

Approved by  
CoA Decision no. 39  
of 10 November 2016

**Court of Accounts  
of the Republic of Moldova**

**Strategic Development Plan  
for 2016-2020  
(new edition)**

*Fair in approach, credible in actions!*



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List of abbreviations:

CoA	Court of Accounts of the Republic of Moldova
PIFC	Public Internal Financial Control
EUROSAI	European Organization of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
SAI	Supreme Audit Institution
ISSAI	International Standards of Supreme Audit Institutions
PFM	Public Financial Management
FMC	Financial Management and Control
	SDP Strategic Development Plan
ICT	Information and Communication Technologies
IT	Information technologies
GDP	Gross Domestic Product
CHU	Central Harmonization Unit in the Ministry of Finance
EU	European Union

## ***I. Foreword***

The international standards of Supreme Audit Institutions (ISSAIs) adopted by INTOSAI state that an independent and fully functioning Supreme Audit Institution has a fundamental role to play in promoting good, transparent and accountable governance.

Public external audit carried out by the national specialized institution is an indispensable element of effective institutional management, aiming to prevent and reveal deviations from accepted standards and principles of financial management and control.

The aim of this Strategic Development Plan is to re-state and re-confirm the adherence of the CoA Board, appointed by Parliament on 29 July 2016, to continuing the institutional efforts to modernize public external audit.

The Strategic Development Plan for 2016-2020 rests on three main pillars:

- ***Contribute in strengthening good governance;***
- ***Secure institutional sustainability;***
- ***Develop and keep corporate and audit quality.***

A successful strategy should not be measured by the quality of the document produced but particularly by the actions that are taken to achieve the goals set.

**Veaceslav UNTILA,**  
***President of the Court of Accounts***

## ***II. Leadership approach: what we want and how***

This third Strategic Development Plan (SDP) of the Court of Accounts (CoA) is for the period 2016 - 2020 and focuses on the role of public audit, and how we meet the objectives arising from *the three main pillars*.

Our aim is to become a Well Performing Supreme Audit Institution that would be accepted and requested indispensably by all central and local decision makers, as an expert and national evaluator of public financial management and public property.

Continuous and consistent implementation of the strategic objectives set both in previous and current SDPs by carrying out the activity only in accordance with ISSAI and good practices will help to strengthen a sustainable public external audit in Moldova. The impact of such an approach will have an essential role in improving public administration and good governance in the context of Moldova's strategy for integration in the European Union and the Public Administration Reform.

The CoA has the task to secure the cohesion for enhancing the accountability of the Parliament, the Government and the management of public institutions. We shall achieve this by carrying out annual financial audits of the Annual Financial Statements and compliance in the management of funds by public sector entities, and reporting the audit results to the Parliament, Government, the audited entities and other stakeholders.

Through performance audits, SAI contributes in increasing economy, efficiency and effectiveness of government operations.

Carrying out these types of audits, we generate remedies and highlight institutional weaknesses, problems related to FMC in the public sector, thus contributing in the assertion and strengthening of good governance.

Transparency of audit work shall be secured by making the audit results available to the general public on our web site and in line with the effective legislation.

We are aware that to be successful we need to introduce a culture of results and be always ready for necessary change. This must be firmly based on a clear direction and a set of values and approaches guiding the work of our institution.

### ***III. Our mission, vision, objectives, values and competence***

#### **1. Our mission**

Our mission is to:

*"Provide the Parliament, the whole society and international community with independent and objective evaluation and assurance, offered in accordance with International Audit Standards of Supreme Audit Institutions - ISSAI, that public funds are managed regularly and for appropriate purposes, that all receipts have been collected and reported in accordance with the legal framework and that public financial management corresponds to performance principles".*

#### **2. Our vision**

*Our vision is to:*

*To be an independent Supreme Audit Institution (SAI) being appreciated and regarded by international and national peers as a Well Performing SAI that meets the needs, expectations and challenges.*

#### **3. Our objectives - main pillars**

We have three organisational objectives for this strategic development period to help us deliver our mission and vision. These objectives are:

*Pillar 1. Contribute in strengthening good governance*

*Pillar 2. Secure institutional sustainability*

*Pillar 3. Develop and keep corporate and audit quality*

#### **4. Our values for securing external reputation and internal cooperation**

Our principles emerge from the national regulations concerning the activity in the public sector and established in the International Standards on Auditing.

The values of our work provide a solid ethical environment for any activity or decision taken on behalf of and inside our institution, and guidance in moments of uncertainty.

All staff shall ensure continuity in the spirit of these values and carry out the goals assumed efficiently and consistently.

- ***Independence:*** Performing a unique role, with the mandate given by the Legislature, CoA assesses independently how the Executive manages financial resources and public property, and reports to the Legislature and society about how taxpayers' money was administered. Independence in the audit process is crucial in providing us with the required integrity and credibility and to engender society's confidence in our work.

- **Objectivity:** Audit recommendations are based on reliable evidence and professional analysis. Written and oral communications are presented in a neutral, fair, constructive and balanced manner. We shall strive to be fair in approach and credible in actions – this being the quintessence of a SAI work.
- **Professional excellence, ability and capacity building:** Activities undertaken by us will be consistent and qualitative in accordance with best practices and professional standards. We continuously develop and by using and upgrading the methodological framework, we offer CoA employees opportunities and preconditions for enhancing professional competence. Therefore, we encourage and motivate innovative ideas and advanced aspirations for continuing improvements in audit work.
- **Internal cooperation and Team Spirit:** Our staff cooperates to strengthen the prestige of public external audit and, implicitly, CoA image, to maximize the results and added value of the institutional work as a whole. In this line of thought, we recognise the need for developing the professional potential of each employee and of our institution as a whole.
- **Openness:** Open communication, based on mutual trust, results in dedication and perseverance in the activity performed, generating job satisfaction. Tolerance and recognition of individual characteristics, skills and backgrounds provides the relevant basis for personal and organisational development.
- **Respect:** All our employees shall feel appreciated in their own right. This creates mutual confidence and trust for harnessing the best of one's abilities. We must recognise individual achievements and apply fair and flexible systems to help everyone reach their full potential. We value the differences in individuals and the diversity of opinions and options they bring to the organisation.

## **5. Our competencies**

We strive for leaders and staff having broad competencies which, together with the technical skills required, define the behaviours staff need to demonstrate in their day to day work to produce overall quality.

### **5.1. Analytical and methodological approach = Reaching the heart of the matter**

- Correlation of institutional activities with national strategies and programs;
- Ensuring relevance and consistency in establishing and carrying out activities;
- Analysis and solving of problems by the appropriate management;
- Applying relevant methodology in delivering the audit;
- Reaching professional judgements and opinions backed by accurate fair evidence;
- Making decisions based on sound evidence, including for delivering reliable information to the public.

**5.2. Approach to achieving objectives = we understand, assume and show perseverance and results**

- Setting justified, clear, and realistic objectives;
- Planning actions depending on the significance of areas, and possible threats /risks;
- Organizing the resources available in line with the targets set;
- Producing quality work in time and in accordance with applicable standards and regulatory framework;
- Monitoring progress made.

**5.3. Professional, ethical and clear communication = Putting the message across in a "friendly" way**

- Understanding and implementing the communication strategy;
- Communicating strategies, objectives and results to all levels;
- Possessing and implementing a high standard of written and oral communications;
- Having a competent, convincing, and consistent position in delivering messages.

**5.4. Everybody is a member of the team = Getting qualitative results working together (in a team)**

- Treating people as respectable individuals/ personalities and encouraging their participation as indispensable team members;
- Encouraging and cooperating with peers to deliver best quality work;
- Supporting mutual development;
- Supporting effective and sustainable involvement.

**5.5. Developing yourself = continuous development of individual and institutional performance**

- Developing yourself to improve continuously your performance;
- Strengthening capacities of solving difficult situations through openness, ingenuity and flexibility;
- Developing foreign language skills, enabling communication at the international level and following the development and the experiences of the profession in different media;
- Updating and constantly strengthening professional knowledge.

**5.6. Contribution and Motivation = Moving our institution forward**

- Understanding the context and scope of work;
- Leading people in a cooperating and flexible working environment;
- Recognizing and appreciating the results of the institution and each employee.

#### ***IV. Where we are - current challenges***

Our Development strategy is determined by the key directions and major challenges facing the national public sector. The option of line public authorities to recover the economic and financial situation, further support of the structural-institutional reforms, in the context of commitments assumed in the collaboration agreements with development partners and international financial organisations represent milestones and goals in conducting the public external audit.

##### **The condition of external environment**

Signing the Association Agreement between Moldova and the European Union in 2014 and its ratification by all member states of the European Union by November 2015 established greater responsibility in good governance on behalf of state authorities.

One component of this is the Public Financial Management (PFM) reform, including the Public Internal Financial Control (PIFC) reform. The latter reform aimed at establishing better and more appropriate public internal financial control based on the concept of managerial accountability for use of public funds in accordance with international standards and best practices.

Another component is the Budget management reform, targeting:

- strengthening budget and fiscal discipline;
- comprehensive regulation of the budget process and unification of procedures for the development, approval and administration of budgets of all levels;
- efficient management of budgetary resources by establishing new rules on the formation and administration of revenues collected by budget authorities /institutions, including projects financed from external sources, and reviewing the role and structure of budgetary reserves;
- delimitation of competences and broadening the powers of the participants in the budget process while raising the level of their accountability;
- ensuring transparency and reviewing the overall budgeting concept.

Beginning in 2014 the budget cycle is structured by limits on the maximum possible annual growth of spending and the annual budget deficit limit, by goals and objectives and has well-defined performance indicators that can be monitored, evaluated and reported. Related to these, the Public Financial Management reform is an important element in redefining the aspects related to the applicability /responsibility of public external audit.

In this context, a new control environment is emerging, creating a number of challenges for all involved actors. Our awareness, abilities and skills must be developed from this perspective being able to add value and develop good governance.

## **The institutional capacity**

During the last decade, we have constantly, with support and assistance from development partners, tried to develop the approaches of our institution from control to public external audit in the spirit of advanced experience. Progress has been made in this regard, but still we realize the need for hard work in reaching our targets and strategic institutional objectives.

With the application of the full set of ISSAIs, the Board of the CoA assumed the objective to align with international standards and best practices of public external audit<sup>1</sup>. So, being guided and implicitly applying the necessary standards in the audit engagements, the CoA expanded the scope of assessment and detection of irregularities, ie, providing solutions for their remedy.

CoA is striving for applying ISSAI in all our audits and perform mainly financial, compliance and performance audit, but also specific audits: environmental, ICT, thematic, external funds, follow-up audits and more. These standards are also applicable for all administrative and organisational business of CoA and hence are reflected in this SDP.

Audit standards and practices are evolving and we need to keep abreast with the development to improve our professional activity.

Lessons learned from earlier development tell us that we must take full ownership of our own development. We shall independently set priorities for the development, and link them directly to our operations being able to show our stake holders reliable results.

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<sup>1</sup> Court of Accounts Decision no. 60 of 11.12.2013 on "the application of International Standards of Supreme Audit Institutions Level 3 – ISSAI 100, ISSAI 200, ISSAI 300, ISSAI 400, during audit engagements of the CoA" and Court of Accounts Decision no. 7 of 10.03.2014 "On the application of Audit Guidelines (ISSAI 1000-9999) in the Public Audit";

## **V. Pillars for strategic development of the Court of Accounts till 2020**

### **Pillar 1. Contribute in strengthening good governance**

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*Supporting sound financial management in public administration by exercising the control of formation, administration and utilization of public financial resources; enhancing public accountability and transparency; and developing management by results are core elements of our mission. This has a direct impact on national public institutions but also has a wider resonance among citizens.*

*One of the key elements of European Integration is public financial management system 'needing to be significantly strengthened' with the requirement 'to enhance governance and institutional capacities in areas such as the management of public funds'. These are areas that should be supported by an effective SAI and due to this CoA business portfolio needs to be changed towards more non-statutory audits. The tools we use to achieve this are detailed below.*

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#### **5.1.1. Conceptualization and implementation of modern audit in accordance with ISSAIs**

We committed ourselves since 2013 to carry out all our audits in accordance with ISSAI. We will update now the regulatory-methodology framework in accordance with the standards, best practices and stakeholders' expectations. We will adjust and develop guidelines and procedures for developing /strengthening professional and institutional capacity for all types of audit, including for issuing audit opinions /conclusions.

When conducting the audits, we will take into account that computerised systems are central to the financial management of institutions in the public sector. According to these new rigours, as auditors we should assess the adequacy of ICT. Of utmost importance in this respect will be to develop our capacity in auditing information systems.

#### **A. Further Developing the Financial Audit**

A primary step is to determine the differences between financial audit in relation to other types of audits and control or inspection.

The financial audit is conducted in accordance with ISSAI. The audit criteria are the applicable accounting standards and financial reporting framework. The financial audit is an independent activity performed by external auditors to examine and evaluate the financial statements, systems and transactions of the public audited entity and completed by expressing an opinion on whether an entity's reported financial position, financial results and resources used are presented in accordance with the financial reporting framework. Its main purpose is to provide reasonable assurance about the extent financial statements as a whole are free of material misstatements, due to fraud or error, and the extent financial statements are presented, in all material respects, in line with the applicable financial reporting framework.

*For this, we will focus on:*

- a. Updating the normative and methodological framework on financial audit in accordance with ISSAIs and best practice;
- b. Developing standard templates for audit documentation and reporting;
- c. Selecting institutions to be subject to financial audit according to materiality and risk;
- d. The compulsory (gradual) annual financial audits of the central public authorities;
- e. Gradually enlarging the number of annual financial audits;
- f. Pilot audits that would serve as relevant examples of audit;
- g. Implementing the Information System "Register of audit engagements" that would facilitate obtaining summary information on audits conducted;
- h. Training and capacity building for conducting financial audits, including assessment of ICT and for writing reader-friendly audit reports with implementable recommendations.

### **B. Further Developing the Compliance Audit**

The compliance audit is conducted in accordance with ISSAI, formal audit criteria such as laws, normative acts, ministerial directives or the terms of an agreement or contract and /or informal like the Code of Conduct or Good Governance principles. Compliance audit is an independent activity stating whether the system, operations and processes of public sector entities audited are in accordance with laws, regulations and authorities that govern them.

*For this, we will focus on:*

- a. Developing a normative-methodological document on compliance audit, which would also provide criteria for delimitation of compliance audit types (compliance audit related to a financial statement audit, compliance audit performed separately from the audit of financial statements, compliance audit with performance elements) including developing standard templates for compliance audit for audit documentation and reporting;
- b. Pilot audits that would serve as good practice and benchmarks that will help us in gaining trust and support for our new approach;
- c. Audit reports on Government reports on the execution of budgets and audit reports in accordance with templates drawn up, performed according to new approaches developed with support from external experts;
- d. Implementing the Information System "Register of audit engagements" that would facilitate obtaining summary information on audits conducted;
- e. Training and capacity building for conducting compliance audits, including assessment of Information and Communication Systems (ICT) and for writing reader-friendly audit reports with implementable recommendations;

### **C. Further Developing the Performance Audit**

The performance audit is conducted in accordance with ISSAI. Audit criteria are the reasonable and clear standards with the help of which to assess the economy, efficiency and effectiveness of activities. Performance audit goes beyond the traditional practice of verifying just the accounts, accuracy of financial-accounting documents and legality of economic operations. On the one hand, this audit provides to taxpayers a clear assessment of how their money has been used. On the other hand, as a new audit technique, it may help improve the management of public institutions and mitigate the risks that public resources are used ineffectively. Performance audit is a means by which donors, taxpayers, legislators, executives,

ordinary citizens and the media can "exercise oversight" and get details on the operations and results of various government sponsored activities. This audit provides answers to questions such as: was value added (performance improved)? or is it possible to spend the money better or more wisely?

*For this, we will focus on:*

- a. Updating the normative-methodological framework on performance audit;
- b. Training and capacity building for conducting performance audits, including for writing reader-friendly audit reports with implementable recommendations;
- c. Implementing the Information System "Register of audit engagements" that would facilitate obtaining summary information on audits conducted;
- d. Pilot audits that would serve as good practice that will help us in gaining trust and support for our new approach.

### **5.1.2. Building capacities to perform audits in accordance with Guidelines on specific subjects**

The Guidelines on specific subjects developed by INTOSAI (5000-5999) provide for different types of specific audits like environmental audit, audit of privatizations, audit of public/private partnerships, audit of concessions, ICT audit, public debt audit, audit of disaster-related aid and others.

CoA reiterates its adherence as a member of INTOSAI and EUROSAI working groups to institutional strengthening for the realization of this topic.

*For this, we will focus on:*

- a. Active participation in the INTOSAI and EUROSAI working groups;
- b. Permanent development of institutional capacities to conduct specific audits;
- c. Identifying the development partners who will support us in delivering specific audits, particularly ICT audit and audit of public private partnerships and audit of concessions;
- d. Carrying out parallel audits in accordance with the commitments of the INTOSAI and EUROSAI working groups.

### **5.1.3. Capacity building for auditing donor funds**

Auditing of donor funds is essential paving the way for external financial support and it gives the donor trust in the domestic FM/C system and assurance that shortcomings are handled in an appropriate way. Therefore, we intend to develop institutional capacity to carry out this type of audit.

Having the role to audit the resources allocated by donors, we participate in the protection of their financial interests and decentralized management of the funds offered by the donors. We need to secure sufficient and suitable capacity to carry out audit and assess the financial operations embedding EU funds and other external financial resources in order to ensure their management under the terms agreed.

In general, under the bilateral and multilateral financing agreements, we shall ensure a permanent dialogue with the donors to combat fraud, corruption and other irregularities in the use of external funds.

*For this, we will focus on:*

- a. Developing and applying the normative and methodological framework for auditing external funds;
- b. Training and capacity building for conducting audits of external funds;
- c. Pilot audits that would serve as good examples of audit;
- d. Establishing a procedure for communicating the results of audit engagements to donors and cases of suspected fraud and improper use of financial resources provided, at the request of donors and in the form requested by them.

#### **5.1.4. Reliance on internal audit of audited entities**

In performing external audit, we are looking to increase our reliance on internal audit in each of the audited entities to use more efficiently our resources during the audit and disturb less the daily activity of audited bodies.

The confidence level of external audit in internal audit is different from one entity to another. In order to increase confidence, CoA will encourage the development of the professional skills of internal audit. To help with its development we shall establish regular communications with the Ministry of Finance's Central Harmonisation Unit. Effective collaboration with CHU will enable increased professionalism of internal audit and strengthening of its activity within the entities, which will allow us to increase our confidence in its work and will minimize our work during audits. During our audits, we shall ensure regular communications with people in charge of internal audit in the bodies we audit.

*For this, we will focus on:*

- a. Strengthening communication with the Central Harmonisation Unit;
- b. Increasing confidence in the internal audit activity;
- c. Reducing the scale of our work in the entity.

#### **5.1.5. Annual audit reporting**

We produce an Audit Report each year for Parliament that summarises the results of our audits performed during the reporting period on the management and use of public funds and public property. The Report highlights those issues which we consider the Government, Parliament, central and local authorities must address to enhance PFM.

We intend to continue to restructure the Annual Report, and make our recommendations add value to decision making.

*For this, we will focus on:*

- a. Drafting and approving an annual audit program, which contains current topics and foresees rational planning of audits, depending on available resources and capabilities;
- b. Ensuring qualitative and timely execution of planned audits.

- c. Developing a standard format for presenting the information to be included in the Annual Report;
- d. Preparing the annual report which contains data and information on the audits carried out, shortcomings and their consequences and recommendations for solving the problems.

#### **5.1.6. Cooperation with Parliament**

The Parliament, as the legislative body of the country and the representative of the people, is our most important stakeholder. It approves our budget and is the primary customer of our reports. We will improve our working relationship, based on shared understanding of objectives and further facilitate a constructive and supportive relationship.

*For this, we will focus on:*

- a. Developing a guideline for CoA cooperation with the Parliament;
- b. Developing and implementing a mechanism to monitor the implementation of our recommendations, involving the line parliamentary committees;
- c. Preparing CoA annual budget proposal in accordance with the rules of the national budgetary process and promoting it for approval in line with the additional legal framework;
- d. Submitting audit reports to line committees and Parliament for hearings;
- e. Considering proposals for developing the Annual work program.

#### **5.1.7. Activities for prevention of fraud and corruption**

In the context of the National Anticorruption Strategy, the fight against fraud and corruption is an integral part and guarantee of sound public financial management and we aim to further develop an effective working relationship with the law enforcement bodies so that suspicions of fraud and corruption are promptly reported for proper action to the appropriate authorities.

*For this, we will focus on:*

- a. Developing the procedure for documentation by auditors of cases of suspected fraud and corruption;
- b. Capacity building for the identification and documentation of cases of suspected fraud and corruption;
- c. Establishing a procedure for informing and referral of audit materials containing information on suspicion of fraud, the determination and examination of which is the competence of law authorities;
- d. Implementing a tracking process, being informed by the law enforcement agencies about the course of procedures for examining cases of suspected fraud by them.

## **Pillar 2. Secure institutional sustainability**

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*In every society, the existence of an independent and strengthened Supreme Audit Institution, contributing to improving managerial accountability in public finance, is an imperative. The international community (UN General Assembly, the UN Economic Committee, INTOSAI) reiterates during periodic meetings the need of supreme national authorities to guarantee and offer assurances about functional and operational independence of supreme audit institutions by reviewing /approving relevant legal provisions, by assigning mechanisms that contribute to organizational strengthening, which will determine the SAI responsibility before national and international partners. Their implementation will be the foundation to foster professional and institutional development of CoA of Moldova, as the only competent institution with the authority and the right to participate and contribute to good governance.*

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### **5.2.1. Review of the CoAs legal framework**

To be an efficient institution we need to harmonize the legal framework with internationally recognised public sector auditing standards on which our work is based. One of the fundamental aspects to be included in the revised law will concern the independence of the CoA in all aspects: *organizational, institutional, functional and financial*.

We shall continuously address the consistency of the Law on CoA organisation and functioning with other legal acts impacting our mandate and work and identify other initiatives necessary in this regard.

*For this, we will advocate for:*

- a. amendments to the Constitution and draft organic law;

*For this, we will focus on:*

- b. Permanent monitoring of national legislative and regulatory framework impacting on the mandate and work of the CoA;
- c. Updating internal procedures of the CoA, deriving from the legislative framework impacting the mandate and work of the CoA.

### **5.2.2. Strengthening institutional set up**

We shall carry out qualitative and efficient audits based on good governance principles. In order to ensure them it is necessary to harmonize the manner of organization and functioning of the SAI. Good practice on institutional organisation and the new trends in consolidating the condition and status of a SAI call for organising it in the most efficient way. By doing this we will achieve the objectives set, provide accountability for results, encourage effective communication, meet new expectations, encourage CoA staff to work in the way that we intend with utmost efficiency and add value in developing and implementing good governance.

Institutional organization must reflect in practice the principles stated in Lima and Mexico Declarations on the independence of the Supreme Audit Institution. CoA organisation

and functioning must be the most relevant to the status and the role of the institution within the PFM system.

The institutional reorganisation will provide more clarity and certainty on how to discharge the mandate and fields of activity both to CoA employees, and to decision makers outside the CoA. The organisational structure applicable from 01.10.2016 under the decision of the Board appointed by the Parliament on 29.07.2016 will be a support for internal organisation in order to achieve institutional goals and promote good governance principles.

To implement what we intend we will prepare a theoretical and operational platform as a base for measures to ensure a better support and understanding of our development path and needed steps to take.

*For this, we will focus on:*

- a. Harmonizing the way of institutional organization in pursuit of discharging the mandate and role of the CoA;
- b. Conceptualization and strengthening the role of each structural element of the CoA to focus on objectives, productivity, results and good control from management across subdivisions and institution;
- c. Establishing areas and limits of competence between organizational structures to ensure professionalism and efficiency;
- d. Setting and observance of delegation levels vertically and horizontally;
- e. Activities for informing decision makers on the types of organizational models of public external audit existing internationally - workshops, roundtables etc.

### **5.2.3. A Result oriented institution**

To obtain high institutional performance, based on diverse work capacities aimed at providing added value, it is necessary to integrate a system of development and validation of professional capabilities - certification of public auditors, and recognition of employees results.

The development in our institution of a culture oriented towards performance recognition and appraisal is a challenge to address as a permanent imperative.

Fundamentally we have to ensure that our mission, vision, objectives, values and generic competencies are in place, understood and practised by everyone working in the institution in the everyday work.

To achieve all these, CoA needs to introduce a performance management system that effectively plans, monitors, develops, rates, and rewards employee performance.

*For this, we will focus on:*

- a. Designing a system for development and validation of professional capabilities and recognition of employees' results.
- b. Implementing the certification system for public sector auditors;
- c. Applying tools for promoting and motivating employees based on the results and performance achieved.

#### **5.2.4. Stakeholders**

CoA does not work for its own benefit, but for the citizens – direct and indirect contributors to the formation of state financial resources, and other subjects. These stakeholders along with the Parliament and government institutions include also civic society, academia, donor community, and the media.

The dialogue with stakeholders to support our mission and promote our values needs to be improved. This will provide information users with a clear and comprehensive overview of the management of public funds and property, facilitate a better understanding of audit processes and procedures and allow an easier perception of audit results. We should also mind that our results are dependent /influenced to varying degrees on the actions /decisions of these parties.

*For this, we will focus on:*

- a. Conducting surveys among stakeholders to identify the main points of interest and assess the impact of our work;
- b. Conducting meetings and sessions with stakeholders;
- c. implementation of the Strategy on communication with stakeholders (media, civil society, Parliament, etc.).

#### **5.2.5. International cooperation with Supreme Audit Institutions and other organizations**

As a developing and strengthening Supreme Audit Institution (SAI) CoA is aware of the need to develop bilateral and multi-lateral cooperation with other SAIs, including those of a more developed level, which would certainly facilitate alignment to modern professional standards and the uptake of best practices, removing ambiguities and gaps related to the implementation and application in everyday work of international auditing standards.

*For this, we will focus on:*

- a. Further developing relations with the SAIs of EUROSAI and INTOSAI;
- b. Cooperating with other SAIs and professional structures in organizing and conducting institutional peer reviews of our business;
- c. Establishing cooperation relationships with foreign donors interested in the development of the CoA.

### **Pillar 3. Develop and keep corporate and audit quality**

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*Corporate governance is the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, corporate governance defines where accountability lies throughout the organisation. Good corporate governance is fundamental to any effective organisation. It is the hallmark of a well-managed corporate entity. Over this Corporate Strategy period we plan to introduce new approaches, forms and measures aimed at further developing and improving our governance. Two key elements of good governance are quality and the efficiency of operations.*

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#### **5.3.1. Audit quality management**

To maintain confidence in the objectivity and quality of public external audit, it is vital that there is a rigorous, reliable and comprehensive system for assessing the quality of audit work and institution's business in general. CoA as a supreme audit institution has set up its quality management process. In 2012-2016, with our own efforts and the assistance of our development partners – specifically the Swedish NAO, World Bank, and Twinning project experts, we reviewed the quality management processes for financial, compliance and performance audit. The recommendations offered by the foreign experts were analyzed and are being implemented by responsible parties of the CoA. In this context, we are corporately committed to continuously monitor the implementation of recommendations, to determine whether the quality management system operates efficiently and delivers desired results.

In order to ensure a comprehensive and complex approach to aspects of financial management in the real sector, our cooperation with the private sector auditors is indicated for learning from each other's experiences and taking over good practice.

*For this, we will focus on:*

- a. Improvement of the assessment of the quality management process in audit;
- b. Permanent monitoring of the effectiveness of the quality management process in order to identify gaps and deficiencies, and improve it;
- c. Conducting training activities for management of quality in the audit process;
- d. Cold and hot review of audits quality;
- e. Conducting workshops with the external auditors in the private sector.

#### **5.3.2. Computer-based support**

Information and communication technology (ICT) systems are essential for us to operate effectively. Their widespread availability and their application in daily activity will facilitate and enhance the effectiveness of our actions.

We will develop an ICT strategy that should form a sub-component of this strategy. It shall define our institutional context, logistical framework and our baseline capabilities.

The efficiency opportunities promoted by an effective ICT system should support both audit and related activities.

*For this, we will focus on:*

- a. Maintaining and enhancing the ICT infrastructure and associated equipment;
- b. Fitting with equipment that will enable transition to a modern operating system;
- c. Enhancing the management of electronic information;
- d. Strengthening electronic instruments and methods of internal and external communication;
- e. Identifying external financial resources (grants) for purchasing IS and conducting automated audits;
- f. Enhancing the ICT security architecture and recovery arrangements;
- g. Drafting the ICT strategy.

### **5.3.3. Development of Management Concept**

A successful institution is made up of a suitable team, working for the common result. Any institution consists of managers (top, middle and operational) and executors. Executors are those who do the business planned, supervised and reported by managers.

Managers are formed within the institution, through dedication and involvement in daily activities. The most suitable to be managers are the team leaders. A team leader is one who knows, has the right abilities and whose professional skills are recognized by other team members.

In order to form team leaders a learning culture, development of technical skills, of professional and personal behaviors must be promoted and implemented and the leadership qualities of these people shall be recognized at institutional level.

We intend to achieve this through a top-down mentoring programme by which the Board and managers are delivering ongoing hands-on mentoring in the context of day-to-day operational activities to executive and management staff.

All managers and supervisors will contribute by constantly leading by example. They shall be modern leaders willing to translate ideas into action, to promote new practices and organize the work to be done.

*For this, we will focus on:*

- a. Developing and implementing the institutional policy on mentoring and leadership;
- b. Identifying and promoting potential managers and leaders, and their training;
- c. Assigning managers and leaders to sectors in the SAI according to skills and abilities.

### **5.3.4. Human Resource Management**

To guarantee qualitative, objective and professional result from our audits every employee must be mobilised and involved. Our staff consists of specialists in public external audit and staff supporting the smooth conduct of the audit work.

In this respect, we should have appropriate systems to help us manage our staff efficiently and get the best from them. We should develop a range of human resource policies and processes with appropriate support systems. We will continuously work to improve our approach to recruitment, performance management, training and professional development of employed staff. We will in the strategy period reconceptualize the human resource management strategy. This should incorporate references to human resources, staff deployment and rotation, utilisation, learning and development of professional capacity and be based on a review of all key human resource policies and procedures, working with audit managers and development partners.

In addition, we shall introduce a certification program for CoA auditors. The certification program shall include all CoA auditors. In this context, a development solution that is sustainable and cost effective shall be established. We also need to find a feasible solution for remuneration so that we can motivate and promote the best staff.

*For this, we will focus on:*

- a. Reconceptualising the staff policy and strategy in the context of new audit requirements and approaches by:
  - Identifying staffing needs;
  - Developing and establishing the staff recruitment system suited to our needs;
  - Implementing policies for assessment of staff development needs;
  - Training and professional development of our staff;
  - Modernizing the staff evaluation system;
- b. Developing and implementing a certification program for public auditors;
- c. Determining and applying remuneration and motivation, so we can keep professional staff.

### **5.3.5. Financial and performance management**

#### ***A. Financial Management***

To assert the financial and budget autonomy and be in line with the basic principles of an SAI, we will develop our system for financial independence and budget management. To achieve this, our unit responsible for budget preparation, management and reporting will play an important role in advising management about organisational performance and opportunities for improvement.

*For this, we will focus on:*

- a. Developing a system to ensure a good budget management, and up date it as needed;
- b. Developing a regular internal financial reporting system.

#### ***B. FMC consolidation***

As an SAI, which serves as an example to other public institutions in the country, we must have an effective system of financial management and internal control, through which we can also promote its acceptance and implementation in other authorities. To achieve this, our structural units will implement all elements of FMC, with special emphasis on risk management.

Upon completion of each reporting period (half yearly /yearly), all our divisions will participate in the elaboration of the Declaration on good governance and report on the performance achieved.

*For this, we will focus on:*

- a. Strengthening risk management and updating the risk register;
- b. Making more efficient our FMC system and its self-assessment.

### ***C. Ensuring internal communication***

The operation of a communication and information system contributes to monitoring of progress achieved and is part of the institutional management process. To achieve the objectives and performance we need to be able to communicate effectively with our staff.

Our communication needs to be developed with all stakeholders (internal and external), in order to understand the respective role in achieving the overall objective, and how own activities link to the activities of other public institutions.

*For this, we will focus on:*

- a. Updating the internal communication strategy specifying clearly the responsibilities of each participant /actor;
- b. Regular meetings with staff to bring to their attention the latest developments;
- c. Further development of Intranet;
- d. Annual staff conferences to discuss experiences gained and results of work;
- e. Surveys and internal evaluations to measure staff satisfaction regarding their work in the institution. The results of this will be presented in staff meetings;
- f. assuming full compliance with and support for Code of Ethics by each employee and the institution as a whole.

### ***D. Performance Management***

We will practise what we preach in terms of having a fair approach to our own performance. We must be able to monitor and evaluate performance of our business in order to identify successes, quantify shortcomings and arrange potential improvements.

We have established a system of business planning, setting business and progress indicators. We report on this regularly. Nevertheless, it is necessary to strengthen the capacities for proper planning and qualitative monitoring of indicators, to intervene in the shortest time with the most appropriate measures to enhance business productivity and bring greater impact from the work we perform.

*For this, we will focus on:*

- Developing and establishing a process to monitor our performance against business indicators planned;
- Establish a system /mechanism /procedures for reporting performance to senior management;
- Up grade the Time Registration System.

### **5.3.6. Reporting on annual performance**

The Annual Performance Report shows how the institution used the resources it has been provided during the reporting period. The report summarizes the results of our annual activities and presents the performance also compared to previous years. In CoA's latest report for 2015 we presented a summary of our work in quantity and quality terms, and the results compared to

the limited financial resources allocated and the available personnel. In the coming period, we aim to develop the quality of content and presentation of the Annual Performance Report, to enhance its utility to stakeholders.

*For this, we will focus on:*

- a. Strengthening capacities for preparing the Annual Performance Report;
- b. Improving the presentation format, by taking over good practices from similar institutions;
- c. Using an analytical reporting format for presenting data in progress;
- d. Establishing the amount of information necessary to relevant stakeholders and providing information useful for decision making;
- e. Ensuring transparency and publicity of CoA work.

### **5.3.7. Strategic development**

Strategic development will be ongoing and constant. The appointment of the new Board in July 2016 determined the need to review /adjust some strategic directions of the institution. At the same time, the need to assess SAI performance as a result of implementing the Development Strategy 2016-2020, and the developments in the field at national and international level will naturally lead to the amendment and regular updating of the Strategy. To achieve the strategic development consistently, it is necessary to improve and strengthen the capacities for planning, implementation, analysis and reporting on relevant strategic activities.

*For this, we will focus on:*

- a. SDP for the years 2016-2020, re-visited, approved and implemented;
- b. Annual review of the progress made in implementing the strategy;
- c. Updating the Action Plan according to different cycles in implementing the strategy;
- d. Appointing a person in charge (from top management, responsible for strategic planning and methodology) of monitoring the implementation of the SDP, in order to report on progress regularly during Board sessions.

## ***VI. Stages of the development***

### **a. The First Stage: Year 2016-2017**

The objective with the first year is to establish a new platform for the incoming Board giving it a proper base for prioritising measures in reaching the overall objective to become a Well Performing Supreme Audit Institution carrying out its business in accordance with internationally recognised public sector auditing standards (ISSAI) and good European practices.

In parallel to this a number of practical good examples shall be produced paving the way for a deeper understanding of new concepts and approaches both internally and externally.

This will require setting priorities, both operative and administrative, and an enhanced focus in our work.

The new platform will cover the following priorities:

#### *Normative-methodological indicators:*

- ◇ SDP for the years 2016-2020, revisited, approved and implemented;
- ◇ Drafting and submitting amendments to the legal framework, constituting a clear role, scope and mandate for the CoA;
- ◇ Developing a system to ensure financial and budget management independence;
- ◇ A decision taken by the Board clearly defining the different types of audits and connections to audit opinions /conclusions;
- ◇ Financial Audit Manual updated and put forward for testing;
- ◇ Compliance Audit Manual drafted and put forward for testing;
- ◇ Performance Audit Manual updated and put forward for testing;
- ◇ The concept for certification of public auditors developed;
- ◇ A new management approach assumed building on an efficient management of resources, and better communication;
- ◇ The new organisational structure fostering a more efficient focus on the operative work implemented.

#### *Operational indicators:*

- ◇ An audit program for 2017 embedding financial, compliance and performance audits;
- ◇ Building capacities for conducting all types of audit (financial, compliance and performance) and capabilities for writing audit reports and recommendations;
- ◇ A template for the financial, compliance and performance audit reports in place and used;
- ◇ A template for the three binding annual audit reports in place; Audit reports on the Government's state budget, SSIB and CHIF execution reports prepared in accordance with the templates in time, more readable, concise and to the point;

- ◇ Awareness raising actions based on the audits carried out around CoA role, mandate and new approaches carried out;
- ◇ Approval of the Regulation on the procedures used in the CoA when auditors identify risks of fraud /corruption;
- ◇ Approval and implementation of the Communication strategy;
- ◇ A procedure for the communication with the Parliament adopted after consultations with relevant actors;
- ◇ Consolidation and implementation of a mechanism to monitor /follow up<sup>2</sup> the CoA reports involving the line parliamentary committee.

*Practical administrative support:*

- ◇ Improvement of the internal support processes is important seeking more efficient production and better results. The time planning, performance appraisals, improvement of personnel management, and integration of ICT systems are areas that we will address during the year.

In order to implement the SDP for 2016-2020, an Action Plan will be produced for each development sub-phase as an Annex to the SDP. To supervise and report on progress in the implementation of the activities included in the Action Plans a person in charge (from top management) will be appointed who will monitor SDP implementation process by involving heads of general divisions and Board members, and submit regular progress reports. In the end of each of the three stages comprehensive analysis during meetings of experiences gained and coming steps should be carried out.

**b. The Second stage (years 2018-2019)**

It is early to specify the milestones given the frequent changes in the domestic environment. The implementation of the Association Agreement, the reforms of the Public Administration, the Budget and the Financial Management and Control will have a big impact on our priorities. The same goes for the new management of the institution.

Risk analysis should be introduced in order to form a base for mitigating risks related to the fulfilment of the objective to become a Well Performing SAI.

**c. The third stage (2020)**

In the end of the reference period our objectives are to have the following attributes in place:

*Our environment:*

- Mandate and independence ensured in the legal framework;
- Aligned to the European agenda, PAR and PFM reforms.

*Our Capability:*

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<sup>2</sup> Follow-up is an independent activity, which involves examination by auditors, based on audit results, of the corrective actions taken by the audited entity or person in charge.

- The professional framework in place and in use;
- This strategy implemented and adjusted according to new needs and expectations during the implementation;
- The core business in accordance with internationally recognized public sector auditing standards and good European practices;
- Leadership and Management flavored by a results-oriented culture;
- Modern management tools and practices;
- Good governance principles in place in all our internal systems;
- Reflecting changes in standards and good practices;
- On-going audit quality improvement;
- In-depth cooperation with the nearest stakeholders in all stages of the audit processes;
- Good communication with other stakeholders;
- Active involvement and approach in the international cooperation.

*Our Reporting based on own decisions:*

- Sufficient coverage;
- A mix of different types of audits based on risk analysis;
- Monitoring and follow up reports.

*Value and benefits of our work:*

- Strengthening accountability, transparency and integrity;
- Demonstrating on-going relevance.

Over the SDP period we should score better and better over the years in international assessment to which we will possibly be subjected and show responsiveness in addressing recommendations given.