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Peer Review Report on the State Audit Office of the Republic of North Macedonia

Drzaven zavod za revizija

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Foreword

I am honoured to present the State Audit Office of the Republic of North Macedonia with the report on the peer review that was conducted by a team of experts from my institution – the Supreme Audit Office of Poland, or NIK, in 2024.

Supreme Audit Institutions have a special role to play: they conduct an objective assessment of governments and their spending. To be reliable in this role, they must earn the trust of their stakeholders – the citizens, the legislative bodies, the executive bodies and auditees – and they are held to high expectations. At the same time, Supreme Audit Institutions must be accountable, and high quality of their work must be ensured. To this end, reviews are conducted by peers, i.e. equivalent institutions of other states.

Although a peer review is not an audit, it ultimately has similar goals: to assess and to advise. One of the differences between a peer review and an audit is that the former is a voluntary exercise: a reviewed institution is not bound by the recommendations provided during a peer review, but it can use them to improve its operations. And there is always room for improvement – as many peer reviewers are used to saying. I sincerely hope that the improvements recommended by our team will help the State Audit Office of the Republic of North Macedonia perform better.

The objective of this peer review exercise was to assess how the State Audit Office complies with international auditing standards, and its focus was independence. The overall conclusion from the peer review was that the operations of the State Audit Office were compliant with the international standards and best practices for Supreme Audit Institutions, and the only missing aspect was the full independence. Hence the Reviewer recommended further attempts to promote the draft amendments to the Constitution and the proposal of the new State Audit Law, with the ultimate objective to have them adopted by the Parliament of the Republic of North Macedonia. This is a prerequisite, without which the SAO may not be able to maintain the progress made to date.

I would like to express support for the proposal for the Amendments to the Constitution submitted by SAO and the new draft State Audit Law, which in the opinion of the peer reviewer are in line with the provisions on independence comprised in the international auditing standards. We appreciate the effort and progress made so far by SAO to embed its independence in the legal framework of the Republic of North Macedonia and we are looking forward to having both the amendments and the new law adopted.

Let me wish the State Audit Office of North Macedonia every success and satisfaction in their future work.



Marian Banaś
President
Supreme Audit Office of Poland

I. Summary

The Auditor General of the State Audit Office of the Republic of North Macedonia, in order to improve the activities of the institution he headed, addressed the President of the Supreme Audit Office of Poland with a request to conduct a peer review.

An inspiration for the peer review was a discussion on the fundamental values and principles of Supreme Audit Institutions, especially independence. At the time when the Supreme Audit Office of Poland (NIK) struggled with infringements of its independence when members of its collegial body were not appointed, which practically paralysed its operations, the State Audit Office of the Republic of North Macedonia (SAO) had to spare no effort to have its independence in the Constitution, as it was not there despite the recommendations of international standards and good practices.

In July 2024, a Memorandum of Understanding was signed, setting out that the peer review would be conducted in line with INTOSAI GUID 1900 Peer Review Guidelines and the principles, standards and guidelines of the INTOSAI Framework of Professional Pronouncements (IFPP), as well as pursuant to national laws and regulations. The peer review was conducted in a short period of time between July and September 2024, by a team of six reviewers from NIK.

In the first place, the peer review comprised a review of SAO's independence based on the current legal framework and the draft State Audit Law prepared under the Twinning Project "Improvement of external audit and parliamentary oversight". The second objective of the peer review was an analysis of the human resources management process, in line with the SAO Development Strategy, the Human Resources Management Strategy and the annual planning documents. The third area of the peer review exercise was an assessment of the financial, compliance and performance audit methodology regarding conformance with relevant international standards. The fourth and the last objective of the peer review was an assessment of the process of issuing audit reports, as well as communication with stakeholders based on the SAO Communication Strategy.

In the opinion of the Reviewer, the greatest challenge that SAO faced was the lack of full independence: the lack of constitutional provisions to guarantee the independence, the lack of financial independence, and the status of SAO staff as administrative servants, which also affected the recruitment procedure.

At the same time, the Reviewer would like to emphasise a great progress of SAO in developing and implementing strategic documents, both of general nature and addressing specific areas of operations, such as human resources management and communication with stakeholders. The strategic documents that the Reviewer analysed met international standards and were consistent with international best practices.

The Reviewers also confirmed that the audit methodologies applied at SAO for the main audit types – financial, performance and compliance – were fully compliant with the International Standards of Supreme Audit Institutions (ISSAI) at all stages of the audit process: from planning, through execution, to reporting and follow-up.

The Reviewer is also impressed with the modern approach of SAO to communication: well prepared communication strategy, constantly increasing presence in the media, including social media, impressive activity in the country and involvement in international engagements.

Therefore, the Reviewer concluded that the operations of SAO were compliant with the international standards and best practices for Supreme Audit Institutions, and the only missing aspect was the full independence. Hence the Reviewer recommended further attempts to promote the draft amendments to the Constitution and the proposal of the new State Audit Law, with the ultimate objective to have them adopted by the Parliament of the Republic of North Macedonia. This is a prerequisite, without which SAO may not be able to maintain the progress made to date.

The Reviewer was impressed with the involvement of the SAO staff in the peer review process, their willingness to learn and develop, and their openness to changes. The Reviewer would like to thank for smooth cooperation, and the readiness of the SAO employees to share all necessary documentation, provide explanations and answer all questions. At the same time, the project provided NIK with an opportunity to learn from SAO's experience – in accordance with one of the assumptions of peer review exercises that is mutual learning among peers.

II. Independence

Independence of Supreme Audit Institutions

Independence of Supreme Audit Institutions (SAIs) is a prerequisite of democratic states, since only independent SAIs can conduct objective and impartial audits that indicate irregularities in the operations of governments and other public institutions. Only objective and impartial audit reports are informative and useful to the citizens, giving them a reliable illustration of how public money is spent.

Independence of SAIs has been for many years recognised as a prerequisite of their functioning by the public sector audit community. Already in 1977, the Lima Declaration of Guidelines on Auditing Precepts emphasised that, without being independent, SAIs cannot conduct an objective and impartial assessment of governments and their spending. What is more, this independence is also required to be anchored in the legislation – a SAI needs to be protected by the constitution, since in this way its functional independence is guaranteed. The precepts contained in the Declaration are timeless, and the values it defines have maintained their topicality since the adoption of the document.

Independence is one of the values of the INOSAI Code of Ethics – ISSAI 130: *The SAI shall be independent as regards its status, mandate, reporting, and management autonomy. The SAI shall have full discretion in the discharge of its functions. This independence shall be prescribed by an appropriate and effective constitutional, legal and regulatory framework*¹.

Independence of a SAI is also a prerequisite for membership in the European Union – the Union requires an institutionally, operationally and financially independent external audit institution that implements its audit mandate in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and reports to the parliament on the use of public sector resources (*Chapters of the acquis*. Chapter 32: Financial control).

¹ ISSAI 130/34(a).

Independence of the State Audit Office

In 2021, SAO accomplished the Twinning Project MK 18 IPA FI 03 20 "Improvement of external audit and parliamentary oversight", whose specific objectives were, among others, to strengthen external audit through harmonisation of the legal framework and methodological tools of SAO, and to increase the cooperation between SAO and the Macedonian Parliament. The Twinning Project provided recommendations aimed at strengthening SAO's independence, in particular to ensure financial and administrative independence, based on the eight principles of independence of the Mexico Declaration, which make necessary conditions for proper public sector auditing.

The conclusion of the Twinning Project was that, although the State Audit Law states that SAO *shall be independent in its operations*², it has no legal basis in the Constitution of the Republic of North Macedonia. Following that observation, the Twinning Project's recommendation was to consider amendments to the Constitution with regard to SAO's independence, structure, mandate, term of office, appointment and dismissal of the Auditor General, and the scope of SAO activity³.

As a result of the Twinning activities, legislative changes have been prepared and presented for public discussion, set out in the proposal for the new State Audit Law of July 2024 that was analysed within this peer review exercise. The Reviewer is of the opinion that it regulates the issues related to the status and competences of SAO, the status and rights of auditors, as well as the issuance of audit reports and the obligation to follow up and respect audit recommendations by the auditees. The provisions of the proposal for the Law safeguard organisational, functional and financial independence of SAO, based on the INTOSAI Framework of Professional Pronouncements (IFPP)⁴.

However, the independence of SAO, as observed during the Twinning Project, is still not anchored in the Constitution of the Republic of North Macedonia, hence it cannot be stated that SAO enjoys full independence. And if a SAI's independence is breached or threatened, or partial, the process of safeguarding public spending is incomplete. Such things do not happen overnight, because these are slow, step by step processes that first weaken the SAI and, consequently, the democracy and the state.

With this in view, the Reviewer would like to express support for the text of the proposal for the Amendments to the Constitution submitted by SAO in October 2022 to the Assembly of the Republic of North Macedonia, to the Government of the Republic of North Macedonia and to the Ministry of Justice. In the Reviewer's opinion, the proposal comprises the issues that need to be constitutionally regulated and refer to state auditing in order to ensure the independence of SAO. This is the key milestone in the course of meeting the recommendations of the European Union in the area of public financial control that has to be reached by the Republic of North Macedonia. All EU Member States are required to have the SAI anchored in the constitution, so as to guarantee independence in its all aspects: functional, organisational and financial.

Therefore, the Reviewer would like to appreciate the achievements made so far to embed the independence of SAO in the legal framework. Furthermore, the Reviewer would like to emphasise the support that SAO receives from the international community of SAIs that recognise its developments, the professionalism of SAO staff and the high quality of its audit work – this has

² State Audit Law, Article (3)(4).

³ Assessment report of the legal framework of external audit with proposals for enhancements, July 2021, p. 12.

⁴ www.issai.org

been reflected in the extensive international cooperation of SAO, numerous projects implemented at SAO by foreign partners, and all forms of support SAO receives for its efforts to have its independence anchored in the Constitution.

Recommendation 1

Continue efforts to have provisions on the functional, organisational and financial independence of SAO in the Constitution of the Republic of North Macedonia.

III. Human Resources Management

People are the most valuable asset of a SAI as they play the key role in achieving high quality audit work. With this in mind, SAO implemented the Human Resources Management Strategy of State Audit Office 2024–2027 (HRM Strategy), which *enables employees to maintain and increase their interest in working in the institution by improving working conditions, equal requirements for employment and promotion, continuous professional development and valuing the work for employees in accordance to the degree and quality of invested work and knowledge*⁵.

Human Resources Management Strategy – an Overall View

The main objective of the HRM Strategy is to attract, hire, develop and retain competent and motivated staff who will contribute to the achievement of the goals and tasks of the institution, ensuring efficient and effective management of human resources in accordance with the strategic goals of SAO. The HRM Strategy establishes the strategic sustainability of SAO human resources management process. The current HRM Strategy replaced the previous one, which was developed for the years 2020–2023.

The Human Resources Management Strategy is part of SAO's strategic framework, which also comprises the Development Strategy 2023–2027, the Risk Management Strategy 2024–2027, the IT Strategy 2023–2027, the Communication Strategy 2024–2027, the Strategic Audit Plan 2024–2027, the Code of Ethics (2022), the Annual Plan for Prevention of Corruption (2024) and the SAO Integrity Policy.

The basic principles of the HRM Strategy are based on INTOSAI-P 1 Lima Declaration, INTOSAI-P 20 – Principles of Transparency and Accountability, ISSAI 130 – Code of Ethics and ISSAI 140 – Quality Control for SAIs. The Strategy ensures continuous development through: improvement of working conditions, specialisation of internal organisational units, assigning employees to positions according to their professional qualifications, experience and skills, as well as continuous career advancement through promotion and remuneration adequate to the results achieved. SAO aims to create an environment that encourages innovation, performance, professionalism and teamwork.

Measures and Activities

It is crucial to emphasise that the HRM Strategy comprises dedicated chapters for practical measures and activities. The measures can be used in the planning process, e.g. when preparing

⁵ Human Resources Management Strategy of State Audit Office 2024–2027, Skopje, November 2023, p. 2.

budget requests, or the annual work program, including the annual program for continuous professional development. The proposed activities for the management and employees are planned and carried out in accordance with the competences set forth in the State Audit Law, the internal organisational structure and tasks so that the assigned measures can be implemented.

Measures are based on principles such as professionalism, transparency, collegiality and teamwork, quality and professional ethics, gender equality, innovation, and continuous learning. The measures are as follows: employment, career, continuous professional development, evaluation of the work of employees, sustainability of the working environment and digitalisation of the human resources management processes. For the measures, specific activities are listed, which makes a great added value of the document.

Holistic Approach

In the opinion of the Reviewer, the Human Resources Management Strategy of State Audit Office 2024–2027 is in line with the broader Development Strategy of SAO, and the strategic goals and measures that it defines allow for modern and professional human resources management. The HRM Strategy is concluded with a detailed action plan with clearly defines effects to be achieved within the set deadlines. According to the Reviewer, SAO has established a clear strategy, plan and budget for human resources that are necessary to fulfil its mandate and achieve its objectives.

In the modern world it is crucial for managers to have a clear vision of the institution they manage, also for the most valuable resource, which are employees. The HRM Strategy of SAO, which is based on values, indicates how important it is to maintain and increase employees' commitment to work. This means that the document follows the latest strategic trends in human resources management, which recognise staff's involvement as a recipe for success of the entire organisation. The Reviewer would also like to appreciate SAO's openness and willingness to change, and its consideration to gender equality and ethical aspects in the HRM Strategy.

The structure of the HRM Strategy indicates that its authors focused both on strategic aspects and on the implementation stage, which is not always true for this type of documents. It is crucial for an organisation to operationalise strategies and to set clear and measurable milestones – and SAO did it in the Annual Plan for Continuous Professional Development for 2024 (Skopje, December 2023). Importantly, the document was elaborated after the needs for professional development of employees were analysed, appropriate training materials were provided, and training events were conducted and evaluated.

The Reviewer would like to complement the approach of SAO to development and implementation of strategic and operational documents: the Human Resources Management Strategy and the Plan for Continuous Professional Development. However, such documents need regular updating, taking advantage of the experience and feedback from those actually involved in their implementation. A certain advantage of regular updates of development plans is an opportunity to promote good practices and to eliminate bad ones. During updates, it is recommended to consider opinions of those directly involved, i.e. auditors. Importantly, SAO has made the first step in this direction and the current development plan was based on the results of a staff survey.

Recommendation 2

Ensure constant monitoring of the implementation of the Human Resources Management Strategy, and introduce a feedback loop by measuring the quality and impact of the effects of the Strategy and the operational plan, and by feeding the information back into the system.

Available Human Resources Versus Actual Needs

A Supreme Audit Institution needs an appropriate number of qualified and motivated staff to operate effectively. To this end, it should provide employees with a professionally challenging and rewarding work environment.

For a small SAI, there is a constant challenge to balance ambitions, as formulated in strategic documents, with available resources – people, money and time. These factors have to be considered when strategies are developed. At SAO, the resources available for audits are determined by the budget allocated by the Parliament.

According to the information provided to the Peer Review Team, the number of available positions has remained more or less constant over the last three years, with a vacancy rate of more than 100.

Total number	2022	2023	2024
Systematised job positions	242	245	245
Filled job positions	116	120	118
Vacancies	126	125	127

It is essential for SAO to increase the number of auditors in order to ensure the efficiency and effectiveness of the institution's operations. Job vacancies have to be filled for SAO to be able to perform its tasks properly and to be prepared for challenges in carrying out various types of audits.

Recommendation 3

Ensure an adequate number of auditors so that SAO can professionally perform the work related to all types of audits.

It is worth adding that 15 out of 22 heads of audit teams are women, which is an element of SAO's gender structure. Also, the number of Assistant Auditors General (nine out of ten) and the overall number of employees (63%) indicate SAO's gender perspective. In the Reviewer's opinion, SAO has policies, procedures and measures in place to ensure that staff members are treated fairly and equally, including adequate mechanisms to report harassment, and to ensure its appropriate follow-up.

Status of SAO Staff

SAO employees have the status of administrative servants who can be certified state auditors and state auditors conducting state audits. Some SAO employees are subject to general regulations regarding the civil service. Remuneration is regulated in various legal acts, partly in the State Audit Law and partly in the Administrative Servants Law. The HRM Strategy states that for labour relation issues that are not regulated under the State Audit Law and the Collective Agreement for SAO employees, provisions of the Public Sector Employees Law, the Administrative Servants Law, the Labour Relations Law and others should be applied.

Such a positioning of staff may raise doubts as for the actual autonomy of human resources management of SAO, which was observed during the 2021 Twinning Project that, among others, analysed whether SAO's regulations were compliant with INTOSAI principles, standards and guidelines. Part 3 of the Twinning concluding document reads: *Requirements set out in GUID 9030 – Good Practices related to SAI Independence relating to financial and managerial/administrative autonomy and the availability of adequate human, material and financial resources are not fully met as*

consent to the recruitment and promotion of SAO staff is given by the Minister of Finance, and that financial plan is voted at the same time as the state budget⁶.

Therefore SAO staff is *not* a separate group of officials, as the legal regulations regarding recruitment, categories, remunerations and examinations are binding for the entire civil service in the Republic of North Macedonia. Consequently, SAO employees are not fully autonomous and independent in terms of staff status.

Approaches to the degree of autonomy of SAIs' staff vary across countries, and there are no ideal solutions. However separate regulations for SAO employees make a huge step towards full independence of the Office. One of the aspects of independence is the provision in the State Audit Law regarding the entire professional work cycle: from recruitment, through promotion, training, health and safety, disciplinary penalties, to the forms of termination of the employment relationship.

SAO is aware of this inconvenience in human resources management and in the construction of its legal regulations, since the Strategy states that to have the SAO employment regulated separately under the State Audit Law, *it would be necessary to adopt an internal procedure by the Auditor General to more closely regulate the method and procedure for employment of state auditors and employees who provide administrative support to the audit in the SAO.* The Strategy also directly states: *Professional, legal and operational support and promotion of the necessity for adoption of the new State Audit Law and the Constitutional Amendment on SAO independence, in order to contribute to the functional, operational and financial independence of the SAO, and to comprehensively regulate the status, legal position, rights and obligations of all employees of the SAO as the Supreme Audit Institution of the Republic of North Macedonia, as a prerequisite in the negotiation process for EU membership under the financial control chapter.*

Recommendation 4

In accordance with the main measure of the Human Resources Management Policy of the State Audit Office 2023–2027, comprehensively regulate the status, legal position, rights and obligations of SAO employees.

Professional Competence and Training

After the assessment of SAO reports (see Chapter IV: SAO Audit Methodology) and interviews with SAO management, the Reviewer reached the conclusion that SAO auditors are competent, have a comprehensive set of necessary qualifications, and various educational background, experience and skills. SAO has established a modern, efficient and functional human resources management system, and an annual employment plan and an annual plan for continuous professional development have been adopted. SAO has clear human resource management policies and procedures in place to cover all main issues including recruitment, promotion, pay and entitlements, professional training and development, staff members' appraisals and staff rotation.

Furthermore, SAO has an appropriate professional development strategy, including training, which covers different aspects of individual, team and organisational excellence. In 2024, the training

⁶ Assessment report of the legal framework of external audit with proposals for enhancements, July 2021.

program for certified state auditors was implemented, which, according to SAO representatives, provides sufficient and appropriate technical and skills training to staff members.

The Human Resources Management Strategy and the Annual Plan for Continuous Professional Development for 2024 were adopted after an exceptionally thorough analysis of the current situation, and they address every shortcoming identified with a number of highly adequate solutions. Training and continuous development at SAO were designed and implemented in accordance with principle 12 of INTOSAI P-12 – The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens⁷, with principles 4 and 9 of INTOSAI P-20 – Principles of Transparency and Accountability, and with ISSAI 150 – Auditor Competence of the INTOSAI Framework of Professional Pronouncements.

In order to obtain detailed information about training needs, a special survey was conducted among staff in December 2023. Responses were delivered by 92% of employees, and they provided the basis for the Annual Plan for Continuous Professional Development 2024. Trainings were divided into the following areas: methodological (compliance, performance, IT and local self-government units), accounting/financial reporting, IT (Word, Excel, data analysis), fraud and corruption prevention, ethics and integrity, soft skills training and personal development⁸.

In 2023, SAO conducted an integrity self-assessment based on the IntoSAINT methodology. The report on the self-assessment emphasised the Organisation’s strong integrity system, while broad training opportunities were highlighted as an important factor to develop employee motivation.

In the opinion of the Reviewer, SAO has a systemic approach to evaluating training needs and it provides sufficient and appropriate initial training and induction program for newly recruited staff members. However, during interviews it transpired that staff retention is a problem: employees are often poached from SAO by private sector companies. Thus SAO loses thoroughly trained and experienced staff, and private sector employers do not need to educate and train them. A potential reason is the significant difference in remuneration offered by SAO and the private sector. Hence, despite the measures that SAO takes to provide attractive working conditions, such as, e.g. allowances, personnel welfare and benefits, these are not sufficient to retain experienced personnel. There is an urgent need then to ensure an increase in remuneration at SAO to prevent excessive turnover and to ensure a stability of staff – a SAI needs an appropriate number of qualified and motivated auditors and other members to operate effectively, which can be achieved through offering a professionally challenging and rewarding work environment.

Recommendation 5

Ensure motivated and qualified staff members to operate effectively so as to achieve the vision and mission defined in the SAO Development Strategy, and simultaneously ensure attractive remuneration to prevent excessive staff turnover.

⁷ Formerly known as ISSAI 12, endorsed in 2013; with the establishment of the INTOSAI Framework of Professional Pronouncements (IFPP), relabelled as INTOSAI-P 12. Check also: <https://www.issai.org/professional-pronouncements/?n=0-1000000000>

⁸ Annual Plan for Continuous professional Development for 2024, p. 6–7.

IV. Audit Methodology

SAO Audit Methodology and Practice – Overall Considerations

According to the State Audit Law⁹, SAO is the Supreme Audit Institution of the Republic of North Macedonia with a mandate to perform state audit. State audit shall be conducted in compliance with the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) and the rules of INTOSAI Code of Ethics¹⁰. SAO performs regularity audits, i.e. audits of financial statements and compliance audits conducted at the same time, as well as performance audits and compliance audits.

According to the State Audit Law¹¹:

- Financial audit is examination of accuracy and completeness of accounting records and financial statements;
- Compliance/regularity audit is a procedure for determining and assessing compliance of auditee's operation with laws, bylaws and internal acts;
- Performance audit is an assessment of economy, efficiency and effectiveness of operations and use of funds in a defined area of activities or programs.

In 2023, SAO implemented the Annual Work Program which included 66 audits. Out of those 66 audits, 47 were regularity audits, nine were performance audits, four were compliance audits, four were follow-up audits, while the last two were IT audits. As a result of those audits, SAO formulated 957 findings and made 697 recommendations, which all were comprised in 100 audit reports¹².

The Annual Report on Performed Audits and Operation of SAO 2023 reads that 189 recommendations were verified out of 300 for which a 90-day feedback deadline expired during 2023¹³. In the case of 135 out of 189 recommendations, measures were taken by the auditees (71.4%), 53 recommendations were not implemented (28%) and one case was not applicable (0.6%).

Within the framework of its legal mandate, SAO independently selects audit topics and examines all government activities from various aspects, and audit results are made available to the public. SAO has access to all information needed to perform audits and the right to request explanations from representatives of auditees on all issues that are important for the audit.

The State Audit Law prescribes that auditors, when performing their duties, apply the values and principles established by the INTOSAI Code of Ethics. The Code also sets requirements that ensure the independence and objectivity of auditors in the performance of their duties.

In the opinion of the Reviewer, for each type of audit the processes of conducting and documenting are compliant with relevant ISSAIs and Principles¹⁴, clear and well structured. They are described precisely in the manuals used by SAO, i.e. the Regularity Audit Manual (June 2024), the Compliance

⁹ Official Gazette of the Republic of Macedonia no. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15, 27/16 and 83/18. Official Gazette of the Republic of North Macedonia no. 122 of 2021.

¹⁰ Article 18 of the State Audit Law.

¹¹ Article 2 of the State Audit Law.

¹² Annual Report on Performed Audits and Operation of the State Audit Office 2023.

¹³ In 2023 SAO issued 697 recommendations in total.

¹⁴ For regularity audit and compliance audit – ISSAI 200 Principles, ISSAI 2000–2899 Standards, ISSAI 400 Principles and ISSAI 4000 Standard; for performance audit – ISSAI 300 Principles and ISSAI 3000 Standard.

Audit Manual (June 2022) and the Performance Audit Manual (June 2022). Audit files were also well structured, with separate documents for each audit stage, and developed on the basis of templates¹⁵.

The Reviewer also analysed SAO's Instruction for Assurance of the Quality of Audits and the Instruction for Quality Control of Audits. The two documents (dated October 2022) were developed in accordance with ISSAI 140 – Quality Control for SAIs. However, the assessment of these two instructions was not part of the peer review.

In line with Article 32 of the State Audit Law, the legal representative of the auditee shall inform SAO on the measures taken in relation to findings and recommendations within 90 days of the date of receipt of the final audit report. The procedures on how to monitor recommendations implementation are operationalised in the Manual for follow-up of recommendations of 2015. SAO has a system in place for monitoring recommendations which comprises:

- Monitoring of the effects of the audit;
- Checks of the measures taken following recommendations, which are an integral part of the current audit;
- Procedures for follow-up checks after final reports (January/February of the following year);
- Procedures for follow-up checks conducted as a dedicated audit.

The decision on which approach to take to monitoring is made by the Assistant Auditor General, based on the proposal of the team that conducted the given audit.

In accordance with the information provided to the Reviewer by SAO on 26th August 2024, 292 recommendations were verified out of 674 issued in 2023 for which a 90-day feedback deadline expired. Out of those 292 recommendations, in the case of 232 measures were taken by the auditees (79.5%), while 58 recommendations were not implemented (19.9%) and two were not applicable (0.6%).

Financial Audit at SAO

In the opinion of the Reviewer, the implementation of the financial audit process by SAO is fully compliant with the requirements of ISSAIs. This applies to all four main phases of this process, i.e. the audit planning phase, the audit execution phase, the reporting phase and the follow-up phase.

This opinion was made after reviewing the SAO Regularity Audit Manual, the audit evidence and finally the audit report on the Health Insurance Fund of the Republic of North Macedonia for the Year 2022, which comprised the audit of the Fund's financial statements together with a compliance audit of the Fund.

As stated above, the legal basis for SAO to conduct financial audits is set forth in the State Audit Law. The procedures on how to conduct financial audits are operationalised in the Regularity Audit Manual of 2024 based on the Financial Audit Principles, a full set of Financial Audit Standards and Compliance Audit Standard (for compliance audit)¹⁶.

The process of conducting and documenting financial audits is very clear and structured in the manual. In the reviewed financial audit example "Health Insurance Fund of the Republic of North

¹⁵ Working papers (WPs).

¹⁶ A regularity audit at SAO is in fact a financial audit conducted simultaneously with a compliance audit.

Macedonia” this process was also followed: audit files were clearly structured, with separate documents for each audit stage and developed on the basis of templates.

Financial Audit Planning

The audit planning process provides the essential prerequisites for performing further audit activities. When appropriately designed and based on proper risk assessment, audit procedures allow auditors to give constructive recommendations that provide added value to the audit engagement.

In the opinion of the Reviewer, SAO’s financial audit planning is a continuous and interactive process that begins after the completion of the previous audit and continues until the completion of the current audit engagement. Since planning defines the activities to be carried out during the audit execution phase, the activities and audit procedures related to planning are mostly completed before further audit procedures are initiated. As a result of unexpected events, changes in conditions or audit evidence, SAO auditors – as required by ISSAIs – modify the previously planned procedures.

According to the Reviewer, the planning phase is carried out by SAO in compliance with ISSAIs and the SAO Regularity Audit Manual. At SAO, the financial audit planning phase comprises the following:

- Understanding of the entity
- Analytical procedures
- Understanding of the auditee's internal control system
- Determining materiality
- Risk assessment
- Tests of internal controls
- Determining the scope and objectives of the audit
- Defining audit approach
- Developing the audit plan and audit program.

Audit planning includes establishing an overall audit strategy for the engagement, and developing an audit plan (ISSAI 2300/2). An overall audit strategy and an audit plan are concluding documents from the planning phase and they serve as the basis for the entire audit process.

In the case of SAO, a slightly different terminology for the names of these documents is used, which in the Reviewer’s opinion is in full compliance with ISSAIs since the contents of SAO Audit Plans correspond directly to the contents of the overall audit strategy required by the ISSAIs (ISSAI 2300/8). Whereas audit programs elaborated by SAO are actually sets of audit procedures, and therefore they equal audit plans in the ISSAI terminology (ISSAI 2300/9).

SAO’s Audit Plan identifies the characteristics of an engagement that define its scope, ascertains the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required, considers the factors that, in the auditor’s professional judgment, are significant in directing the engagement team’s efforts, considers the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements for the entity is relevant and ascertain the nature, timing and extent of resources necessary to perform the engagement. While SAO’s Audit Program includes a description of the nature, timing

and extent of the planned direction and supervision of engagement team members and the review of their work, the nature, timing and extent of planned risk assessment procedures, as determined under ISA 315, the nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330, as well as other planned audit procedures required so that the engagement complies with ISAs.

Financial Audit Execution

The purpose of the audit execution stage is to carry out all substantive audit procedures that have been planned to obtain conclusive evidence on the basis of which it is possible to declare that the auditee's financial statements are true and fair, and that transactions were conducted in compliance with all applicable regulations, standards and good practices.

Based on the documentation analysed¹⁷, the Reviewer concludes that at the execution phase of the financial audit – as required by ISSAIs and the SAO Regularity Audit Manual – SAO auditors:

- Conducted audit procedures previously planned (analytical procedures and test of details);
- Analysed the documentation and data received, and conducted additional audit procedures when needed;
- Properly evaluated audit results;
- Gathered sufficient, relevant and reliable audit evidence;
- Properly communicated audit findings to the auditee and gave them an opportunity to submit additional data and documentation. The final meeting was documented with the minutes and the Final Memorandum, which summarised and presented the key audit findings, conclusions and recommendations, and included a proposal for the opinion on the auditee's financial statements and its justification.

The Reviewer would like to observe that the audit evidence collected during the execution phase of the audit of the Health Insurance Fund was detailed enough for the Reviewer to understand its contents and the full scope of the audit procedures performed, same as the findings and conclusions reached by SAO auditors.

Financial Audit Reporting

An analysis of the financial audit report on the Fund¹⁸ allows the Reviewer to conclude that the report is comprehensively formulated and in a standardised format. It was prepared in line with the requirements of ISSAIs and the SAO Regularity Audit Manual. The audit opinions¹⁹ provide the basis for indicating whether the financial statements are presented fairly and give a true and fair view, in all material respects, in accordance with the adopted financial reporting framework, and that the activities, financial transactions and information reflected in the financial statements of the Fund are in accordance with the relevant legislation, guidelines and established policies.

In the opinion of the Reviewer, the audit report on the Fund includes all the required components that are set forth in the following standards: Opinions and Basis for Opinions (ISSAI 2700, ISSAI

¹⁷ Audit of the Health Insurance Fund of the Republic of North Macedonia for the year 2022.

¹⁸ Audit Report of the Health Insurance Fund of the Republic of North Macedonia for the year 2022.

¹⁹ There are two audit opinions: 1) Opinion on the financial statements of the Fund and 2) Opinion on the compliance with the laws and regulations.

2705), Emphasis of Matter (ISSAI 2706)²⁰, Key Audit Matters (ISSAI 2701), Other Information (ISSAI 2720), Responsibilities of the Management and Those Charged with Governance for the Financial Statements and Compliance with Authorities (ISSAI 2700), Auditor's Responsibilities for the Audit of the Financial Statements and of Compliance with Authorities (ISSAI 2700), Recommendations (based on best audit practices), and Auditor's Signature and Date of Signing (ISSAI 2700).

According to the SAO Regularity Audit Manual, when determining the form and contents of an audit report, the following international auditing standards are taken into account:

- ISSAI 100 – Fundamental Principles of Public Sector Auditing
- ISSAI 200 – Financial Audit Principles
- ISSAI 400 – Compliance Audit Principles
- ISSAI 2700 – Forming an Opinion and Reporting on Financial Statements
- ISSAI 2701 – Communicating Key Audit Matters in the Independent Auditor's Report
- ISSAI 2705 – Modifications to the Opinion in the Independent Auditor's Report
- ISSAI 2706 – Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- ISSAI 2710 – Comparative Information—Corresponding Figures and Comparative Financial Statements
- ISSAI 2720 – The Auditor's Responsibilities Relating to Other Information
- ISSAI 2800 – Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- ISSAI 2805 – Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- ISSAI 4000 – Compliance Audit Standard.

For audit findings that are not material but have a certain meaning and affect the work of the auditee, a Management Letter is drawn up by SAO, which is provided to the management of the audited entity. In the Reviewer's opinion, this method of communication with the auditee is fully justified and results from the best practices used in financial auditing around the world (although it is not an obligation specified in ISSAIs).

Financial Audit Follow-up

In accordance with the information provided to the Reviewer by SAO on 23 September 2024, all 12 recommendations issued after that audit were verified. Out of those 12 recommendations, in the case of eleven measures were taken by the auditees (91.7%), while one recommendation was not implemented (8.3%).

Performance Audit at SAO

In the opinion of the Reviewer, the implementation of the performance audit process by SAO is fully compliant with the requirements of ISSAIs. This applies to all four main phases of auditing, i.e. the audit planning phase, the audit execution phase, the reporting phase and the follow-up phase. This opinion follows the analysis of the SAO Performance Audit Manual, the audit evidence and

²⁰ Regarding the uncertainty and continuity of activity (going concern).

finally the audit report on “Preparedness of the Republic of North Macedonia for implementation of the sustainable development goals until 2030” of the year 2023.

The legal basis for SAO to conduct performance audits, as mentioned above, is provided in the State Audit Law. The procedures on how to conduct performance audits are operationalised in the Performance Audit Manual of 2022, based on the Performance Audit Principles, the Performance Audit Standard²¹ and the Guidance on Authorities and Criteria of the principles for the auditing of economy, efficiency and effectiveness in Performance Audit²². According to ISSAI 300/9, SAO defines a performance audit as an independent, objective and reliable control that determines whether government institutions, systems, processes, programs, activities or organisations function in accordance with the principles of economy, efficiency and effectiveness, and whether there is room for performance improvement.

The process of conducting and documenting performance audits is very clear and structured in the manual. In the reviewed performance audit example “Preparedness of the Republic of North Macedonia for implementation of the sustainable development goals until 2030”, this process was also followed. The audit files were clearly structured, with separate documents for each audit stage and developed on the basis of templates.

Performance Audit Planning

The Reviewer would like to compliment the performance audit teams on developing systematic and structured documentation of their audit plans, comprising the following elements:

- Announcement letter (on the commencement of an audit to the Government of Macedonia)
- Request for documentation
- Documentation on the initial meeting with the auditee
- Questioners and working papers
- Plan for task division
- Working documents on defining audit objectives (including: documenting the identified risk areas and specific issues, documenting the analysis and assessment of key risks, documenting the key audit questions and scope of the audit)
- Planning matrix
- Audit program.

According to the Reviewer, such a well organised audit file allows for safeguarding the audit trail, and guides the auditors in all the necessary steps of the audit plan drafting.

The Reviewer observes that in the reviewed performance audit example the audit objectives were formulated as audit questions. The overall audit question and three specific questions were clearly defined and referred to the principles of efficiency and effectiveness. The audit objectives were thematically related, complementary and collectively exhaustive in addressing the overall audit question. Consequently, all objectives can be met, and all questions can be answered in a sufficient manner.

²¹ ISSAI 300 and ISSAI 3000.

²² INTOSAI GUID 3910 and INTOSAI GUID 3920.

In the reviewed audit plan, the performance audit team covered many relevant questions, which were mostly normative. Those questions were used to test against a predetermined criterion and to examine to what extent a certain situation met that criterion. The audit plan analysed by the Reviewer comprised the sources of audit criteria, such as laws, regulations and government policies, and it indicated specific criteria. Those were related to the audit questions, which were explanatory or evaluative. The Reviewer also observes that SAO audit teams provide very detailed descriptions of the methodology used during audits, and explain why these methods are relevant and how they will be used. Besides, similarly to audit criteria, methods are tailored to audit questions. In the planning phase, auditors also pay attention to audit risks²³.

To sum up, in the reviewed performance audit example the auditors established the overall objective of the audit, purpose and scope, and it was clearly evidenced that they understood the control environment of the audited entity. The audit program developed by the audit team was approved by the Auditor General.

Performance Audit Execution

On the basis of the analysed performance audit example, the Reviewer concludes that SAO auditors and managers prepare sufficient and appropriate audit documentation, following the SAO internal regulations, including relevant audit evidence for findings and conclusions. The analysed documentation was detailed enough for the Reviewer to understand its contents, and it included working papers on:

- Analysis of audit findings
- Collecting audit evidence
- Audit findings
- Quality control questionnaires.

The final meeting was documented with the minutes and letter.

Performance Audit Reporting

The way in which audit results are presented in reports undoubtedly contributes to the impact of the audit and the very report itself. Reports should be comprehensive, convincing, timely, reader-friendly and balanced²⁴. On the basis of the analysed performance audit example, the Reviewer observes that SAO's performance audit reports meet all these requirements.

The reviewed report presented clearly the audit objectives, audit questions, audit scope and audit methodology. What is also very important, audit criteria were presented explicitly, which gave the readers a clear picture of what aspects or topics were actually audited. There was a clear link between the audit objectives, criteria, findings, conclusions and recommendations.

The Reviewer found out that the analysed audit report responded to the overall audit objective and gave an overall conclusion. All specific audit objectives were also clearly answered, and the

²³ An audit risk is the "risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users" (ISSAI 300/28). Examples of risks include, e.g. lack of quality information, failing to address the most relevant arguments, too limited time, or not enough competence.

²⁴ ISSAI 300.

recommendations made were constructive and addressed the problems identified during the audit.

In the opinion of the Reviewer, the analysed performance audit report is reader-friendly, it looks professional and easily accessible to the readers, with a structure that is easy to follow. The report contains charts and figures, and an infographic with a summary of observations and conclusions, which is very helpful to the reader. The audit report on "Preparedness of the Republic of North Macedonia for implementation of the Sustainable Development Goals until 2030" is concise, with a clear scope and focus, a general overall conclusion, a clear description of findings, as well as associated conclusions and recommendations. The recommendations given in the report are clear, concrete, practical and enforceable.

Recommendations and Follow-up

The draft report was submitted, together with a cover letter, to all entities and competent authorities for comment. Comments were supposed to be submitted to SAO in writing within 30 days from the day of receipt.

On 25 September 2024, SAO informed NIK, that the new Government of the Republic of North Macedonia asked SAO for an additional transitional period to take action on the recommendations. It was due to the ongoing reorganisation process of the state administration bodies after the elections, and due to the lack of a decision on the most appropriate institution to take over the implementation of Sustainable Development Goals until 2030.

Compliance Audit at SAO

In the opinion of the Reviewer, the implementation of the compliance audit process at SAO is fully in accordance with the requirements of ISSAIs. This applies to all four main phases of the process, i.e. the audit planning phase, the audit execution phase, the reporting phase and the follow-up phase. This opinion was given after reviewing the SAO Compliance Audit Manual, the audit evidence and finally the audit report on "Salaries and Salary Supplements of Administrative Officers in the Republic of North Macedonia".

Within its legal mandate, SAO has the freedom to select and examine all government activities and the activities of public sector entities from different perspectives, including transparency in publishing the results of conducted audits in order to make them available to the public²⁵.

The procedures on how to conduct compliance audits are operationalised in the Compliance Audit Manual of 2022 based on the Compliance Audit Principles, the Compliance Audit Standard²⁶ and the Guidance on Authorities and Criteria to be considered while examining the regularity and propriety aspects in Compliance Audit²⁷.

The Compliance Audit Manual states that a compliance audit may be part of a combined audit, which may also include other aspects. It distinguishes three kinds of compliance audit, namely a compliance audit performed:

²⁵ Compliance Audit Manual, Skopje, June 2022.

²⁶ ISSAI 400 and ISSAI 4000.

²⁷ INTOSAI GUID 3910 and INTOSAI GUID 3920.

- Together with an audit of financial statements
- As a special audit
- Combined with a performance audit.

SAO defines compliance audit as an independent assessment of whether the subject of the audit is in accordance with the applicable relevant regulations established as criteria, which focuses on obtaining sufficient and appropriate evidence regarding compliance with those criteria.

The process of conducting and documenting compliance audits is very clear and structured in the Manual. The aspects of a compliance audit, such as professional judgement, audit risk, materiality, documentation, communication, quality control, skills of audit teams, as well as responsibilities of team members at subsequent stages of the audit (planning, execution, reporting) have been set forth too.

Compliance Audit Planning

On the basis of the analysed compliance audit file, the Reviewer states that the planning practices of SAO are fully in accordance with ISSAI 4000.

Audit teams²⁸ developed several files that indicate different elements of the planning stage, such as:

- Announcement letter for commencement of the audit, sent to the Ministry of Finance
- Request for documentation
- Documentation of the initial meeting with the auditee
- Audit program
- Audit plan
- Quality control questionnaires
- Additional documentation for the reviewed audit example ("Salaries and Salary Supplements of Administrative Officers in the Republic of North Macedonia"), including the statement on the lack of conflict of interest of auditors²⁹.

The Reviewer found out that the audit plan and the audit program were developed in line with ISSAI 4000. These two audit documents were mutually correlated. The reviewed audit program answered the questions "How is it done?" and "What is done?", including elements relevant for compliance audit identified by the auditors before the audit (i.e. the level of assurance, the level of materiality in the planning phase, audit criteria, risks related to the subject of the audit, planned audit procedures, methods of collecting audit evidence, audit evidence). While the audit plan answered the questions "Who?" and "How much?", and showed the workload of each team member.

The Reviewer would like to compliment the compliance audit teams for systematic and structured documentation of the audit planning phase. It should be underlined that a well-conceived audit program and plan lead to high quality audits, and high quality final products, i.e. audit reports.

²⁸ In the Ministry of Finance and in the Ministry of Information Society and Administration.

²⁹ In accordance with the State Audit Law and the Code of Ethics for Public Sector Auditors.

Compliance Audit Execution

In the reviewed compliance audit example³⁰, the auditors established the overall objective of the audit, purpose and scope. There is evidence that they understand the control environment of the audited entity. On the basis of the analysed example, the Reviewer concluded that auditors and managers prepared sufficient, relevant and reliable audit evidence, following SAO's internal regulations, including relevant audit evidence for findings and conclusions. The documentation was detailed enough for the Reviewer to understand its contents, and it included working papers on:

- Analysis of audit findings
- Collecting audit evidence
- Audit findings
- Quality control questionnaires.

The final meeting was documented with the minutes and letter.

Compliance Audit Reporting

A compliance audit report is the final product of a compliance audit in which SAO formally presents the results of the audit of the auditee's compliance with the relevant criteria.

The Reviewer concludes that the analysed audit report was developed on the basis of the principles of completeness (auditors considered all relevant audit findings before issuing a report), objectivity (auditors applied professional judgment and scepticism) and the contradictory process (which implies the conciliation of the deviations found). The report contains all information necessary to understand the conclusions and recommendations. The reviewed report was prepared in due time, i.e. not long after the audit mission³¹. All findings were clearly presented and based on sufficient, relevant and reliable audit evidence.

In the opinion of the Reviewer, the analysed audit report responded to the overall audit objective. All specific audit objectives were also clearly answered. The recommendations formulated in the report were constructive and addressed deficiencies identified during the audit. The analysed audit report was reader-friendly, it looked professional, and it was easily accessible to the reader, with a structure that was easy to follow and, at the same time, in line with ISSAI 4000 requirements.

Recommendations and Follow-up

In accordance with the information provided to the Reviewer by SAO on 23 September 2024, all nine recommendations issued after that audit were verified. Out of those nine recommendations, in the case of three measures were taken by the auditees (33.3%), while three recommendations were not implemented (33.3%) and three were not applicable (33.3%).

³⁰ Salaries and Salary Supplements of Administrative Officers in the Republic of North Macedonia.

³¹ ISSAI 400/59.

V. Communication and Engagement with Stakeholders

In the Reviewer's opinion, the State Audit Office of the Republic of North Macedonia has a mature, thoughtful and pragmatic attitude towards communication, which is considered to be one of the key processes in the organisation, and which since 2020 has been designed, formulated and declared in the short yet exhaustive document Communication Strategy.

It is crucial to underline that such a view on communication comes from profound, clear and sound understanding of the role of a Supreme Audit Institution in a society and in a state. In the Reviewer's opinion, SAO aptly, diligently and thoroughly adopted to its Strategy the principles and recommendations of INTOSAI, with the special focus on INTOSAI-P 12 – The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.

Communication Strategy – an Overall View

A variety of activities that the Reviewer analysed come directly from the goals defined in the Communication Strategy. The general view of the role of a SAI has been translated into two strategic areas: (a) cooperation with stakeholders and (b) building consciousness on the SAI's role, as well as on expertise, knowledge and help it can offer.

Each of the goals is divided into specific objectives with linked activities, respective deadlines and periodic realisation indicators, which provides this crucial document with clarity and completeness, and makes it relatively easy to implement ('relatively' as the realisation requires considerable amount of work, still it is clear what activities need to be undertaken and why).

The key target groups are selected and a clear and accessible language is used to formulate and convey the message to each of them. The Reviewer also observes that the activities designated in the Strategy back up one another, and create communication synergies, in this way strengthening and developing the whole accountability system.

Key Stakeholders, Communication Channels and Communication Tools

SAO's communication follows the best practices, and its approach is customised to the specific selected groups of stakeholders, varying its abundant set of activities. Special focus is on those whose role is of special importance and influence – the Government, the Public Prosecutor's Office, civil society organisations and the media.

Different forms of conveying the message and establishing long-lasting relations have been adopted at SAO: from the standard set of communication activities (press releases, briefings, presence in national or local media), through digital communication (social media and/or information platforms, such as Facebook, X, You Tube), to workshops, face-to-face meetings, working meetings and initiatives such as the "Suggest an audit" scheme. Swinging communication patterns of present information consumers make it a challenge to select the best channels and to ensure that communication is effective. The Reviewer believes that periodic examination of You Tube content consumption levels would be helpful in making decisions on which content to keep and which to drop. To this end, constant data analysis as well as flexibility are necessary (e.g. the United Kingdom National Audit Office has moved from You Tube to Instagram Threads).

It is also crucial to ensure that the tools to support communication are fully operational. The SAO webpage offers a tool for searching through SAO audits. Although there are four criteria provided in the search engine, only one is operational – for completed audits. The Reviewer was informed about works in progress to have the search fully operational.

Recommendation 6

Ensure that the search through audits available from SAO webpage is fully operational.

The constantly growing number of visitors to the SAO website and monthly downloads, as well as the increasing number of recipients of the mailing list – from 40 in 2020 to the impressive 1,200 in 2023 – clearly evidence that the Communication Strategy adopted by SAO has been implemented properly and effectively. Some fluctuations in Facebook consumption levels should be also viewed in connection with the topics individual posts present.

In October 2024, SAO provided the Reviewer with an update on the media consumption statistics, including the data of September 2024. For the sake of clarity, it has been included at the end of the communication section of this report. A steady and impressive progress in using information on SAO work and audits has to be emphasised.

Moreover, SAO offers to the wider public – which is an attitude that works also for specific groups – compressed and easily accessible information on financial audit results in the form of one-pager Final Audit Report Abstract³². The adopted system of colour ranking allows for immediate understanding of the situation, as well as the main findings and recommendations. While for audits of non-financial nature press releases are created – a short, exhaustive view on the audit (up to two pages).

The above activities are in line not only with the already mentioned INTOSAI-P 12, but also with other INTOSAI and EUROSAI documents and guides that are rooted in the vision of INTOSAI-P 12, e.g.: EUROSAI Roadmap for Reaching Supreme Audit Institution Communication Goals (2017), or Engagement with Civil Society – a Framework for SAIs by INTOSAI Capacity Building Committee (CBC) (2021).

International Cooperation

SAO actively participates in programs and schemes that, although not focused exclusively on communication, are of great help in developing and strengthening good communication practices. In the opinion of the Reviewer such activities, as well as their results, are very valuable and should be appreciated. For instance, SAO's collaboration with the UN Women and the School of Data resulted in an example of data presentation – a one-pager based on pictures – that may be used at different stages of audit results presentation, especially at the first stage. This requires a considerable workload and is highly time-consuming, yet its attractiveness adds to dissemination of audit results.

Recommendation 7

Consider extending the use of one-pagers to present the results of a larger number of audit.

³² https://dzt.mk/sites/default/files/2022-02/300_ABSTRACT_UKIM_Faculty_of_dramatic_art_603_ENG_2021.pdf

Cooperation with the Westminster Foundation for Democracy supported SAO in further organising and clarifying the ideas around the Communication Strategy and the resulting activities directed to stakeholders. Moreover, SAO, as coordinator, together with the SAIs of Kosovo and Albania and other international partners, conducted a performance audit “Gender equality of women from rural areas through their inclusion on the labour market”, the results of which were skilfully presented in an information footage on the audit. The footage is excellently prepared – it contains concise, clear information, a well balanced mix of styles that enhance interest, understanding and consumption.

Recommendation 8

Consider using mixed styles in all footage productions.

Taking into account SAO’s international cooperation and its active engagement in international projects, the most important information about SAO, its activities and its key documents should be also available in the English language from the English section of the official SAO website.

Recommendation 9

Ensure a fully operational English version of the SAO website so that key information can be available to a foreign user.

Communication Team

In the Reviewer’s opinion, SAO has succeeded in establishing a competent and dedicated communication team composed of the members who are aware that working with the media requires specific time organisation and flexibility. Moreover, selected members of the team were trained in additional skills, e.g. one auditor was provided with a specialised course in graphic design, so that the communication team have all the necessary competence.

Also, at SAO a lot of care and creative analysis was given to each stage of releasing an audit. The Reviewer was impressed by careful examination given to each stage and changes – be it graphic or functional – that were part of the process.

In the opinion of the Reviewer, the communication activities of SAO are well designed, pragmatic, and well executed. They are based on through understanding of the role of a Supreme Audit Institution and they faithfully follow the guidelines on communication. SAO is strongly focused on transparency, effectiveness and cooperation with stakeholders. Remarkable professional skills and great dedication of the communication staff need to be underlined. Beyond doubt, the activities of SAO contribute to strengthening democracy and – in line with INTOSAI-P 12 – The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.

Statistics regarding the transparency and communication of the State Audit Office, as at 30 September 2024

Visits to the SAO website

In September 2024, the highest so far number of 28,394 visits to the SAO website was recorded, with a total of 59,568 contents visited.

In total, as at 30 August 2024, 170,419 visits were recorded on the SAO website (monthly average of 18,935) and a total of 329,004 visited contents (monthly average of 36,556) were recorded.

Visits to the SAO Facebook page

In September 2024, a total of 24,640 visits to the SAO Facebook page were recorded, or an average of 821 visits per day.

In total, as at 30 August 2024, 299,445 visits or an average of 33,271 visits per month were recorded on the SAO Facebook page.

The total number of followers on the Facebook page of SAO increased and stands at 9,214.

Media releases/press clippings

As at 30 August 2024, a total of 602 media announcements were recorded, out of which 450 announcements were made on internet portals and 152 announcements were broadcast by the national television.

In the period 2020–2024, as at 31 July 2024, a total of 2,277 media announcements were recorded for the published final audit reports, out of which 1,850 announcements were made on internet portals and 427 announcements were made on the national television.

Interviews/statements for the media

In the period 2020–2024, a total of 59 interviews/statements for the media were recorded. Out of these, during 2024, a total of 17 interviews/statements were made for the media.

Overall Conclusion

The Reviewer concluded that the operations of SAO were compliant with the international standards and best practices for Supreme Audit Institutions, and the only missing aspect was the full independence. Hence the Reviewer recommended further attempts to promote the draft amendments to the Constitution and the proposal of the new State Audit Law, with the ultimate objective to have them adopted by the Parliament of the Republic of North Macedonia. This is a prerequisite, without which SAO may not be able to maintain the progress made to date.

VI. About the Peer Review

Peer Review Team

The Peer Review was conducted by a team composed of the following experts: Iwona Zyman, Acting Director of the NIK Regional Branch in Opole (team leader), Justyna Mianowska-Bednarz, Economic Advisor, Department of Methodology & Professional Development, Jeremi Śliwiński, Economic Advisor, NIK Regional Branch in Wrocław, Iwona Sobocińska, Adviser to Director, Department of Logistics, Piotr Iwaszkiewicz, Acting Head of International Relations, and Kamila Żyndul, Chief Expert International Relations, Department of Strategy.

Method

The Peer Review was conducted on the basis of the INTOSAI Peer Review Guidelines (GUID 1900), elements of the SAI Performance Measurement Framework (SAI PMF) methodology, and criteria derived from INTOSAI Principles, Standards and Guidance comprised in the INTOSAI Framework of Professional Pronouncements (IFPP). The members of the Peer Review Team also relied on their professional experience, knowledge and practices gained during their employment at the

respective SAs and through participation in international projects. The Reviewers analysed a sample of SAO audit files of three main types of audits (financial, performance and compliance), the legal documents governing the mandate and operations of SAO, and gained information from presentations by representatives of SAO, interviews and written correspondence.