



## Twinning Fiche

**Project title:** Improvement of external audit and Parliamentary oversight

**Final Beneficiary administration:** State Audit Office, Assembly of the Republic of North Macedonia

**Twinning Reference:** MK 18 IPA FI 03 20

**Publication notice reference:** Europe Aid/ 169541/DD/ACT/MK

**EU funded project**

***TWINNING INSTRUMENT***

## **Basic Information**

- 1.1. Programme: Annual Action Programme for the Republic of North Macedonia for the year 2018”<sup>1</sup> Global Commitment number (CRIS) IP A/2018/040-860, Objective 1. Direct management by EU Delegation

“For UK applicants: Please be aware that following the entry into force of the EU-UK Withdrawal Agreement<sup>1</sup> on 1 February 2020 and in particular Articles 127(6), 137 and 138, the references to natural or legal persons residing or established in a Member State of the European Union are to be understood as including natural or legal persons residing or established in the United Kingdom. UK residents and entities are therefore eligible to participate under this call.

- 1.2. Twinning Sector: Democracy and Governance

- 1.3. EU funded budget: 1.500.000,00 EUR

## **2. Objectives**

- 2.1. Overall Objective(s):

The overall objective is to improve the efficiency and impact of the external audit in the Republic of North Macedonia.

- 2.2. Specific objective:

The specific objective of the 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 the State Audit Office (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.

- 2.3. The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans/Strategic documents of the beneficiary institutions

## **Link with AP**

The Accession Partnership 2007 (AP) identifies as a short term priority in the area of the Political criteria to ensure proper follow-up of recommendations of the State Audit Office.

As a short term priority in the area of financial control, it states to develop effective management, monitoring, control and audit systems needed for decentralized implementation of programs according to EU pre-accession instruments. As a midterm priority under this area is to further strengthen operational capacity and functioning of the State Audit Office, as well as its financial independence.

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<sup>1</sup> Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community”

### **Link with NPAA/2019 EC Country Progress Report**

**In Chapter 32 - Financial control, the 2019 EC's Progress Report** states that the country is moderately prepared in this area and observes that the independence of the State Audit Office (SAO) is yet to be constitutionally guaranteed. The timely implementation of internal and external audit recommendations should be ensured. In the coming year, the country should in particular ensure more systematic and timely implementation of external audit recommendations.

Regarding the area of External Audit it's noted that while the independence of the SAO is not yet anchored in the Constitution, the legal framework ensures SAO's independence broadly in line with standards of the International Organization of Supreme Audit Institutions (INTOSAI). The institutional capacity of the SAO should be further improved. On the quality of audit work, further efforts are needed to improve performance auditing in particular. Regarding the impact of audit work, many SAO's recommendations have not systematically and timely implemented by the audited institutions. While the SAO annual audit report is discussed in the relevant parliamentary committee, increased parliamentary scrutiny and follow-up still needs to be ensured.

### **Link with Stabilisation and Association Agreement (SAA)**

The Project will contribute towards the implementation of the SAA, as regards to Article 83 (2) on developing efficient audit systems following harmonised methods and procedures. As agreed in this Article, the Project will provide technical assistance to State Audit Office, exchange of information regarding audits, standardisation of audit documentation and trainings and advisory operations.

### **Link with IPA II Indicative Strategy Paper (ISP) 2014-2020**

The IPA II Indicative Strategy Paper 2014-2020<sup>1</sup> recognized the commitment to strengthen the country's economic governance and modernise public financial management based on comprehensive reform programme, covering the reform needs in the relevant public finance sub-systems. Further on, the ISP identifies key priorities for IPA assistance such as budget preparation and execution, including the introduction of the integrated PFM IT System, covering all key PFM sub-systems, cash management, transparency, public procurement, debt management, public internal financial control and external audit. The project, and in more general terms the PFM reform programme, will support the country in aligning with the EU standards in the relevant accession/negotiation chapters by addressing the majority of the identified weaknesses. Thus, the project closely correlates with the ISP objectives of the Sector Democracy and Governance.

### **Link with sector reform strategies**

### **Link with Public Finance Management Reform Programme 2018 - 2021**

The Project will directly support the implementation of the PFM Reform Programme 2018-2021 adopted by the Government in December 2017. All the activities under the project will contribute to the achievement of the objectives of the PFM reforms designed under the Programme.

Component 1 - Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning is linked to the implementation of Priority 7: External Control

and Parliamentary Oversight of the PFM Reform Programme, Measure 1: Improved strategic planning and external audit process in line with the ISSAIs, Activity 1: Development and implementation of Strategic Plan of SAO.

Component 2 - Improved administrative capacities and external audit processes is linked to the implementation Priority 7: External Control and Parliamentary Oversight of the PFM Reform Programme, Measure 1: Improved strategic planning and external audit process in line with the ISSAIs, Activity 2: Assessment of institutional and human resources capacity of SAO in order to maintain high quality of audits, in accordance with the relevant legal framework and Activity 3: Improved administrative capacity for performance audit.

Component 3 - Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports and Component 4 - Improved external and internal communication and IT and IT audit capacities are linked to the implementation Priority 7: External Control and Parliamentary Oversight of the PFM Reform Programme, Measure 2: Improved scrutiny over the budget by the Parliament.

### **Link with PIFC Policy Paper 2019 – 2021**

The Public Internal Financial Control Policy Paper with Action Plan 2019-2021 is a strategic document aimed to define the framework of the contemporary, adequate and effective system on PIFC, including the financial management and control, internal audit, central coordination and harmonization and the public financial inspection as well as to cooperate for sound financial management of the public funds. It was adopted by the Government in March 2019.

### **Link with National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union for the period from 2019 to 2022 (NAFS)**

The National Anti-Fraud Strategy (NAFS) was adopted by the government on 20 December 2018.

The development of National Anti-Fraud Strategy was necessary in order to put in place effective and proportionate anti-fraud measures, taking into account the risks identified, to take the necessary steps to prevent, detect and sanction fraud and irregularities effectively and to reimburse irregular amounts to the EU budget.

### **Link with Public Administration Reform (PAR) Strategy**

Given that managing public finances is directly related and of extreme importance for effective and efficient public administration reform, priorities under PFM Reform Programme and PAR Strategy have been co-ordinated. Particular attention is given to the human resources capacity, policy planning capacities, e-services, service delivery and orientation to results coordination as regards enhancing managerial accountability, internal control environment and improving transparency. Moreover, the link between these two strategies is further strengthened by involving the Minister of Information Society and Administration in the process of monitoring and reporting on implementation of the PFM Reform Programme 2018-2021, as a member of PFM Council, thus ensuring consistency in implementation of both strategies.

## **Link with National Strategy for Fight against Corruption and Conflict of Interest of North Macedonia (2020 – 2024)**

The National Strategy should contribute to reducing the level of corruption and ensuring greater public confidence in the work of the legislative, judicial and executive branches, as well as increasing integrity, transparency and accountability in all sectors of society.

SAO is responsible for taking actions for establishing an effective system for implementing audit recommendations under the strategic goals for strengthening integrity and accountability in the public sector and implementing public sector responsibilities in a lawful, transparent, ethical, economical, responsible and effective manner.

## **Link to strategic documents of the beneficiary institutions**

### **SAO Development Strategy 2018 – 2022**

SAO Development Strategy 2018-2022 was developed based on INTOSAI and European Organisation of Supreme Audit Institutions (EUROSAI) strategic documents. It contains strategic objectives for promotion and improvement of the implementation of international standards of supreme audit institutions (ISSAIs), strengthening SAO independence, enhancement of audit quality, further development of institutional capacities, improvement of IT and communication systems, including cooperation with the Parliament.

### **Strategic Plan of the Assembly of the Republic of North Macedonia 2019 – 2021**

The following activities are foreseen in the section “Strengthening the Oversight Function of the Assembly” of the Strategic Plan 2019-2021 of the Assembly of the RNM:

- Audit reports will be reviewed at a plenary session at least once a year;
- Audit reports will be reviewed by the Finance and Budget Committee and the Audit Sub-Committee will be established within the Finance and Budget Committee;
- An internal act will be adopted to regulate the discussions on the oversight function,
- An annual plan for discussions on the oversight function will be adopted.

Through the implementation of the above activities of the Strategic Plan, the Assembly will more effectively perform the oversight function based on the review of the final audit reports.

## **3. Description**

### **3.1. Background and justification**

The international community recognizes the important role of Supreme Audit Institutions (SAIs) as public sector external auditor to promote efficiency, effectiveness, accountability and transparency of public administration in achieving development goals and priorities. The users of the audit reports, including parliament and citizens, should be assured that public external auditors perform their tasks objectively and effectively and trust audit reports in making decisions if SAIs are independent of audited organizations and protected from external influence.

The aim is to provide safeguards in the legislation that allow the State Audit Office to perform activities independently and objectively and to contribute to the realization of good governance and administration.

Chapter 32 of the EU accession negotiation process requires an institutionally, operationally and financially independent external audit institution that implements its audit mandate in line with the standards of the INTOSAI and reports to the Parliament on the use of public sector resources.

The competences of the State Audit Office were laid down for the very first time in the Law on State Audit back in 1997. The new **State Audit Law (SAL)** was adopted in May 2010 due to the necessary harmonization of the operation of the State Audit Office with the standards and criteria of the European Union in this field, and particularly with the Mexico Declaration on Independence of Supreme Audit Institutions. The State Audit Law provides legal basis for operational and financial independence of the State Audit Office, defines the auditing process, as well as the procedure for adopting final audit reports, thus contributing to greater effectiveness of the external audit.

**State Audit Office** is independent in its operation and headed by the Auditor General who has a Deputy. The SAL regulates the appointment and dismissal of the Auditor General and the Deputy Auditor General. They are appointed by the Parliament for nine-year mandates with no possibility of re-election.

The SAL empowers the SAO to carry out regularity (financial and compliance) and performance audits in accordance with international auditing standards. The SAO is authorized to submit reports to the Parliament, and to make them public. It is required to present an annual report to the Parliament as well as its report on the audit of the national budget.

The statutory audits which are mandatory at least once a year are on the Budget of the Republic of North Macedonia and the budgets of national funds. SAO has mandate to audit all public sector entities on central and local level, in accordance with the Annual Programme of the State Audit Office.

SAO has adopted the following midterm strategic plans : SAO Development Strategy 2018 - 2022, SAO IT Strategy 2018 – 2022 and SAO Communication Strategy 2020 – 2023 and currently is in the process of preparing of the SAO HRM Strategy for the next five year period.

SAO has adopted several bylaws such as the Rules on the Manner of Conducting the State Audit and the Rules on the Manner and Procedure of Conducting Professional Exam for obtaining the title Authorized State Auditor and the form and content of the Authorized State Auditor Certificate, but the legal framework regarding the SAL needs further improvement (see point 3.5 under Mandatory Result 1 (Component 1) of this document.

In Chapter 32 - Financial control of **the 2019 EC's Progress Report for the area of External audit**, it is noted that “While the independence of the State Audit Office (SAO) is not yet anchored in the Constitution, the legal framework ensures SAO's independence broadly in line with standards of the International Organization of Supreme Audit Institutions (INTOSAI). The institutional capacity of the SAO should be further improved. The SAO carries out a compliance audit on the final government accounts of the core budget by June each year. The annual audit programme was adopted by December 2018 in line with the legal requirements. The SAO is implementing its 2018-22 strategic development plan. On the quality of audit work, further efforts are needed to improve performance auditing in particular. In 2018, the SAO instigated eight performance audits;

four were completed during the year in the other four were completed in 2019. Regarding the impact of audit work, many SAO's recommendations have not systematically and timely implemented by the audited institutions. While the SAO annual audit report is discussed in the relevant parliamentary committee, increased parliamentary scrutiny and follow-up still needs to be ensured."

Considering the above mentioned, **the project's scope** shall complement SAO's efforts on enhancing the legal framework and achieving efficient and continuous development of institutional capacity. The project, through a process of mutual collaboration between SAO and the twining partner(s), shall detect any potential lacks, shortages, or a simple need to further update the legal framework related to external audit, as well as any applicable soft laws (ISSAI methodologies, rules, guidelines etc.) related to conducting of external audit processes. Particular focus shall be put on strategic development and annual planning. Furthermore, the project shall technically support administrative capacities building of external auditors through a set of trainings, particularly on- the- job trainings and other capacity building instruments and tools for conducting all types of audits in relevant areas, leading to the increase of audit coverage of the budget expenditures, but also to qualitative improvement of the audit process. In addition, the project will focus its scope on improving the legislative scrutiny of the Parliament based on processing and discussion of SAO audit reports. Focus will be also given to improvement of external and internal communication and enhancing IT capacities of SAO.

### **3.2. Ongoing reforms:**

The **PFM Reform Programme 2018-2021** was adopted by the Government of the Republic of North Macedonia on 19th December 2017. Starting from 2018, the national authorities are fully committed to implementing an ambitious reform agenda, the goal of which is to strengthen the public finance system, by promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

The new OBL will be in line with the improvements of the PFM system, aiming to ensure framework for conducting a sound, predictable and sustainable fiscal policy and increasing the budget discipline and responsibility.

Efficiency enhancement will be achieved through the new PFM processes that will ensure:

- Comprehensiveness and quality of the financial reporting;
- Transparency and citizens' access and use of budgetary documents;
- Effectiveness of the financial management controls and Internal Audit;
- Scope and impact of the external audit.

The ongoing reforms will ensure sound fiscal planning in short and medium term through improving both the annual and multi-annual budget process and reinforcing the compliance among them. On one hand, this approach will improve the quality of the budget process which will be linked to priorities visible for the citizens. On the other hand, it will raise the quality of the policy-making, by improving its financial viability. The reforms will also support the re-organisation of the annual budget process in compliance with the provisions of the medium-term budget framework, preparation of by-laws, guidelines, manuals etc, trainings of the Ministry of Finance employees and budget users.

The objective under **Priority 7** of the PFM Reform Programme is to enhance public funds management and to ensure accountability and transparency in the use of public funds through:

- improvement of regularity and performance audits of SAO in line with ISSAI and SAO's Strategies,
- establishing mechanism for pro-active role in understanding and discussion of audit reports by the Parliament and
- strengthening the institutional and human resources capacity of SAO.

According to the **2020 Action Plan for implementation of the PFM Reform Programme**, Guidelines for Strategic and Annual Audit Planning as well as Strategic Audit Plan 2021-2023 will be developed. Also, SAO Human Resources Management Strategy with Action Plan for the period 2020 - 2023 is envisaged to be prepared. In addition, a new SAO Development Strategy is planned to be elaborated, as well as building up capacities for improvement of the performance audit process and strengthening of the Parliamentary oversight. The current twinning project will contribute to the implementation of all these reforms.

### **3.3 Linked activities:**

The objectives and mandatory results proposed in this Twinning project are, to a great extent, a continuation of the Twinning Project "Further improvement of administrative capacities and external audit efficiency of the State Audit Office" MK 13 IPA FI 01 17 R, as well as of other previous SAO projects for bilateral cooperation and technical assistance in the framework of the following completed projects:

1. **Title:** Twinning Project "Further improvement of administrative capacities and external audit efficiency of the State Audit Office" MK 13 IPA FI 01 17 R

**Donor:** EU- IPA TAIB 2013

**Duration:** 14 December 2018 – 14 September 2019,

**Description:** The results of the project were to contribute to the overall horizontal coordination of the modernisation processes in the public administration, to enhance public funds management and to ensure accountability and transparency in the use of public funds through improvement of the regularity (financial) and performance audit of SAO in line with ISSAI and SAO's Strategies. Improvement of existing audit methodologies, establishing mechanism for pro-active role in understanding and discussing audit reports by the Parliament and strengthening the institutional capacity for audit in the areas of IT and communications were also in the focus of the project.

**Project cost:** EUR 1.400.000

2. **Title:** Increase public accountability and transparency in North Macedonia through improved implementation of State Audit Office recommendations

**Donor:** Project supported by the Government of Great Britain through the Good Governance Fund (GGF)

**Duration:** 15 June 2018 – 15 March 2019



**Description:** The Project outcome is improved transparency and accountability of public spending, through improved capacity of SAO to address post-audit process and follow-up on audit recommendations.

**Project cost:** £ 240,825

3. **Title:** OECD – SIGMA Assistance for preparing guidelines for the audit of the state budget

**Donor:** OECD – SIGMA Assistance

**Duration:** February 2019 – ongoing

**Description:** The outcome is to improve the process of the audit of the state budget by drafting Guidelines for Audit of the State Budget, with support of SIGMA experts.

**Project cost:** N/A

4. **Title:** Cooperation between the State Audit Office of the Republic of North Macedonia (SAO) to achieve a sustainable and effective relation between the SAO and the Parliament of the Republic of North Macedonia

**Donor:** WB Program

**Duration:** 1 Jan. - 31 June 2012

**Description:** The activities of the project focused on the following components: 1. Preparing a guideline/toolkit about how to assess a SAO reports and how to prepare parliamentary actions; 2. Workshop for MP's dealing with SAO reports; 3. Best Practice Seminar for MP's; 4. Inventory of MP's wishes/demands for better usability of the SAO products.

**Project cost:** EUR 50.000

5. **Title:** “Cooperation between SAO and the Netherlands Court of Audit for enhancement of SAO development to a competent external auditor”

**Donor:** MATRA Pre-accession Projects Programme (MPAP)

**Duration:** January 2009 – December 2010

**Description:** The Project achieved the following results: i) improved SAO administrative capacity; ii) improved auditor's skill; iii) developed IT and IT audit, and iv) improved cooperation with the Parliament.

**Project cost:** EUR 361.011

### 3.4 List of applicable *Union acquis*/standards/norms:

The *acquis* under Chapter 32 relates to the adoption of internationally recognized frameworks and standards, as well as EU good practice, on public internal financial control (PIFC), external audit institution and protection of the EU's financial interests against fraud in the management of EU funds and the protection of the euro against counterfeiting.

Since the accession negotiations with the EU-10 countries started around 2000, PIFC and External Audit were regarded as “soft” acquis. i.e. there is no specific EU legislation on these subjects. However, the European Institutions (Council, Parliament, Court of Audit and the Commission) have agreed that in this Chapter, the Candidate countries have to reform their public internal control and external audit systems in such a way as to follow and implement international standards and EU best practice.<sup>2</sup>

The European Commission recognizes INTOSAI Lima Declaration of Guidelines on Auditing Precepts of 1977 (ISSAI 1) as the main international standard for public External Audit<sup>3</sup>. The essential conditions to ensure satisfactory level of objective and effective SAI according to INTOSAI Lima Declaration need to be laid down in the Constitution, with details in national legislation securing legal protection against any interference with SAI independence and audit mandate.

Chapter 32 of the EU accession negotiation process requires an institutionally, operationally and financially independent external audit institution that implements its audit mandate in line with the standards of the INTOSAI and reports to the Parliament on the use of public sector resources.

As this is of basic relevance and directly related to rule of law and democracy values, the requirements of the integration process are sustainable and consistent over the years. The Prague Recommendations on the Functioning of SAIs in the context of European Integration since 1998 include specific guidelines based on the Lima declaration such as:

- *Recommendation 1:* Supreme Audit Institutions should have a solid, stable and applicable legal base that is laid down in the Constitution and the law and is complemented by regulations, rules and procedures.
- *Recommendation 2:* Supreme Audit Institutions should have the functional, organizational, operational and financial independence required to fulfil their tasks objectively and effectively.
- *Recommendation 3:* Supreme Audit Institutions should have powers and means that are clearly stated in the Constitution and the law to audit all public funds, resources and operations (including EU funds and resources), regardless of whether they are reflected in the national budget and regardless of who receives or manages these public funds, resources and operations.
- *Recommendation 4:* Supreme Audit Institutions should undertake the full range of public-sector external auditing, covering both regularity and performance audits.
- *Recommendation 5:* Supreme Audit Institutions must be able to report freely and without restriction on the results of their work. Reports may be submitted to Parliament and should be made public.

The INTOSAI Auditing Standards provide a common methodological thread which runs through the rich diversity of public audit traditions in the EU Member States.<sup>4</sup>

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<sup>2</sup> Welcome to the world of PIFC, European Communities, 2006

<sup>3</sup> Welcome to the world of PIFC, European Communities, 2006

<sup>4</sup> “European Implementing Guidelines for the INTOSAI Auditing Standards, Contact Committee of the Heads of the Supreme Audit Institutions of the European Union, Luxembourg, 1998

### **3.5 Components and results per component**

#### **Mandatory result 1 (Component 1): Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning**

In regard to Mandatory Result 1, the following indicative sub-results will be achieved:

1. Improved legal framework for external audit based on international standards and EU best practices;
2. Improved SAO strategic and annual planning in order to ensure that SAO would be able to further prioritize its work and maintain an adequate audit coverage over the long term;
3. Developed ethical standards in SAO.

#### **Measurable indicators of regarding Mandatory Result 1:**

- Assessment report of the legal framework of external audit with proposals on achieving SAO's constitutional independence and enhancing financial and operational independence prepared;
- Based on the recommendations provided, development of legal changes;
- Assessment report of laws with regards to auditing of financing of political parties and election campaigns, public procurement and the new organic budget law (OBL) linked to the legal framework for external audit, with proposals for their harmonization and improvement, prepared;
- Secondary legislation linked to the enhanced legal framework for state audit elaborated;
- New SAO development strategy for the next five years period in line with SAO priorities and resources with action plan elaborated covering a performance appraisal and monitoring system of its implementation;
- New structure and scope of SAO Annual Programme in line with the new SAO strategic documents developed;
- New Code of Ethics for SAO employees developed and system for monitoring of its implementation introduced.

#### **Mandatory result 2 (Component 2): Improved administrative capacities and external audit processes**

In regard to Mandatory Result 2, the following indicative sub-results will be achieved:

1. Improved SAO capacities so as to ensure enhanced legal, strategic and audit methodology framework;
2. Improved co-ordination and co-operation with key bodies in the system of external audit;
3. Improved audit processes in line with international standards and EU best practices;
4. Improved audit capacities of auditors especially in performance audit;
5. Improved follow up of audit recommendations by auditees and the Parliament.

**Measurable indicators of regarding Mandatory Result 2:**

- Analysis report developed with proposals on improvement of the organizational structure and human resources capacity of SAO ;
- Analysis report elaborated with recommendations on improvement of the interaction of the SAO with the relevant stakeholders (Parliament, Government, Ministry of Finance, internal audit units, Public Prosecutor Office, State Commission on Prevention of Corruption, law enforcement bodies);
- Methodology acts developed for improved performance audit, follow-up of audit recommendations, audit of EU funds and fraud and irregularities detection, based on the recommendations of the previous IPA 2013 twinning project;
- New structure and content of audit reports introduced in line with ISSAI's, creating easy to read audit reports that will contain improved presentation of audit results and recommendations;
- Guidelines on improved audit quality control and quality assurance processes developed based on the recommendations of the previous IPA 2013 twinning project;
- Improved audit processes elaborated based on newly developed or improved methodology acts;
- Improved audit capacities of auditors through approx. 15 pilot audits of EU funds, performance audits ( out which one in the area of climate changes), regularity (financial and compliance) audits, compliance audit ( out which one in area of environment), audit on financing of political parties and election campaigns, central budget audit, IT audit. Dissemination of lessons learned from the performed pilot audits through conferences/round-table discussions/presentations;
- Enhanced practical knowledge of auditors in the areas of, but not limited to: legal framework, strategic development and audit planning, implementation of the Code of Ethics; interaction of the SAI with relevant stakeholders; audit processes; SAO-Parliament cooperation best practices in EU; communication system development (through approx. 15 internships, 6 study trips, 15 seminars, 10 round-table discussions, 6 conferences etc).

**Mandatory result 3 (Component 3): Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports ;**

In regard to Mandatory Result 3, the following indicative sub-results will be achieved:

1. Improved legal framework and methodological framework of SAO and Parliament for submission and reviewing of the audit reports based on the recommendations of the previous IPA 2013 twinning project;
2. Improved cooperation between the Parliament and SAO for reviewing audit reports based on the recommendations of the previous IPA 2013 twinning project;
3. Strengthening capacity of Parliament for reviewing audit reports based on new legal and methodological framework.

**Measurable indicators of regarding Mandatory Result 3:**

- Memorandum of Understanding developed between Parliament and SAO for review of audit reports;

- Assessment report elaborated with proposals on legal framework of SAO and Parliament for submission and reviewing of the audit reports;
- Action Plan prepared on how to improve cooperation between the Parliament and SAO for reviewing audit reports, in line with the SAO and Parliament's strategic documents ;
- Analysis report prepared with recommendations prepared on structural, organizational and procedural changes to be introduced in Parliament for reviewing of audit reports;
- Written procedures of SAO elaborated on developing and submitting audit reports and other documents to the Parliament;
- Written procedures of the Parliament prepared on the mechanism for reviewing audit reports (from the receipt of the audit reports and other documents till the adoption of conclusions thereon and following the implementation of the recommendations);
- Amendments to the existing Manual "Introduction to Audit Reports" prepared;
- Proposal for changes of the internal rules of functioning of the Parliament prepared;
- Training Plan for parliamentarians and parliament administrative staff to understand audit reports and prepare for the debate on audit reports prepared;
- Based on the Training Plan, trainings (through workshops, case studies, debate simulations) for parliamentarians and parliament administrative staff conducted for understanding of audit reports and preparing for the debate on audit reports (at least one training for each audit type);
- Analysis report of the audit process of the Annual Account of the Budget of the Republic of North Macedonia prepared with recommendations for improvement.

#### **Mandatory result 4 (Component 4): Improved external and internal communication and IT and IT audit capacities**

In regard to Mandatory Result 4, the following indicative sub-results will be achieved:

1. Improved reporting on SAO performance and audit results;
2. Improved flow of documents and information for internal and external communication;
3. Improved communication policies and procedures related to media and relevant stakeholders;
4. Enhanced capacity for IT and IT audit;
5. Enhanced SAO information security management system.

Measurable indicators of regarding Mandatory Result 4:

- Amendments to the structure and content of SAO's Annual Report prepared to improve presentation of SAO performance and results of audit reports;
- Abstracts from the audit reports prepared containing information of relevance to parliament members and staff;
- Abstracts from the audit reports prepared containing information of relevance to media and public;
- Enhanced skills of auditors for preparing abstracts from the audit reports of relevance to parliament members and staff and to media and public through trainings (approx.3 seminars/workshops).
- Rules for internal flow of paper and electronic documentation developed;
- Report prepared with recommendations for revising and updating policies and procedures for publishing information on SAO web site, communication with the media and all relevant stakeholders;
- Updated policies and procedures for publishing on SAO web site, communication with the media and relevant stakeholders developed;
- Review of the SAO website and recommendations for improvement prepared;
- Report with recommendations on how to facilitate access to SAO reports by all relevant stakeholders using appropriate communication tools prepared;
- Report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project prepared;
- IT Audit Manual updated in accordance with GUID - 5100 - Guidance on Audit of Information Systems;
- Advanced skills on CAAT's application in audits/IDEA software through trainings (approx. 2 workshops/seminars);
- Assessment report with recommendations for introduction, implementation, monitoring and maintenance of the SAO information security management system, according to ISO27001:2013.

### **3.6 Means/input from the EU Member State Partner Administration(s)\*:**

The project will be implemented between the final beneficiary country and EU Member State(s). The implementation of the project requires one Project Leader (PL) with responsibility for the overall coordination of project activities and one Resident Twinning Adviser (RTA) to manage implementation of project activities, Component Leaders (CLs) and pool of short-term experts (STEs) within the limits of the budget. It is essential that the team has sufficiently broad expertise to cover all areas included in the project description.

Proposals submitted by Member State shall be concise and focused on the strategy and methodology and an indicative timetable underpinning this, the administrative model suggested, the quality of the expertise to be mobilised and clearly show the administrative structure and capacity of the Member State entity/-ies. Proposals shall be detailed enough to respond adequately to the Twinning Fiche, but are not expected to contain a fully elaborated project. They shall contain enough detail about the strategy and methodology and indicate the sequencing and mention key activities during the implementation of the project to ensure the achievement of overall and specific objectives and mandatory results/outputs.

The interested Member State(s) shall include in their proposal the CVs of the designated PL and the Resident Twinning Advisor, as well as the CVs of the potentially designated component Leaders-CLs.

The Twinning project will be implemented by close co-operation among the partners aiming to achieve the mandatory results in sustainable manner.

The set of proposed activities will be further developed with the Twinning partners when drafting the initial work plan and successive rolling work plan every three months, keeping in mind that the final list of activities will be decided in cooperation with the Twinning partner. The components are closely inter-linked and need to be sequenced accordingly.

### 3.6.1 Profile and tasks of the PL:

The Project Leader from the Member State must be a high-ranking public servant or equivalent staff, but preferably the Head of a Department engaged in the issues of external audit within a Member State SAI administration, with relevant working experience of at least 3 years.

The MS Project Leader will continue to work at his/her Member State institution, but will devote some of his/her time to conceive, supervise and co-ordinate the overall thrust of the Twinning project, and ensure the attainment of the projected outputs. The Project Leader is fully responsible for co-ordination of the work of the MS experts.

The MS Project Leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and is expected to devote a minimum of 3 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilize the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Skopje at least every three months.

He/she will be supported by his/her home administration for logistic, accounting and administrative affairs.

#### Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- At least a University degree in economics, public finance or another field/ discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of relevant experience in the field of external audit;
- Fluent written and spoken English.

#### Tasks:

- To conceive, supervise and coordinate the overall preparation of the project;
- Coordinate and monitor the overall implementation of the project including coordination and direction of the MS TW partner;
- Co-ordination of MS experts' work and availability;
- Communication with the beneficiary and EUD;
- Ensuring the backstopping functions and financial management;
- Guaranteeing from the MS administration side, the successful implementation of the Project's Work Plan;
- Co-chair the Project Steering Committee Meetings with the BC PL;
- Preparation and signing of operative side letters, interim, quarterly and final report.

#### 3.6.2 Profile and tasks of the RTA:

One Resident Twinning Adviser (RTA) will be appointed, and he/she will be located in the premises of the State Audit Office.

The secondment of the Resident Twinning Adviser will last 21 months, during which he/she will be responsible for the direct implementation of the project.

He/she will come from an EU Member State to work on a full time and day-to-day basis with the beneficiary administration. The Resident Twinning Adviser will have a key role in the coordination of the inputs required for the successful implementation of the project activities. He/she shall be supported by a pool of short – term experts.

#### Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- At least university degree in economics, public finance or another field/ discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of experience in SAI (experience in relation to preparing, monitoring or implementation measures based on ISSAI and/or national SAI strategies).  
Excellent communication skills in both written and spoken English;

#### Tasks:

As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser (RTA) tasks will include:

- Provision of technical advice and assistance to the administration in the BC in the context of a predetermined work-plan.
- Coordination of all project activities and experts' inputs in the country;
- Ensuring day-to-day implementation of the Twinning project in the BC;



- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- To coordinate and organize training activities;
- To provide advice and assistance in drafting legal, application acts, instructions, manuals etc. for implementation of the new legislation and supporting documents;
- Preparation of the materials and documentation for regular monitoring and reporting;
- Preparation of side letters;
- Taking corrective actions, if necessary, inside the terms of the signed contract.

#### RTA Assistant:

The RTA will be provided with a full-time RTA assistant acting as an assistant for technical and organizational support. The assistant will be contracted according to Twinning rules and paid from the Twinning budget. The assistant will be selected through an open call. The role of RTA Assistant is to support the RTA in the project management. In addition, the assistant will be responsible for organisation of meetings, seminars etc. and their logistics, as well as interpretation and translation.

#### Full time translator/interpreter:

A full-time translator / interpreter will be selected through an open call and will be contracted according to the Twinning rules and paid from the Twinning budget. The full-time translator / interpreter will be involved in all necessary project activities (training sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator/ interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

#### 3.6.3 Profile and tasks of Component Leaders:

The Component Leaders will be responsible for achievement of project results under each of the components, ensuring the activities for the co-operation and information exchange between the RTA and the final beneficiary side and ensuring that all the required support of the management and staff of the EU side are available.

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

##### Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- University degree in law/economics or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in external audit;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of assessment and drafting legislation and by-laws, preparing strategic and annual planning documents and the Code of Ethics;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

**Component Leader 2 (Component 2: Improved administrative capacities and external audit processes)**

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- University degree in economics or similar relevant discipline or equivalent professional experience of 8 years;
- At least 3 years of specific experience in external audit;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in providing and/or organizing trainings in audit will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of analysis, preparing methodology acts, providing trainings and on the job trainings and management of training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

### **Component Leader 3 (Component 3: Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports)**

#### Qualifications and skills:

- Be a national of a Member State of the European Union;  
Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- University degree in law/economics/public administration or similar relevant discipline or equivalent professional experience of 8 years;
- At least 3 years of specific experience in external audit;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in co-operation with Parliament will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

#### Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of assessment and drafting legislation, procedures and action plans, preparing manuals and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

### **Component Leader 4 (Component 4: Improved external and internal communication and IT and IT audit capacities)**

#### Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree in IT/communication/law/economics/public administration or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of IT, IT audit or communication;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;

- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting reports and abstracts, rules and procedures, manuals, assessments, management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

#### 3.6.4 Profile and tasks of the short-term experts:

Other specialist staff will be made available by the Twinning Partner to support the implementation of activities. Specific and technical matters not directly covered by the RTA, can be taken over by short-term experts within the limits of the budget. The detailed expert input shall be established when drawing up the twinning operational workplan.

Short-term experts will cover and provide specific and technical advises in all project components areas.

Qualifications and skills:

Short-Term Experts will:

- have at least a University-level degree relevant to the project or equivalent professional experience of 8 years;
- be civil servants or equivalent staff seconded to work within SAI of a Member State;
- have at least 3 years of experience in external audit;
- be fluent in English, both oral and written.

Tasks:

Short-Term Experts will:

- prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission description and in accordance with Project activities;
- provide practical expertise/advice/support to relevant staff for execution of different tasks related to the project;
- contribute to the project reporting, contribute to the draft notes and other documents and report on their missions;
- address cross-cutting issues.

#### 4. Budget

Twinning Contract	Total (EUR)	IPA Community contribution		National Public contribution	
		EUR	%	EUR	%
	1.500.000,00	1.500.000,00	100	/	/

#### 5. Implementation Arrangements

- 5.1 The Delegation of European Union will act as a Contracting Authority for the project, which will be responsible for all aspects for the project's tendering, contracting and payments.

Mr. Nicola Bertolini  
Head of Cooperation  
Delegation of European Union  
Sv. Kiril I Metodij 52b, 1000 Skopje  
Republic of North Macedonia

The contact person on behalf of the EU Delegation is:

Paulina Stanoeva  
Programme Manager  
Delegation of European Union  
Sv. Kiril I Metodij 52b, 1000 Skopje  
Republic of North Macedonia

#### 5.2 Institutional framework

The beneficiary institution of this project are the State Audit Office (SAO) and the Assembly of the Republic of North Macedonia.

SAO will be directly responsible for co-ordination and management of the project and will support the project team in organizational and technical matters.

The function of SAO as a Supreme audit institution is regulated by the State Audit Law and other laws and acts.

SAO is the country's central external audit institution in charge of auditing expenditures at all government levels. The head of the SAO, who has essential decision-making powers, is the Auditor General. The Auditor General is assisted by a Deputy Auditor General. The SAO has seven departments and two independent units led by Assistant Auditor General and respective Head of non-audit departments. The State Audit Law (SAL) defines the SAO functions and the scope of its audit work. According to its legal mandate, the SAO shall carry out audit work independently and at its own discretion.

The Parliament (Assembly of the Republic of North Macedonia) adopts and alters the Constitution, adopts laws and gives authentic interpretations of laws, adopts the Republic budget and the budget annual accounts, ratifies international agreements, elects the Government, appoints and dismisses other holders of public and other offices determined by the Constitution and law, exercises political control and supervision over the Government and other holders of public office responsible to the Assembly, exercises other activities stipulated by the Constitution. In order to exercise the duties within its sphere of competence, the Assembly adopts decisions, declarations, resolutions, recommendations and conclusions.

### **5.3 Counterparts in the Beneficiary administration:**

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

#### **5.3.1 Contact person:**

Ms. Tanja Janevska  
Assistant Auditor General  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

#### **5.3.2 PL counterpart**

The BC Project Leader is:  
Ms. Tanja Janevska  
Assistant Auditor General  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

#### **5.3.3 RTA counterpart**

Ms. Katerina Chaloska Aleksovska  
Principal Auditor  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

#### **5.3.4 CL 1 counterpart**

Mr. Branislav Gulev  
Advisor to Auditor General  
SAO  
Jordan Mijalkov str.

Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

5.3.5 CL 2 counterpart  
Ms. Liljana Stojanova  
Assistant Auditor General  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

5.3.6 CL 3 counterpart  
Ms. Sonja Kambovska  
Head of Audit of Audit Department 3  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

5.3.7 CL 4 counterpart  
Mr. Sasho Jakovchevski  
Assistant Auditor General  
SAO  
Jordan Mijalkov str.  
Palata Emanuel Cuckov  
1000 Skopje  
Republic of North Macedonia

## **6. Duration of the project**

The overall execution period of the Twinning contract is 24 months.

The implementation period of the Action will last **21 months**. The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action.

## **7. Management and reporting**

### **7.1 Language**

The official language of the project is the one used as contract language under the instrument (English). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

## **7.2 Project Steering Committee**

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements via-à-vis the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

## **7.3 Reporting**

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements via-à-vis the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

## **8. Sustainability**

The sustainable perspective and benefits of the project will be reflected through strengthening of institutional capacities of SAO by the envisaged trainings and enhancing the processes related to the capacity for conducting external audit, which are both necessary for successful implementation of the external audit in the country. This project will also develop cooperation between the SAO and the Parliament, thus ensuring a long-term impact on the external audit functioning.

## **9. Crosscutting issues**

### **Equal opportunities and gender mainstreaming:**

The country has put in place the legal framework to ensure gender equality through the adoption of the Law on equal opportunities for women and men and the Law on prevention of and protection from discrimination.

Equal opportunity principles and practices in ensuring equal gender participation in the Project will be guaranteed. The competent institutions involved in the project execution will observe equal opportunity of women and men in the human resources development and capacity building activities. The beneficiary will ensure equal access of men and women to the project activities and results and all other forms of discrimination will be eliminated.

Another important opportunity to enhance the equal opportunities between men and women is provided through Gender Responsible Budget concept. In 2012, the country adopted a Strategy for Gender Responsible Budgeting. Accordingly, the Ministry of Finance amended the budget instructions in view of introducing gender budget analysis and is continuously implementing different gender budget initiatives. The Project is expected to further support this process.

### **Minorities and vulnerable groups:**

All sector activities will support the Ohrid Framework Agreement and “Race directive” 2000 (2000/43/EC of 29 June 2000), in particular local governance and local economic development, in accordance with the principles of subsidiarity and participatory development, as well as social cohesion and good inter-community relations, based on the principles of mutual



tolerance. The implementation of the Ohrid Framework Agreement has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

Simultaneously, equal representation of minorities and vulnerable groups will be the guaranteed principle. The institutions involved in the execution of the activities will observe equal opportunity for all citizens regardless of their ethnic, religious background or other type of social risk they face, in the sphere of human resources development.

#### **Engagement with civil society:**

This Twinning Fiche will involve civil society, academia, think tanks and other stakeholders when needed.

#### **Environment and climate change:**

The activities under this Twinning Fiche do not have a direct global impact on the protection of the environment. For all the activities, however, recycling of paper and the reduction of paper-based activities is recommended.

### **10. Conditionality and sequencing**

#### Conditionality

- Appointment of counterpart personnel by the beneficiary before the launch of the call of proposal and guaranteeing the continuity of the appointed and trained staff;
- Allocation of working space and facilities by the final beneficiary within the premises of the final beneficiaries before contract signature;
- Participation by the beneficiary in the selection process as per EU regulations;
- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries;
- Use and application of project outputs.

#### Sequencing

Key milestones will be:

- 1) Approval of the Twinning project fiche;
- 2) Circulation of the Twinning Project Fiche to Member State National Contact Points;
- 3) Completion of the selection of the twinning partner;
- 4) Signature of the Twinning contract;
- 5) Commencement of the implementation of the twinning (inter alia, the arrival in the country of the Resident Twinning Adviser);
- 6) End of the implementation period;
- 7) Submission of the final report;
- 8) Twinning review mission (6 to 12 months after end of the project).

### **11. Indicators for performance measurement**

See section 3.5.

## **12. Facilities available**

The SAO will dedicate all necessary human and institutional resources in order to guarantee an effective implementation of the respective project. In particular, the Beneficiary institution will ensure the availability of the following provisions:

- Adequately equipped office space for the RTA and the RTA assistants, Component Leaders and short-term experts for the entire duration of their secondment with a level of equipment at least comparable to that in use in the final beneficiary administration;
- Adequate conditions for the STEs to perform their work while on mission to the BC;
- Training and conference venues as well as presentation and interpretation equipment.

## **ANNEXES TO PROJECT FICHE**

1. Simplified Logical Framework
2. Organizational chart of the SAO

## ANNEX I - Simplified Logical Framework

	Description	Indicators	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	The overall objective is to improve the efficiency and impact of the external audit in the Republic of North Macedonia.	<ul style="list-style-type: none"> <li>Enhanced legal framework relevant to state audit</li> <li>Improved administrative capacities and external audit processes</li> <li>Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports</li> <li>Improved external and internal communication and IT and IT audit capacities</li> </ul>	<ul style="list-style-type: none"> <li>EC Progress Report and other relevant external assessment reports</li> <li>Project Final Report</li> <li>SAO Annual Report</li> </ul>		External conditions: Not applicable
Specific (Project) Objective(s)	To improve the external audit through further harmonization of legal framework and development of methodological tools as well as through strengthening the capacities of the State Audit Office (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-	<ul style="list-style-type: none"> <li>Number of audit recommendations taken actions upon</li> <li>Audit coverage of the total public expenditure</li> <li>Number of audit reports discussed in Parliament</li> </ul>	<ul style="list-style-type: none"> <li>EC Progress report</li> <li>Project Final Report</li> <li>SAO Annual Report</li> <li>Conclusions from parliamentary bodies on discussion of audit reports</li> </ul>	<ul style="list-style-type: none"> <li>Lack of awareness and commitment from high-level officials</li> <li>Insufficient human and technical resources allocated to pair the Twinning Administration staff</li> <li>Failure to adopt institutional and/or legal mechanism for anticipation of audit reports by the Parliament</li> </ul>	<ul style="list-style-type: none"> <li>Continuing adherence to agreed policy objectives</li> <li>Professional commitment and openness to adopt new working methods</li> <li>Continued political commitment</li> </ul>

	operation between SAO and Parliament.				
Mandatory Results/outputs by Components	<p><b>Mandatory result 1 (Component 1): Enhanced legal framework relevant to external audit and improved SAO strategic and annual planning</b></p> <p>In regard to Mandatory Result 1, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> <li>1. Improved legal framework for external audit based on international standards and EU best practices;</li> <li>2. Improved SAO strategic and annual planning in order to ensure that SAO would be able to further prioritize its work and maintain an adequate audit coverage over the long term;</li> <li>3. Developed ethical standards in SAO.</li> </ol>	<ul style="list-style-type: none"> <li>• Assessment report of the legal framework of external audit with proposals on achieving SAO's constitutional independence and enhancing financial and operational independence prepared;</li> <li>• Based on the recommendations provided, development of legal changes;</li> <li>• Assessment report of laws with regards to auditing of financing of political parties and election campaigns, public procurement and the new organic budget law (OBL) linked to the legal framework for external audit, with proposals for their harmonization and improvement, prepared;</li> <li>• Secondary legislation linked to the enhanced legal framework for state audit elaborated;</li> <li>• New SAO development strategy for the next five years period in line with SAO priorities and resources with action plan elaborated covering a performance appraisal</li> </ul>	<ul style="list-style-type: none"> <li>• Documents (reports, sub legal acts, strategies, action plans, annual programmes, code etc.) produced</li> <li>• Archive and web site of SAO</li> <li>• Project Final Report</li> <li>• SAO Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of awareness and commitment from high-level officials</li> <li>• Insufficient human and technical resources allocated to pair the Twinning Administration staff</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing adherence to agreed policy objectives</li> <li>• Professional commitment and openness to adopt new working methods</li> <li>• Continued political commitment</li> </ul>

		<p>and monitoring system of its implementation;</p> <ul style="list-style-type: none"> <li>• New structure and scope of SAO Annual Programme in line with the new SAO strategic documents developed;</li> <li>• New Code of Ethics for SAO employees developed and system for monitoring of its implementation introduced.</li> </ul>			
	<p><b>Mandatory result 2 (Component 2): Improved administrative capacities and external audit processes</b></p> <p>In regard to Mandatory Result 2, the following indicative sub-results will be achieved:</p> <p>1. Improved SAO capacities so as to ensure enhanced legal, strategic and audit methodology framework;</p> <p>2. Improved co-ordination and co-operation with key bodies in the system of external audit;</p>	<ul style="list-style-type: none"> <li>• Analysis report developed with proposals on improvement of the organizational structure and human resources capacity of SAO;</li> <li>• Analysis report elaborated with recommendations on improvement of the interaction of the SAO with the relevant stakeholders (Parliament, Government, Ministry of Finance, internal audit units, Public Prosecutor Office, State Commission on Prevention of Corruption, law enforcement bodies);</li> <li>• Methodology acts developed for improved performance audit, follow-up of audit recommendations, audit of EU funds and fraud and irregularities</li> </ul>	<ul style="list-style-type: none"> <li>• Documents (reports, sub legal acts, methodology acts, etc.) produced</li> <li>• Archive and web site of SAO</li> <li>• Training/seminars/workshops/study visits/internship materials, attendance lists</li> <li>• Project Final Report</li> <li>• SAO Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of awareness and commitment from high-level officials</li> <li>• Insufficient human and technical resources allocated to pair the Twinning Administration staff</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing adherence to agreed policy objectives</li> <li>• Professional commitment and openness to adopt new working methods</li> <li>• Continued political commitment</li> </ul>

	<p>3. Improved audit processes in line with international standards and EU best practices;</p> <p>4. Improved audit capacities of auditors especially in performance audit;</p> <p>5. Improved follow up of audit recommendations by auditees and the Parliament.</p>	<p>detection, based on the recommendations of the previous IPA 2013 twinning project;</p> <ul style="list-style-type: none"> <li>• New structure and content of audit reports introduced in line with ISSAT's, creating easy to read audit reports that will contain improved presentation of audit results and recommendations;</li> <li>• Guidelines on improved audit quality control and quality assurance processes developed based on the recommendations of the previous IPA 2013 twinning project;</li> <li>• Improved audit processes elaborated based on newly developed or improved methodology acts;</li> <li>• Improved audit capacities of auditors through approx. 15 pilot audits of EU funds, performance audits (out of which one in the area of climate changes), regularity (financial and compliance) audits, compliance audit (out of which one in area of environment), audit on financing of political parties and election</li> </ul>			
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		<p>campaigns, central budget audit, IT audit. Dissemination of lessons learned from the performed pilot audits through conferences/round-table discussions/presentations;</p> <ul style="list-style-type: none"> <li>• Enhanced practical knowledge of auditors in the areas of, but not limited to: legal framework, strategic development and audit planning, implementation of the Code of Ethics; interaction of the SAI with relevant stakeholders; audit processes; SAO-Parliament cooperation best practices in EU; communication system development (through approx. 15 internships, 6 study trips, 15 seminars, 10 round-table discussions, 6 conferences etc).</li> </ul>			
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	<p><b>Mandatory result 3 (Component 3): Improved legislative scrutiny function of the Parliament based on processing and discussion of SAO audit reports;</b></p> <p>In regard to Mandatory Result 3, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> <li>1. Improved legal framework and methodological framework of SAO and Parliament for submission and reviewing of the audit reports based on the recommendations of the previous IPA 2013 twinning project;</li> <li>2. Improved cooperation between the Parliament and SAO for reviewing audit reports based on the recommendations of the previous IPA 2013 twinning project;</li> <li>3. Strengthening capacity of Parliament for reviewing audit reports based on new</li> </ol>	<ul style="list-style-type: none"> <li>• Memorandum of Understanding developed between Parliament and SAO for review of audit reports;</li> <li>• Assessment report elaborated with proposals on legal framework of SAO and Parliament for submission and reviewing of the audit reports;</li> <li>• Action Plan prepared on how to improve cooperation between the Parliament and SAO for reviewing audit reports, in line with the SAO and Parliament's strategic documents;</li> <li>• Analysis report prepared with recommendations prepared on structural, organizational and procedural changes to be introduced in Parliament for reviewing of audit reports;</li> <li>• Written procedures of SAO elaborated on developing and submitting audit reports and other documents to the Parliament;</li> <li>• Written procedures of the Parliament prepared on the mechanism for reviewing audit reports (from the receipt of the audit reports and other</li> </ul>	<ul style="list-style-type: none"> <li>• Documents (reports, MoU, action plans, methodology acts, rules, procedures, etc.) produced</li> <li>• Archive and web site of SAO and Parliament</li> <li>• Training materials, attendance lists</li> <li>• Project Final Report</li> <li>• SAO Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of awareness and commitment from high-level officials</li> <li>• Insufficient human and technical resources allocated to pair the Twinning Administration staff</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing adherence to agreed policy objectives</li> <li>• Professional commitment and openness to adopt new working methods</li> <li>• Continued political commitment</li> </ul>
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	legal and methodological framework.	<p>documents till the adoption of conclusions thereon and following the implementation of the recommendations);</p> <ul style="list-style-type: none"> <li>• Amendments to the existing Manual "Introduction to Audit Reports" prepared;</li> <li>• Proposal for changes of the internal rules of functioning of the Parliament prepared;</li> <li>• Training Plan for parliamentarians and parliament administrative staff to understand audit reports and prepare for the debate on audit reports prepared;</li> <li>• Based on the Training Plan, trainings (through workshops, case studies, debate simulations) for parliamentarians and parliament administrative staff conducted for understanding of audit reports and preparing for the debate on audit reports (at least one training for each audit type);</li> <li>• Analysis report of the audit process of the Annual Account of the Budget of the Republic of North Macedonia prepared with</li> </ul>			
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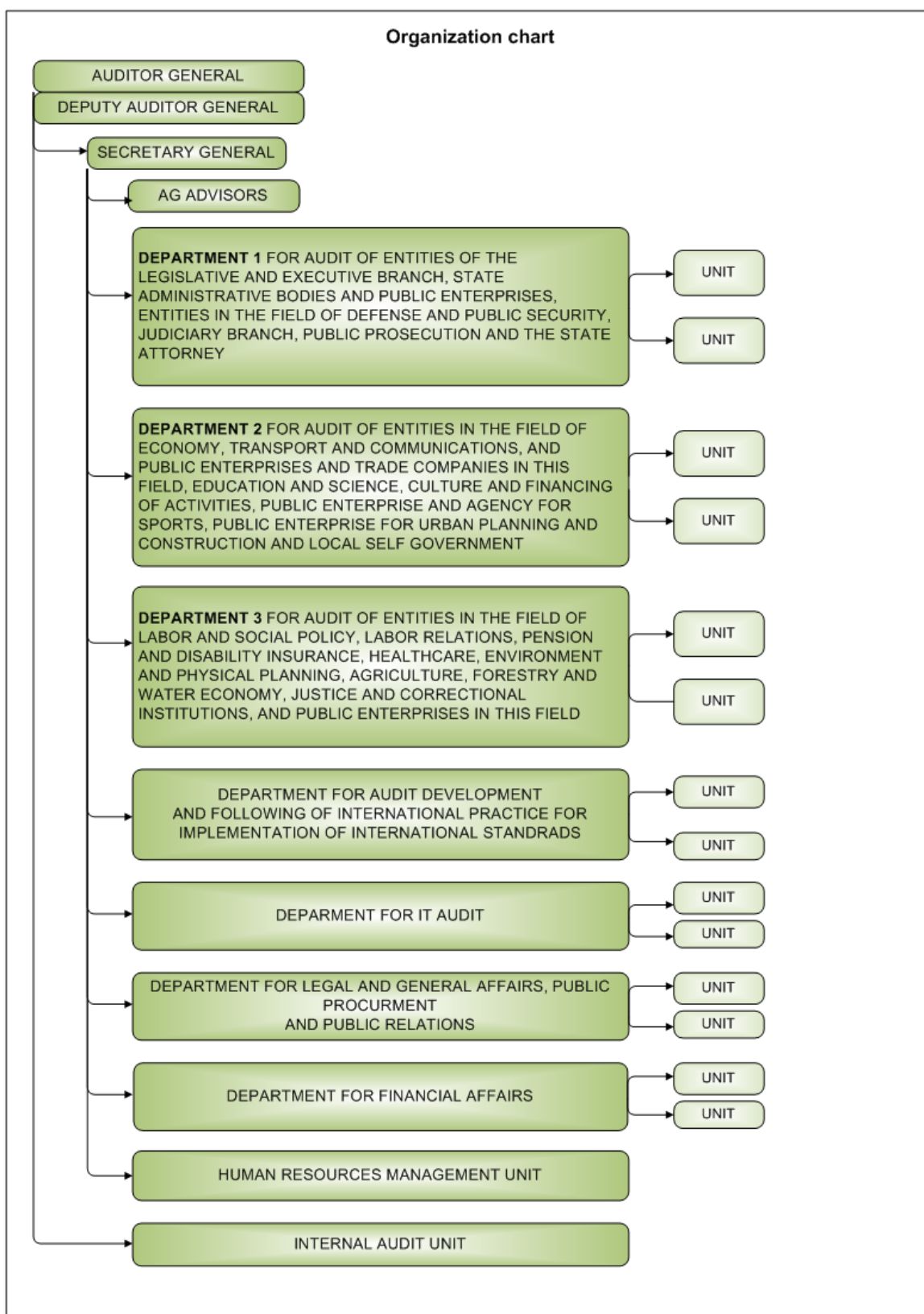
		recommendations for improvement.			
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	<p><b>Mandatory result 4 (Component 4): Improved external and internal communication and IT and IT audit capacities</b></p> <p>In regard to Mandatory Result 4, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> <li>1. Improved reporting on SAO performance and audit results;</li> <li>2. Improved flow of documents and information for internal and external communication;</li> <li>3. Improved communication policies and procedures related to media and relevant stakeholders;</li> <li>4. Enhanced capacity for IT and IT audit;</li> <li>5. Enhanced SAO information security management system.</li> </ol>	<ul style="list-style-type: none"> <li>• Amendments to the structure and content of SAO's Annual Report prepared to improve presentation of SAO performance and results of audit reports;</li> <li>• Abstracts from the audit reports prepared containing information of relevance to parliament members and staff;</li> <li>• Abstracts from the audit reports prepared containing information of relevance to media and public;</li> <li>• Enhanced skills of auditors for preparing abstracts from the audit reports of relevance to parliament members and staff and to media and public through trainings (approx. 3 seminars/workshops).</li> <li>• Rules for internal flow of paper and electronic documentation developed;</li> <li>• Report prepared with recommendations for revising and updating policies and procedures for publishing information on SAO web site, communication with the media and all relevant stakeholders;</li> </ul>	<ul style="list-style-type: none"> <li>• Documents (reports, abstracts, rules, methodology acts, etc.) produced</li> <li>• Archive and web site of SAO</li> <li>• Training materials, attendance lists</li> <li>• Project Final Report</li> <li>• SAO Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of awareness and commitment from high-level officials</li> <li>• Insufficient human and technical resources allocated to pair the Twinning Administration staff</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing adherence to agreed policy objectives</li> <li>• Professional commitment and openness to adopt new working methods</li> <li>• Continued political commitment</li> </ul>
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		<ul style="list-style-type: none"> <li>• Updated policies and procedures for publishing on SAO web site, communication with the media and relevant stakeholders developed;</li> <li>• Review of the SAO website and recommendations for improvement prepared;</li> <li>• Report with recommendations on how to facilitate access to SAO reports by all relevant stakeholders using appropriate communication tools prepared;</li> <li>• Report on outcomes of ITSA and ITASA recommendations from the previous IPA 2013 twinning project prepared;</li> <li>• IT Audit Manual updated in accordance with GUID - 5100 - Guidance on Audit of Information Systems;</li> <li>• Advanced skills on CAAT's application in audits/IDEA software through trainings (approx. 2 workshops/seminars);</li> <li>• Assessment report with recommendations for introduction, implementation, monitoring and</li> </ul>			
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		maintenance of the SAO information security management system, according to ISO27001:2013.			
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## ANNEX II – Organization chart of the SAO



## List of abbreviations

AP	Accession Partnership
BC	Beneficiary Country
BCPL	Beneficiary Country Project Leader
CFCD	Central Financing and Contracting Department
DEU	Delegation of European Union
EC	European Community
EU	European Union
GRECO	Group of States against Corruption
IPA	Instrument for Pre-accession Assistance
MoF	Ministry of Finance
MSPL	Member State Project Leader
NPAA	National Programme for the Adoption of the Acquis
PL	Project Leader
PSC	Project Steering Committee
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
SAI	Supreme Audit Institution
SAL	State Audit Law
SAO	State Audit Office
SEA	Secretariat for European Affairs
STE	Short term Expert
TAIB	Transition Assistance and Institution Building