedures on using the BC SAO web site and communication with relevant stakeholder were pointed out and discussed between Bulgarian STEs and Working group. It was agreed to further continue analysis during the next mission as all aspects related to effective BC SAO's external and internal communication will be explored. Recommendations for revising and updating legislative framework on using BC SAO web site will be made.

*Estonian STE participated in two activities:*

4.10. Prepare report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project and 4.11. IT Audit Manual updated in accordance with GUID - 5100 - Guidance on Audit of Information Systems (test manual on IT pilot audit).

During **Activity 4.10. Prepare report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project** all the recommendations made as a result of ITSA and ITASA were reviewed and their implementation analyzed. It was also analyzed how those changes reflected on e.g. laws change, development of new documents and/or procedures, implementation of new software, etc. An online survey of ITSA and ITASA participants provided their cognitive opinion on the implementation of the recommendations made in the self-assessments. An initial mapping of the current state of implementation of ITSA and ITASA recommendations was compiled.



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)**, a detailed GUID 5100 analysis and comparison was performed with all participants, resulting in the formulation of initial changes and additions to the IT Audit Manual.



This project is funded by European Union



Disclaimer: This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the project and can in no way be taken to reflect the views of the European Union.