



ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА
ENTI SHTETËROR I REVIZIONIT
STATE AUDIT OFFICE



**STRATEGIC AUDIT PLAN
OF THE STATE AUDIT OFFICE
2021 – 2023**

Skopje, December 2020

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Abbreviations:

RNM Republic of North Macedonia

SAO State Audit Office

SAI Supreme Audit Institution

AG Auditor General

SO Strategic objective

IO Immediate objective

AWP Annual Work Program

Pursuant to Article 9, paragraph 1 item 3 and 4 of the State Audit Law (Official Gazette of RNM no. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15, 27/16 and 83/18), Article 3, paragraph 1 of the Rulebook on the manner of performing state audit (Official Gazette of RNM no. 264/20), as well as the Guidelines for strategic and annual audit planning no. 02 - 735/1 from 09 July 2020, Auditor General passed the

**STRATEGIC AUDIT PLAN
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1. Strategic audit objectives

The State Audit Office (SAO) is the supreme audit institution of the Republic of North Macedonia whose objective is timely and objective communication of audit findings to the Assembly, the Government, other public office holders and the public. In addition, SAO provides support to the Assembly in fulfilling its competencies by identifying and presenting irregularities, cases of illegal operation and possible cases of corruption and abuse of office. With clear and effective recommendations, SAO provides support to the state institutions and the beneficiaries of public funds for improving the management thereof. Thus, SAO contributes to improving the lives of the citizens of the Republic of North Macedonia.

Aiming to meet our objective successfully - to watch over public funds and contribute to improved management thereof, our vision is to ensure continuous quality of operations, thus retaining the epithet of an independent and professional partner with high integrity and a bearer of progress in public funds management, accountability and transparency.

The strategic audit objectives for a three-year period from 2021 until 2023) are determined in the Decision on setting strategic audit objectives of the State Audit Office for 2021-2023 and priority audit areas by audit departments no. 01-969/1 from 16 November 2020 (hereinafter: the Decision), which is based on implemented procedures by the audit departments in accordance with SAO Guidelines for Strategic and Annual Audit Planning no. 02-735/1 from 09 July 2020 and the information received on the scope, significance and risks arising from the strategic objectives (SO) and the immediate objectives (IO) of SAO Development Strategy 2018 - 2022 as follows:

SO 2: Further development of the quality of state audit:

- IO 2.1 Improving efficiency of planning and programming financial and performance audits;
- IO 2.2 Improving quality of audits and monitoring effects of performed audits;
- IO 2.3 Further development of the system for monitoring and informing on systemic weaknesses common to audited entities and on activities by areas and entities.

SC 5: Improving communication and information exchange system

with national and international legal entities and informing the public about SAO operation.

With the above Decision, Auditor General has set the strategic audit objectives for a period of three years (2021-23) as follows:

- Providing opinion on the true and fair presentation of financial statements and the results of financial activities of audited entities in line with INTOSAI Framework of Professional Pronouncements (IFPP), the State Audit Law and the approved accounting standards and principles;
- Providing opinion on the earmarked and legal use of funds in line with the positive legislation-examination of financial transactions that are public revenues and expenditures;
- Assessing the use of public resources with regard to achieved economy, efficiency and effectiveness;
- Transparent and accountable reporting on identified shortcomings, given recommendations and action (not) taken by audited entities upon performed audits, as well as initiating proposals for improving the legal framework before the Assembly of the Republic of North Macedonia, the public and all stakeholders;
- Taking action on informing and cooperating with competent authorities in RNM, when conducting audits and issuing audit reports, concerning potential or detected risks, uncertainties, illegal action and transactions, which indicate possible conflict of interest, corruption and fraud aimed at further action;
- Selecting audits that will contribute to improvement of public services;
- Selecting audits that will contribute to increasing public awareness and importance of priority areas concerning environment and sustainable development goals;
- Selecting audits of public interest;
- Selecting audits as part of SAO international activities aimed at increasing auditors' knowledge, capacity and skills.

2. Strategic objectives and priorities of audit departments

Strategic objectives and priorities of SAO audit departments for the period 2021-23, in line with the Decision and the Strategic Audit Plans of the audit departments are:

- supervision over the spending of public funds;
- fight against corruption;
- quality financial reporting;
- contributing to improvement of public services;
- continuous increase of responsibility, accountability and transparency;
- increasing accountability and transparency in the use of public funds;
- improving operation of public funds' users;
- improving quality of work of audit departments through continuous professional development of auditors;

- improving work performance by strengthening communication and cooperation between auditors and institutions;
- providing appropriate work environment;
- improving corporate culture and ethics in performing audit and other SAO activities.

2.1. Priority audit areas

Priority audit areas of the State Audit Office for the period 2021-23 in line with the Decision are:

- Budget of the Republic of North Macedonia;
- national security and defense;
- state of crisis and emergency;
- effects of pandemic;
- political parties and electoral processes in RNM;
- local self-government and balanced regional development;
- labor and social policy;
- education;
- culture and sports;
- healthcare system;
- environment;
- agriculture, forestry and water economy;
- judiciary and rule of law;
- economy;
- traffic, transport and communications;
- UN Sustainable Development Goals;
- IT systems, security and data protection; and
- EU Funds and funds from other international institutions.

3. Scope of audit activity

In accordance with SAO strategic audit objectives, as well as the strategic objectives and priorities of the audit departments, each audit department has prepared Strategic Audit Plan for 2021-23 at department level for the audit areas under its jurisdiction. Strategic Audit Plans are prepared in accordance with the procedure defined in the Guidelines for Strategic and Annual Audit Planning based on provided relevant information on the scope, significance and risks of priority areas and assessment of proposed sub-areas performed in accordance with the criteria and importance factors, as well as in accordance with professional judgment.

According to the Strategic Audit Plans of the audit departments, the following audit areas and sub-areas for 2021-23 have been identified:

<i>Department</i>	<i>Area</i>	<i>Sub-area</i>
1. Audit Department of legislative and executive power, President of RNM, Budget of RNM, defense, public security, National Bank of RNM	<ul style="list-style-type: none"> • Budget of the Republic of North Macedonia; • National security and defense; • State of crisis and emergency; • Effects of pandemic; • UN Sustainable Development Goals; and • EU Funds and funds from other international institutions. 	<ul style="list-style-type: none"> • State Budget –Budget planning, execution and management, realization of economic and development policy of the state and public debt of the state; • COVID 19 - measures and activities of the institutions in the system; • National security and defense - opportunities and resources for positive security and defense ambiance; • EU integration and foreign policy - system for managing EU accession process and international relations of RNM; • State administration - institutional capacities of state bodies and state administration.
2. Audit Department of political parties, State Commission for Prevention of Corruption, State Election Commission, Agency for Audio and Audiovisual Media Services, electoral process monitoring	<ul style="list-style-type: none"> • Political parties and electoral processes in RNM; • Judiciary and rule of law; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Political parties and electoral processes - legality of financing and use of funds by political parties and participants in election campaigns.
3. Audit Department of local self-government units (LSGUs) and public enterprises and trade companies established by LSGUs	<ul style="list-style-type: none"> • Local self-government and balanced regional development; • State of crisis and emergency; • Effects of pandemic; 	<ul style="list-style-type: none"> • Planning, executing and managing LSGU budgets; • Sustainable economic development during pandemic; • LSGU borrowing; • Decentralization;

<i>Department</i>	<i>Area</i>	<i>Sub-area</i>
	<ul style="list-style-type: none"> • Economy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Balanced regional development and territorial cooperation; and • LSGU own revenues during pandemic for providing quality services to the citizens.
	<ul style="list-style-type: none"> • Local self-government and balanced regional development; • Education; • Culture and sports; • Environment; • Agriculture, forestry and water economy; • Traffic, transport and communications; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Communal infrastructure quality services for the citizens; • Drinking water supply; • Water drainage; • Waste management, • Construction of streets and sidewalks; • Maintenance of green areas, parks, playgrounds and sports facilities; and • Public institutions in the area of education, culture and sports.
4. Audit Department of public enterprises and trade companies established by the central government	<ul style="list-style-type: none"> • Economy; • Traffic, transport and communications; • Agriculture, forestry and water economy; • Culture and sports; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Electricity production; • Electricity transmission; • Road infrastructure; • Railway infrastructure and traffic; • Water economy; • Broadcasting; • Postal traffic; • Construction and management of sports facilities; • North Macedonia navigation; • Air traffic; • Construction and management of residential and business premises.

Department	Area	Sub-area
5. Audit Department of labor, social affairs, labor relations, pension and disability insurance, education and culture	<ul style="list-style-type: none"> • Labor and social policy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Employment and unemployment insurance and supervision of labor relations; • Financing and realization of rights to pension disability insurance; and • Social protection.
	<ul style="list-style-type: none"> • Education; • UN Sustainable Development Goals; and • IT systems, security and data protection. 	<ul style="list-style-type: none"> • Education and upbringing of all types and degrees: organization, financing, development and promotion; and • Pupils and students' standard and development, investments in information technology and e-education and support of innovation and technical culture.
	<ul style="list-style-type: none"> • Culture and sports; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Funding and development of the network of national institutions in the field of culture; and • Funding programs and projects of national interest; protection of cultural heritage, culture activities, houses of culture and protection of copyright and related rights, and celebrating events and persons of national interest.
	<ul style="list-style-type: none"> • State of crisis and emergency; • Effects of pandemic; • Labor and social policy; • Education; • Economy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Government measures and policies for addressing social and economic effects of COVID 19 pandemic; and • Measures for sustainable education process and dealing with the effects of the COVID 19 pandemic in primary and secondary education.
6. Audit Department of healthcare, environment and	<ul style="list-style-type: none"> • Healthcare system; • State of crisis and emergency; 	<ul style="list-style-type: none"> • Ministry of Health; • Health Insurance Fund of the Republic of North Macedonia;

<i>Department</i>	<i>Area</i>	<i>Sub-area</i>
physical planning, agriculture, forestry and water economy	<ul style="list-style-type: none"> • Effects of pandemic; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Public healthcare institutions; • Implementation of measures for dealing with COVID 19 crisis; • Health protection programs; • Manner of implementation of development programs for construction, reconstruction and enlargement of PHI facilities, and for procurement of medical equipment for PHIs in RNM.
	<ul style="list-style-type: none"> • Environment; • Agriculture, forestry and water economy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Environment and spatial planning, improvement of the environment; • Implementation of environmental protection programs and programs for monitoring and protection against air pollution; • Implementation of water protection measures; • Implementation of Development program Dojran Lake, Development program Wastewater collection system Ohrid, Struga, arrangement of a torrent on the riverbed of river Pchinja, Shipkovicva, Tetovo region.
	<ul style="list-style-type: none"> • Agriculture, forestry and water economy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Ministry of agriculture, forestry and water economy, stimulating agricultural development, financial support in agriculture and rural development, food and veterinary medicine; • Forest management, pasture management, public enterprises in the field of water economy; • Implementation of development programs - byproducts management, Hydro system Zletovica, Hydro system Lisice, irrigation of the southern valley of the river Vardar and financial

<i>Department</i>	<i>Area</i>	<i>Sub-area</i>
		support and rural development program.
7. Audit Department of justice, judiciary, Public Prosecutor's Office of RNM, penitentiary-correctional institutions, State Attorney of RNM, economy, transport and communications	<ul style="list-style-type: none"> • Judiciary and rule of law; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Public Prosecution System of RNM, • Ombudsman of RNM - independent and functional system that abides by the rule of law, human rights and freedoms; • Fight against corruption; and • Social justice.
	<ul style="list-style-type: none"> • Judiciary and rule of law; • Political parties and electoral processes in RNM; • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Strengthening independence, impartiality and increasing judiciary efficiency to ensure rule of law and legal certainty; • Improving the status of the Public Prosecutor's Office; • Improving the standards of the penitentiary system; • Building efficient and modern electoral system; • Promotion of the civic initiative; • Improving human rights assumptions.
	<ul style="list-style-type: none"> • Economy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Support and development of domestic enterprises; • Development and improvement of competitiveness of Macedonian industry; • Energetics; • Development of tourism and catering; • Planned and sustainable use of resources and natural resources; • Creating single market in accordance with EU regulations and developing effective trade policy.

<i>Department</i>	<i>Area</i>	<i>Sub-area</i>
	<ul style="list-style-type: none"> • Traffic, transport and communications; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Rail and air traffic; • Road infrastructure; • Construction; • Urbanism; • Postal services; • Residential and communal construction; and • Housing.
9. IT Audit Department	<ul style="list-style-type: none"> • IT systems, security and data protection; • State of crisis and emergency; • Effects of pandemic; • Labor and social policy; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Use of information technology for exchange of information between state bodies; • ICT tools used by employees for remote work during COVID 19 pandemic or other emergency / crisis situation; • Data security and protection in infrastructure management, i.e. data centers in some public sector entities; • Use of information technology in support of competencies of public sector entities.
10. Audit Department of beneficiaries of EU Funds and beneficiaries of funds of other international institutions	<ul style="list-style-type: none"> • EU Funds and funds from other international institutions; • RNM Budget; and • UN Sustainable Development Goals. 	<ul style="list-style-type: none"> • Public debt management – RNM borrowing; • Borrowing of public sector entities, degree of utilization of credits and loans, paid and incurred expense; • Effectiveness of implementation of EU funded projects and projects funded by other international institutions; • Public debt servicing, monitoring of public debt indicators and operational risk in public debt management.

4. Necessary resources

Necessary resources and timeframe for implementation will be determined in SAO annual work programs in accordance with the established strategic objectives, audit areas and sub-areas, and the necessary HR and financial resources for audit in the period 2021-23.

5. Organizational activities

Timing of audits, number of auditors, required number and type of training, the need of hiring experts, and the need of additional equipment for state auditors for unimpeded implementation of planned audits will be determined in SAO annual work programs and the annual programs for continuous development and training of state auditors for the period 2021-2023.

6. Risks in achieving strategic objectives and audit indicators

Measures and recommendations of the Government of RNM for protection and prevention of COVID 19 may have an impact on the achievement of strategic objectives and audit indicators.

Lack of human resources, administrative capacities and financial resources that pose risks to the complete and timely realization of planned audits for the period 2021-23 and the activities for reducing these risks are determined in SAO Risk Management Strategy of 2020-23, no. 02-739 / 1 from 13 July 2020.

7. Implementation of the Strategic Audit Plan

SAO annual work programs for the period 2021-23 will be prepared based on this Strategic Plan. The annual work programs will include list of auditees by type of audit based on proposals from the audit departments that were prepared by applying selection criteria and results of applied criteria as well as by applying professional judgment.

8. Update of the Strategic Audit Plan

This Strategic Plan will be updated in accordance with the strategic department-level audit plans that are updated annually. The update denotes re-examining possible and new risks on the proposed list or supplementing the list with new proposals.

No.

Auditor General

Skopje, __. __. 2020

Maksim Acevski, MSc

ANNEXES

- 2021-23 Strategic Plan of Department 1 - Audit Department of legislative and executive power, President of RNM, Budget of RNM, defense, public security, National Bank of RNM;
- 2021-23 Strategic Plan of Department 2 - Audit Department of political parties, State Commission for Prevention of Corruption, State Election Commission, Agency for Audio and Audiovisual Media Services, election monitoring;
- 2021-23 Strategic Plan of Department 3 - Audit Department of local self-government units (LSGUs) and public enterprises and trade companies established by LSGUs;
- 2021-23 Strategic Plan of Department 4 - Audit Department of public enterprises and trade companies established by the central government;
- 2021-23 Strategic Plan of Department 5 - Audit Department of labor, social affairs, labor relations, pension and disability insurance, education and culture;
- 2021-23 Strategic Plan of Department 6 - Audit Department of healthcare, environment and physical planning, agriculture, forestry and water economy;
- 2021-23 Strategic Plan of Department 7 - Audit Department of justice, judiciary, Public Prosecutor's Office of RNM, penitentiary-correctional institutions, State Attorney of RNM, economy, transport and communications;
- 2021-23 Strategic Plan of Department 9 - IT Audit Department; and
- 2021-23 Strategic Plan of Department 10 - Audit Department of beneficiaries of EU Funds and beneficiaries of funds of other international institutions.