

**STRATEGIC PLAN  
OF THE STATE AUDIT INSTITUTION  
FOR 2016 – 2020**

**INTRODUCTORY WORD**

In order to remain a leader in development changes in public sector auditing of the Republic of Serbia, the State Audit Institution (SAIS) plans its strategic development and audit priorities in advance. Strategic Plan has directed SAIS's activities since 2011, when the first document of that kind was formulated. This Strategic Plan for the period 2016-2020 is the second SAIS's Strategic Plan. This Strategic Plan, prepared in accordance with the international methodology for strategic planning for Supreme Audit Institutions, reflects endeavors of key internal and external stakeholders and recommendations of partners which, together with SAIS, conducted projects related to capacity building of the Institution. It reflects even greater role of SAIS and shows how it has become crucial for public sector accountability in the Republic of Serbia.

Together with other institutions, SAIS represents a part of the chain of public financial management. It conducts public sector auditing, reports on findings and assists in calling upon accountability of those managing public sector. In the next strategic period, SAIS will strive to be strong, independent and multidisciplinary institution, in order to be further integrated into broader framework of public financial management, and in order to cooperate with other institutions and civil society.

Our goal in the period 2016-2020 is to increase SAIS's contribution to accountability of the public sector in the Republic of Serbia. SAIS has set the following priorities:

- further development of SAIS as a professional audit institution;
- using knowledge, skills and expertise of SAIS in the best way possible;
- maximal increase of audit impact;
- evidencing appropriateness of operations and accountability of SAIS by using own resources in the best manner possible.

This means that we will continue to strengthen and use opportunities for development.

In the ever changing and challenging environment, SAIS must be flexible and regularly update its Strategy, in order to react better to new audit risks and areas, and in order to continue to provide stakeholders with relevant, timely and useful reports and opinions.

I am certain that, with the Strategic Plan for the period 2016-2020, we will upgrade our previous achievements and raise public sector auditing in the Republic of Serbia to even higher level.

Radoslav Sretenovic  
President and Auditor-General

## **VISION AND MISSION**

### **Vision Statement:**

State Audit Institution is a reliable partner with the National Assembly and all stakeholders in efforts to achieve higher level of accountability and transparency in spending of public funds and management of assets.

### **Mission Statement:**

State Audit Institution provides the National Assembly, citizens and other stakeholders at all levels of government with reasonable assurance on how public funds are managed and used, and contributes to improvement of financial management, as well as accountability, transparency and integrity of public officers.

## CORE VALUES

Without putting aside strategically defined core values, which will guide SAIS and its employees, the following period will be characterized by promoting availability, respectability and innovation.

**Available** – SAIS is equally availability to all users through openness of work, transparency and availability of information and results. It intends to modernize its work, make it more democratic, sensitive to the needs of all citizens, encouraging their participation.

**Respectable** - SAIS is respectable and equal partner with all Serbian citizens in strengthening accountability, transparency and integrity of all participants in public financial management.

**Innovative** – SAIS continually strives to improve practice and introduce innovations regarding access to audits and management, as well as manner of communicating with taxpayers and other stakeholders. We strive to improve our results and to become more active regarding relations with our auditees, National Assembly, media and citizens. Collection, assessment and selection of new ideas will be conducted professionally and competently, along with good practices, processes, audit products, tools and methodologies, or all of the above combined, in order to better respond to a social need or a social problem.

Initial letters of the three core values represent acronym identical to the name of the Institution (Serbian - DRI).

**GOAL 1:  
TO MAKE SAIS INDEPENDENT AND ACCOUNTABLE**

**Objective 1.1 To harmonize Law on the State Audit Institution with requirements of the International Standards of Supreme Audit Institutions (ISSAI standards)**

Independence of Supreme Audit Institutions is one of the key elements of the Lima and Mexico Declarations, as well as ISSAI standards.

Concept of SAI independence includes: functional, organizational and financial independence.

All SAIs intend to increase degree of their independence from the executive branch and from any external influence.

In the next strategic period, the State Audit Institution will strive to preserve and increase its independence, and to harmonize the Law on SAIS with ISSAI standards, as prescribed by Lima and Mexico Declarations.

Law on SAIS needs to be amended in election and duration of term in office of heads of SAI, their professional engagement after expiry of term in office, in order to increase legal security and ensure professional work of SAIS, financial independence through providing right to directly request necessary funds from the Assembly, improving employment status of the employees, shortening deadlines for submitting objection in the audit process.

**Objective 1.2 To establish a performance measurement and reporting system**

Each institution, which intends to be accountable, is obliged to introduce, and/or establish performance indicators in its strategic plan. In doing that, it should introduce measurable indicators for measuring impact of its audits on performance of auditees, and/or whether implemented recommendations have led to improvement of performances. It may use "Performance Measurement Framework for Supreme Audit Institutions" as a basis for establishment of indicators in the Strategic Plan. Based on the acquired data from previous years, they should be collected in a single database.

SAIS needs to assess impact of its audits on performance of auditees, to take into account attitudes of various stakeholders, to introduce measurable indicators for measuring audit impact, to determine whether implemented recommendations have led to improvement of performances.

All of this should be accompanied with IT support through a developed information system, which will monitor SAIS' performance in real time.

Annually, it is necessary to report on success of the Institution in fulfilling its own indicators, within Annual Activity Report.

Institution should make periodic assessment of its work via self-assessment, in order to have constant improvement. These self-assessments aim to strengthen the Institution, in order to assess its work on its own, and to be prepared for the peer review, which as a rule is done by another SAI. In preparing itself for a peer review, each SAI may implement self-assessment based on Peer Review Guideline (ISSAI 5600).

Institution should be subject to independent external scrutiny, and make these reports available to relevant stakeholders.

**GOAL 2:  
TO PROVIDE HIGH-QUALITY AUDIT SERVICES IN LINE WITH ISSAI  
STANDARDS**

In the next five years, the State Audit Institution intends to increase quality of audit services and improve audit planning, implementation and control processes. By constant improvement of quality of audit work, SAIS strengthens credibility and professionalism of public sector auditing.

By providing high-quality audit services, SAIS contributes to strengthening accountability, transparency and integrity of public sector entities, as well as public officers.

**Objective 2.1: To ensure high-quality services by updating audit manuals - guidelines**

Providing high-quality audit services include implementation of selected audit standards and guidelines based on them. State Audit Institution has decided to implement ISSAI standards in its work and has adopted audit manuals - guidelines for audit of financial statements and compliance audit, as well as for performance audit.

Implementation of these manuals and timely updating thereof will ensure high-quality and reliable audit products, which will assist the National Assembly and all stakeholders in understanding deficiencies and undertaking required steps in strengthening capacities of public sector entities.

**Objective 2.2: To enhance usage of computer-assisted audit techniques and tools in audit processes**

Implementation of information technology in audit procedures contributes to efficiency of the procedures and more rational allocation and usage of available resources. State Audit institution conducts its work based on modern computer-assisted audit techniques and tools, and in the following period SAIS will work in its broader implementation, it will monitor and implement new developments in the area of Information Technology.

By increasing number of audits where computer-assisted audit techniques and tools are used, the State Audit Institution will increase efficiency and number of implemented audits.

**Objective 2.3: To further develop performance audit and raise capacities for carrying out other types of audits**

National Assembly and stakeholders in the Republic of Serbia show great interest in results of performance audits. In that sense, the State Audit Institution will continue with development of Performance Audit Sector and trainings in order to perform special purpose audits.

By taking into account interest of stakeholders and publishing larger number of performance audit reports, the State Audit Institution will increase public interest in its

work results and strengthen impact through more efficient and effective functioning of the public administration.

**Objective 2.4: To establish and develop quality control system**

One of the most significant elements for successful and high-quality work of the State Audit Institution is the quality control in all stages of audit process. Quality control also includes quality assurance, which is implemented at the level of the Institution. Quality control system is also addressed by ISSAI standards, while system implementation is defined with audit manuals-guidelines.

Through establishment and development of the quality control system, the State Audit Institution will improve quality and reliability of its products and strengthen impact on public finance system in the Republic of Serbia.

### **GOAL 3: TO STRENGTHEN ORGANIZATIONAL CAPACITIES**

#### **Objective 3.1: To develop capacities for strategic and annual planning**

In order to achieve goals set by Strategic Plan, it is important to have established and developed annual planning procedures, as well as procedures of implementation monitoring and strategic plan updating, on as needed basis. Translating strategic into annual plans and improved annual planning will set direction of decision-making process to achievement of determined goals. It will contribute to better performance of all management functions and ensure credible reporting on achieved performances. In that manner, conditions are created for continuous presentation of significance and reputation of the Institution, as a good example of responsible and transparent management of public funds.

Activities leading to achievement of this objective are:

- Designing and establishing appropriate strategic management system for implementation, monitoring and reporting on realization of goals set by Strategic Plan:
- Establishing annual planning procedures (audit and other functions) based on risk assessment in all organizational levels, and
- Connecting existing information systems and establishing integrated Management Information System (MIS).

#### **Objective 3.2: Increase effectiveness of performance measurement and reporting system**

Contribution of the Institution is reflected in strengthening of integrity, transparency and accountability of the government for using public funds. We provide the contribution by submitting reports with recommendations issued, by monitoring and reporting on their implementation. For that purposes, we need to have system in place for performance measurement and reporting, as well as for monitoring of issued recommendations.

At the same time, system for monitoring and reporting on results of using available resources should enable us to manage public funds transparently and responsibly, and to be a model organization through leading by example. In order to achieve that, we shall establish cost management system per activities; we shall conduct self-assessment (in compliance with *SAI Performance Measurement Framework*) in order to prepare ourselves for a peer review; once in three years we shall be subjected to periodic external peer reviews and independent external reviews of annual operations (audits) and we shall implement recommendations issued to us.

**Objective 3.3: SAIS has sufficient number of staff, on the right positions, with adequate knowledge and skills for execution of work load and achievement of established goals**

Through this strategic objective, SAIS strives to organize and implement integrated and comprehensive management of human resources.

As an institution that relies upon knowledge and capabilities of its employees, the priority is managing development of human resources through establishment of educational audit standards, which will regulate:

- professional requirements (knowledge, skills, professional values, ethics and attitudes)
- professional titles;
- establishment of continuous education and professional development;
- assessment of professional competence.

At the same time, SAIS will, through improvement of managerial skills, strive to ensure favorable working environment, which will attract and maintain the best audit staff.

**Objective 3.4: To raise level of provision of necessary resources and extent of their usage**

Conduct of audit and publication of audit reports (and other products) is the key activity, purpose of which is strengthening integrity, transparency and accountability for appropriate and legal usage of public funds. In order to conduct audit, it is necessary to ensure adequate provision of necessary resources.

Analysis of necessary number of staff will be used for determining need for space and equipment and adoption of program of securing thereof. By resolving the issue of business premises, conditions will be created for development and implementation of Strategic Plan for Information and Communication Technology (ICT).

Better usage of financial, physical and intangible resources will be reflected to internal performances and contribute to fulfillment of expectations of stakeholders.

Activities that should lead to achievement of this objective are:

- Determine standards for necessary business premises and equipment, prepare and realized program of ensuring thereof;
- Adopted and implemented Strategic Plan for ICT;
- Design and determine standards (normative) for conducting audit work and support, and begin with their implementation (and gradual achievement).
- Establish system of resource usage measurement.

**Objective 3.5: Raise the level of awareness on importance for observing integrity standards and Code of Ethics**

In order to be a model organization, it is necessary to continually demonstrate our dedication to key values and lead by example in observing high integrity standards and professional ethics in every aspect of our work. We will achieve that by building and developing elements of ethical infrastructure:

- raising awareness on ethical framework (including organization of trainings)
- establishing ethical committee or board

- adopting policies and procedures for timely notification on breach of ethical requirements
- self-assessment through usage of IntoSAINT tool - testing vulnerability and resilience to integrity risk
- regular (at least once in five years) revision of code of ethics
- establishing system for corrective measures in case of breaching code of ethics.

**GOAL 4:  
TO STRENGTHEN PARTNERSHIP RELATIONS WITH KEY  
STAKEHOLDERS, IN ORDER TO IMPROVE REPUTATION AND IMPACT OF  
SAIS**

State Audit Institution shall maintain effective cooperation and communication with external stakeholders, in order to ensure sufficient impact of its audit products. Institution also needs information from external stakeholders in terms of improving quality of work processes and products. Total effectiveness of the Institution in promoting better accountability, economy, effectiveness and efficiency in operations of the public sector entities depends upon relations the Institution establishes and maintains with external stakeholders.

Institution may use *INTOSAI Performance Measurement Framework for Supreme Audit Institutions* as an objective basis for presenting its continuous importance for all stakeholders. Institution strives to give its greatest contribution to better public financial management, good governances and accountability, as well as to efforts in fight against corruption. In leading by example, it promotes transparency and accountability through reliable public reporting on its work.

**Objective 4.1: To continually present values and benefits that SAI provides to the Republic of Serbia**

Institution is devoted to continually communicate results of its work to the National Assembly and its committees, executive government and auditees, media, public and special interest groups, such as civil society organizations, development partners, academia and professional associations. Bearing that in mind and striving to increase impact of its audit reports, the Institution will continually build relations with key stakeholders, in order to contribute to beneficial changes, introduction of new laws, larger degree of accountability, implementation of laws and regulations and monitoring of effectiveness of their implementation. In addition, through participation in two negotiating groups, Financial Control (32) and Public Procurements (5), the Institution continues to contribute to Republic of Serbia's accession to the European Union through area of external audit.

**Objective 4.2: To increase visibility of SAIS and its products**

Institution will strive to report objective information in a simple and clear manner, using language that is understood by all stakeholders. Reporting represents key part of the audit. Regardless of how professional an audit may be, its results must be communicated clearly and effectively. Good communications is of essential importance for exercising competences of the Institution. The Institution will continue to present audit reports and other audit products to the public in a timely fashion.

Using the stature it has built at the international, regional and local level, and using full-time membership status in INTOSAI, EUROSAI and Network of the SAIs of Acceding Candidate and Potential Candidate Countries and the European Court of Auditors, the Institution will increase its participation in relevant thematic professional events of

international importance, in order to promote exchange of experiences and achievements in the field of audit, including conducting parallel/coordinated audits with supreme audit institutions from other countries.

**Objective 4.3: To provide professional support to the National Assembly for acting upon receiving reports from SAIS**

Ability of legislature to read and use audit products is of utmost importance for effectiveness of the Institution. Audit reports are not goal in itself, but present a key part of the process in which executive government is called upon transparency and accountability. If audit report is not read and understood correctly, there will be no improvement. The most competent staff of the Institution is at the disposal of the National Assembly, in order to provide better support and have better cooperation in taking measures and launching initiatives based on recommendations from audit reports. In that sense, the Institution maintains good relations with all relevant Assembly committees, particularly with the Committee for Finance, Republic Budget and Control of Public Funds' Spending and Subcommittee for Reviewing Audit Reports of the State Audit Institution.

**Objective 4.4: To ensure existence of efficient system for following up SAIS' recommendations**

Attention that the National Assembly may give to audit reports contributes to putting the Government under additional pressure, which also creates good conditions for activities regarding monitoring and ensuring implementation of recommendations and measures pronounced by the Institution. In cooperation with the Committee for Finance, Republic Budget and Control of Public Funds' Spending and Subcommittee for Reviewing Audit Reports of the State Audit Institution, the Institution will continue with development of formal structured procedure for monitoring realization of recommendations, and/or decisions taken by the Committee, based on audit reports.