
TWINNING PROJECT FICHE

The Chamber of Accounts of the Republic of Azerbaijan

1. Basic information

- 1.1 **Programme:** ENPI-Annual Action Programme 2012 for the Republic of Azerbaijan
(CRIS number: ENPI/2013/024494)
- 1.2 **Twinning number:** AZ/13/ENP/FI/03/16 (AZ/48)
- 1.3 **Title:** Strengthening the Institutional and Administrative Capacity of the Chamber of Accounts of the Republic of Azerbaijan
- 1.4 **Sector:** Finance/Public Financial Management
- 1.5 **Beneficiary country:** Republic of Azerbaijan

2. Objectives

2.1 Overall objective:

To strengthen existing COA capacity to fulfil its mandate and thus make a significant contribution to improving the accountability, transparency, oversight and reporting of public financial management in Azerbaijan

2.2 Project purpose:

To strengthen the institutional and administrative capacity of the Chamber of Accounts in line with internationally accepted and EU accepted best practice external audit standards issued by INTOSAI, the International Organisation of Supreme Audit Institutions

2.3 Contribution to National Development Plan/Cooperation agreement/Association agreement/Action plan

2.3.1. EU-Azerbaijan agenda

After its enlargement in May 2004, the EU faced a new geopolitical situation and adopted the **European Neighbourhood Policy (ENP)**¹, which is a new framework for the relations with its neighbours. The ENP aims to go beyond the existing Partnership and Co-operation Agreements to offer neighbouring countries the prospect of an increasingly closer relationship with the EU with the overall goal of fostering the political and economic reform processes, promoting closer economic integration as well as legal and technical approximation and sustainable development.

The central element of the ENP is a bilateral **Action Plan (AP)**² which clearly sets out policy targets and benchmarks through which progress with an individual neighbouring country can be assessed over several years. The AP defines a considerable number of priority areas.

With regard to reforms in the public financial management sector and to ensure sound management and control of public finances as well as to strengthen the external financial audit, the AP sets out the following priorities to be pursued under area 6 (*Support balanced and sustained economic development, with a particular focus on diversification of economic activities, development of rural*

¹ http://eeas.europa.eu/enp/index_en.htm

² <http://pao.az/en/newsfeeds/list-all-news-feed-categories/digital-library/other-related-eu-documents/74-euazerbaijan-action-plan/file>

areas, poverty reduction and social/territorial cohesion; promote sustainable development including the protection of the environment):

- Continue process of public finance reform to improve efficiency, accountability, transparency and predictability.
- Strengthen the administrative capacity of the Chamber of Accounts in line with the internationally accepted and EU best practice external audit standards (INTOSAI standards – International Organisation of Supreme Audit Institutions).

The ENP-AP also includes co-operation tools, like Twinning, the Technical Assistance Information Exchange Office instrument (TAIEX) and the Support for Improvement in Governance and Management initiative (SIGMA), which play an essential role in the achievement of the Action Plan priorities. In particular, the Twinning instrument, which provides for direct co-operation between EU and Azerbaijani public bodies to support institution building activities, has proved to be particularly efficient in policy areas where the expertise required by the beneficiary country exists mainly in the public sector.

2.3.2. Governmental policy and strategy

2.3.2.1 Legislation and strategic documents related to the project

The main relevant documents are:

2.3.2.1.1 Existing legislation and strategic documents:

- Article 92 of the Constitution of the Republic of Azerbaijan³
- Law of the Republic of Azerbaijan “on the Chamber of Accounts” (No: 700-IQ, dated 2 July 1999)
- “Internal Charter of the Chamber of Accounts approved by the Law of the Republic of Azerbaijan” No: 269-IIQ, 2002
The Law of the Republic of Azerbaijan “on the Budget System” (No: 358-IIQ, dated 2 July 2002) Article 22.5 requires the COA to supervise the execution of the budget of Nakhchivan Autonomous Republic in cooperation with the Supreme Council of Nakhchivan Autonomous Republic
- The COA’s current strategic development and actions plans for the period 2015-2017 were approved on 27 February 2015.

2.3.2.1.2 Legislation and strategic documents under drafting

The COA has submitted a draft Law to the Parliament to clarify its role and responsibilities and require the COA to carry out its work in line with the International Standards for Supreme Audit Institutions (ISSAIs). In particular the new Law will explicitly give the COA responsibility to undertake financial, compliance and performance audits in accordance with the ISSAIs.

A list of relevant laws and regulations is attached in Annexe 2.

2.3.2.2 State Programmes

The reforms in the field of the proposed project are stated in:

- The Development concept “Azerbaijan - 2020: Outlook for the Future”;

³ <http://en.president.az/azerbaijan/constitution/>

- the National Action Plan for Promotion of Open Government 2012-2015; and
- the National Anti-Corruption Action Plan in 2012-2015.

a) Azerbaijan - 2020: Outlook for the Future

The COA is not directly referred to in this document, but section 4.1 dealing with the formation of an economic model based on effective state regulation and mature market relations, includes a paragraph that states: *“Special attention will be paid to the establishment of fiscal discipline in the sphere of forming and using budget resources, correct distribution of funds and increasing the efficiency of expenses.”*

Similarly, section 8 dealing with the improvement of legislation and strengthening of institutional potential includes the following paragraphs:

“In terms of implementing the goals stipulated by the concept, the strengthening of institutional potential will include three main directions: the development of human resources in the state-owned sector, the expansion of the activities of the electronic government and the continuation of institutional reforms.

Based on international experience, it is planned that every government agency and enterprise will prepare and implement a strategic plan in order to determine the priority development goals of government agencies and enterprises in spheres of activity, to bring those goals in line with relevant state programmes and effectively implement them.”

b) COA Strategic Plan, 2015-2017

On 2 March 2015 the Board of the COA approved a new strategic development plan for the period 2015-2017 and an action plan for its implementation. The plan has the following goals:

1. To build stronger and more effective links with the range of external stakeholders that have an interest in the work of the COA and its outcomes
2. To ensure effective implementation of the new (to be adopted) Chamber of Accounts Law and Audit Standards
3. To develop competencies by identifying the efficient and effective use of funds and macroeconomic effects via the analysis of the parameters of the state budget
4. To enhance the audit function
 - 4.1. To ensure that capacity in financial and compliance audit is further developed and that financial audit is rolled out effectively on a wider basis
 - 4.2. To strengthen capacity in performance audit in the COA
 - 4.3. To ensure that the detailed plans included in the IT strategy are implemented during 2015-2017 resulting in new IT audit function of the COA
5. To ensure that the COA is equipped with the right people with the right skills in the right jobs.

In addition to the COA's overall strategic development plan the COA has a series of sub-strategies focusing on specific aspects of the COA's future development:

- Information and Technology Strategy and Implementation Plan, 2015-17;
- Human Resources Development Strategy and Implementation Plan, 2014-18;
- Financial Audit Strategy, 2015-17;
- Performance Audit Strategic Plan, 2015-16; and

- Communication Strategy to Support the Revision of the Law and the Introduction of the ISSAIs

The Board of the COA is currently establishing a number of Working Groups under the leadership of senior COA staff to deliver the strategic plan and sub-strategies. These Working Groups will report to a higher-level Committee led by the Chairman) of the COA on progress in delivering the individual strategies. The twinning partners will be expected to work closely with the individual Working Groups to implement the activities of the twinning project.

c) National Action Plan for Promotion of Open Government 2012-2015

The Republic of Azerbaijan has joined the Open Government Partnership (OGP) in 2011 with a view to improve its activities aimed at increasing transparency and promoting Open Government; to exchange the international experience; and to contribute to the international efforts in this domain. The principles of OGP have been an integral part of anti-corruption policy and governance reforms carried out in the Republic of Azerbaijan.

To promote the principles of open government, the president of the Republic of Azerbaijan signed the National Action Plan for Promotion of Open Government 2012-2015 on 5 September 2012.

Enhancement of transparency in the state bodies of the Republic of Azerbaijan, provision of accountability, enlargement public participation and application of the new technologies are key principles of the initiative.

The Chamber of Accounts is among the state bodies responsible for implementation of article 6 (To increase the transparency in State Financial Control Institutions) of the Action plan

d) National Anti-Corruption Action Plan for 2012-2015

The President of the Republic of Azerbaijan enacted a decree approving a plan of activities on combating corruption on 5 September 2012.

The objective of the National Anti-Corruption Action Plan (NACAP) for 2012-2015 is to ensure the continuity of measures in the fight against corruption and promotion of good governance, increase transparency in the work of state bodies and ensure its compliance with high standards.

The Chamber of Accounts among the state bodies responsible for implementation of articles 13.4 (Preparation of proposals on improvement of internal audit legislation) and 14.2 (Improvement of the oversight over execution of the public procurement transactions and payments according to such contracts)

2.3.3. International Conventions and Agreements

- The Lima Declaration of Guidelines on Auditing Precepts, 1977⁴
- The Mexico Declaration on SAI Independence, 2007⁵
- UN Resolution A/66/209 on SAI Independence, 2011⁶
- UN Resolution A/69/208⁷

Although these declarations and resolutions have no force of law internationally all members of INTOSAI are expected to adhere to the principles contained within them concerning the

⁴ http://www.issai.org/media/12901/issai_1_e.pdf

⁵ http://www.issai.org/media/12922/issai_10_e.pdf

⁶ http://www.intosai.org/fileadmin/downloads/downloads/0_news/2012/UN_Resolution_A_66_209_E.pdf

⁷ http://www.intosai.org/fileadmin/downloads/downloads/0_news/2012/UN_Resolution_A_66_209_E.pdf

fundamental operations of SAs which form a cornerstone of ISSAIs. The Republic of Azerbaijan is a member of the INTOSAI as requested by Article 20 of the Law "On the Chamber of Accounts", which was drafted in line with the Lima Declaration of Guidelines on Auditing Precepts.

In 2002, a few months after its establishment, the COA joined four main International Organizations

- INTOSAI (International Organization of Supreme Audit Institutions) – April 2002
- EUROSAI (European Organization of Supreme Audit Institutions) – May 2002
- ASOSAI (Asian Organization of Supreme Audit Institutions) – June 2002
- ECOSAI (Economic Cooperation Organization of Supreme Audit Institution) – September 2002

Moreover, Azerbaijan is a member of the Council of Heads of Supreme Bodies of Financial Control of member states of the Commonwealth of Independent States (CIS).

As part of its membership of these organisations the COA plays an active role in a number of important task forces and working groups.

3 Description of the project

3.1 Background and justification

3.1.1 Current situation in the sector

3.1.1.1 Public Financial Management Sector

The planning of expenditure is the responsibility of individual departments while actual budget execution including the checking of documents before payments are made is the responsibility of the Treasury Department within the Ministry of Finance (MoF). Revenue and expenditure are regulated through a Treasury Single Account (TSA) system. There are approximately 45,000 budget organisations and 65 local financial organisations. Revenue is predominantly the responsibility of the Ministry of Taxes (MoT).

The current annual financial report submitted to Parliament by the Azerbaijani Government is not a set of financial statements consistent with the International Public Sector Accounting Standards (IPSAS) but does include information on revenues, expenditure, financial assets, commitments, debts and guarantees. A significant change to the PFM system is the gradual introduction of accruals based accounting based on the IPSAS. This development is at a relatively early stage but already a significant number of budget institutions are accounting for their income and expenditure in this way, although the preparation and presentation of formal financial statements based on these standards is limited.

3.1.1.2 Public Expenditure and Financial Accountability Assessment (PEFA)

A public expenditure and financial accountability (PEFA) repeat assessment⁸ was conducted in the Republic of Azerbaijan (ROA) between February and July 2014 by an independent expert team, led by the World Bank (WB). The assessment was financed jointly by the Swiss State Secretariat for Economic Affairs (SECO), the European Union Delegation to Azerbaijan (EU Delegation) and WB. A previous assessment was performed in 2008 but not published.

The results indicated that ROA has achieved good performance in many areas covered by the PEFA framework. Overall, the PFM framework has improved significantly since the 2008 assessment. The areas of strength include comprehensiveness and transparency of information, predictability in availability of funds, timeliness of information available in the financial system and no payment arrears. According to the PEFA, the scores for PI-26 "Scope, nature and follow-up of external audit" have improved slightly from D to D+ due to improvements in the evidence of audit

¹¹ Azerbaijan: Public Expenditure and Financial Accountability (PEFA) Performance Report: Repeat Assessment, December 2014

follow up since the last PEFA assessment.

3.1.1.3 The Chamber of Accounts

In 1999 the Parliament approved the Law on Chamber of Accounts, creating the CoA with responsibility to report to the Parliament.

The CoA has organizational and functional independence and its main functions include:

- ✓ Render opinion on draft budgets of the State and extra budgetary State funds (institutions).
- ✓ Render opinion on the Annual State budget execution report and certain draft laws.
- ✓ Supervise the volume, structure, and execution of timely and targeted revenue and expenditure items of the State and extra-budgetary State funds (institutions) budgets.
- ✓ Analyse and inform the Parliament on whether the State budget is carried out as approved, and prepare and submit proposals to the Parliament regarding elimination of identified deviations and potential improvements of the budget process in general.
- ✓ Supervise the management of State property, issuance of orders in respect of such property, and the inflow of funds generated from the privatization of State property to the State budget.
- ✓ Analyse and inform the Parliament on whether the State budget funds are entered into TSA and utilized to conform to targets established in the approved State Budget
- ✓ Based on assignment of the Parliament and its permanent committees, to carry out financial expertise of draft laws concerning the State budget and extra-budgetary State funds (institutions), as well as of the international agreements, which are approved by the Parliament;
- ✓ Obtain and analyze the information from the National Bank and other authorized credit institutions about the flow of finances of the State budget and those of the extra-budgetary funds (institutions) in bank accounts, and to give relevant proposals to the Parliament;
- ✓ Inform the Parliament about law violations, which were discovered as a result of supervisory measures taken;
- ✓ Operate in close contact with other State supervisory bodies.
- ✓ Conduct audit of the revenues and expenditures of the state budget and consolidated budget, including extra-budgetary funds, in accordance with the legislation.

The CoA powers include supervision of the approval of the State budget, State property management, inflow of funds from privatization of State property, and the purposeful use of funds allocated in the State Budget for legal entities and municipalities.

The Chairman, Deputy Chairman and Auditors are appointed by the Parliament with the recommendation of Speaker of the Parliament.

The COA status is in the 1-st category within public service system, making it possible to offer higher remuneration to its staff. Staff are recruited directly by the Chamber.

The Chamber gives its opinion to the Parliament on the draft State Budget Law and on the State Budget Execution Report and files an Annual Activity Report with the Parliament. Summaries of these reports are published on the Chamber of Accounts' web-site.

The Activity Reports describe in very broad terms the general results on an individual basis covering activities conducted in line with the Work Plan of the Chamber. The Activity report is presented by the Chairman of Chamber of Accounts and approved by discussion during plenary sessions of Parliament after its submission. In 2014 the COA conducted 82 individual audits covering 126 auditees and 66 investment projects.

The CoA is required, under its legislation, to prepare methodology, audit standards, reporting forms and other documents in accordance with the International Standards for Supreme Audit Institutions (ISSAIs)

Although there is no requirement for auditees to reply formally and publicly to audit reports the law provides that auditees may include a paragraph in the report recording their response and disagreement with the report's conclusions.

Currently the COA follows a Board-approved annual work plan. In preparing this plan the Board may take into account suggestions and comments from the President of the Republic of Azerbaijan, the Parliament and the committees of Parliament.

3.1.2 Problems (direct and indirect) to be addressed

The PFM framework has improved significantly since the 2008 assessment. The areas of strength include comprehensiveness and transparency of information, predictability in availability of funds, timeliness of information available in the financial system and no payment arrears.

Although the 2014 PEFA report indicated that the CoA has achieved good performance in many areas covered by the framework, there remain issues where further effort is needed to strengthen capabilities including independent scrutiny and oversight in relation to tax administration, procurement, internal audit and external audit. In particular the PEFA report identified PI-26 "Scope, nature and follow-up of external audit" as being a weaker area within the PFM system despite showing some improvement in the follow-up processes.

Also, although at present, there are no plans for any IPSAS-based financial statements prepared by budget institutions to be audited and published in the long term and in line with similar developments worldwide, it is reasonable to expect that this will be required and that the COA, as the SAI, would be given that role.

A more detailed gap analysis of the work of the COA undertaken by consultants in 2015 confirmed that the COA has focused on auditing compliance with applicable legislation, the evaluation of internal control procedures and on detailing the variances between actual spending and budgeted amounts. The COA audits are not based on either an evaluation of risk assessment, or on an overall assessment of internal control procedures and substantive testing which would normally be associated with the audit activities of an SAI as required by the ISSAIs. Individual audit results are not made public – an amendment to the audit related legislation would be required for public dissemination of individual reports or the summary of results of individual audits and other reports.

The COA has understood the need to change and modernise if it is to meet fully the requirements of the ISSAIs and become an effective SAI. This need for change includes: (1) updating the legislative framework in which it operates; (2) communications and relations with stakeholders; audit processes and methodologies; and (3) information technology used in public sector audit. In the case of people, new and more sophisticated technical skills, improved management, leadership and communication skills are required. Additionally, better internal communications and relationships with external stakeholders such as Parliament, audited organisations, society and the media. The COA also needs to improve audit processes and methodologies aimed at making itself more efficient and effective in carrying out its work, which will lead to more open, constructive, fair, and balanced reports that are more readable and relevant for the various stakeholders.

The COA has already taken steps to address these issues through the CAPSAP and in particular the submission of a new draft Law to Parliament which seeks to clarify and improve the legislation under which the Chamber operates and the preparation of strategies to ensure development in key areas of the COA's work.

The specific problems that need to be addressed by this twinning project are:

- Limited institutional and administrative capacity in the field of Human Resources (HR) necessary to ensure that the COA has the skills and knowledge required to become a fully effective, efficient and professional SAI;
- Limited practical experience of applying the ISSAIs for financial, compliance and performance audit; and
- A need to strengthen the level of engagement with Parliament, auditees and the media to ensure a better understanding and use of the work of the COA

3.1.3 Related gaps and needs

3.1.3.1 Institutional needs

Current situation: The COA is a comparatively young organisation and has made significant strides in its development. However, the COA recognises that as an institution it needs to continue to keep up with modern developments in the world of public sector external audit as a way of contributing to the wider demands of good public financial management. To achieve this the COA needs to ensure that it has an organisation that is fit for purpose and audit standards, processes and methods that reflect both best practice internationally in the shape of the ISSAI requirements and Azerbaijani legislation.

In particular the project needs to strengthen its human resources function to ensure it has the right staff with the right skills and knowledge necessary to fulfil its mandate. The COA also needs to strengthen further its ability to undertake financial and performance audits in line with the ISSAIs and to communicate its activities and results more effectively to stakeholders. A start in these areas was made under the CAPSAP but further work is necessary to institutionalise the skills and knowledge required.

Expected from the project: The project should focus on addressing these needs and in particular assisting the COA to develop the skills it requires to become a fully effective SAI capable of making a valuable contribution to the PFM system in the Republic of Azerbaijan. The project should provide necessary practical training and guidance to COA on all aspects of undertaking financial and compliance audits and performance audits in line with the ISSAIs.

3.1.3.2 Capacity building needs

Current situation: The staff of the COA currently lack sufficient expertise and, in particular, experience in planning, executing and reporting on its work in compliance with the ISSAIs. Similarly, it lacks the administrative and institutional capacity to make the most efficient and effective use of its resources.

Expected from the project: The project should provide direct hands-on assistance to COA staff through a combination of both classroom but primarily on-the-job training to strengthen the capacity in these areas.

The proposed twinning project seeks to build on the work undertaken in CAPSAP and assist the COA to ensure that the successes of that project become fully embedded within the institution. By addressing the specific problems and needs identified above.

3.2 Linked activities

3.2.1 Other Related EU activities

None

3.2.2 Related international initiatives

Between July 2013 and December 2014, the COA began a programme of change funded by the Swiss State Secretariat for Economic Affairs (SECO) and project managed by the World Bank under the “Corporate and Public Sector Accountability Project” (CAPSAP). This work focused on four key areas set out in the COA’s Strategic Development Plan for the period 2012-2014: Introducing Performance Audit; Upgrading Financial Audit; Enhancing the Legislative and Standards Framework; and Human Resources and Training. The project ran for 18 months achieving some notable results:

- The preparation of guidelines on financial and performance audit
- Undertaking and completing a number of financial and performance pilot audits using the new guidelines
- The preparation of a new draft law aimed at strengthening and clarifying the role of the COA with reference to the ISSAIs
- A Training Needs Assessment and resulting Training Curriculum for COA staff
- The preparation of strategies for communication, management of Human Resources, Information Technology (IT), and for the further development of financial and performance audit within the COA

As well as this twinning project the COA are discussing further support to be financed by SECO. The precise nature of this support has still to be finalised.

3.2.3 Related national initiatives

None

3.3 Results

3.3.1 Result 1: The COA has developed its Human Resources Management and Administrative capacity to maximise the efficiency and effectiveness of its staff

3.3.1.1 Description

By improving its capacity to lead and manage its human resources the COA will ensure that it can maximise the efficiency and effectiveness of its staff. Human resources are the key resource available to the COA to fulfil its mandate and deliver high quality reports. Ensuring they are properly led, managed and trained will make a valuable contribution to the further development of the COA. Key to the success of the COA is ensuring that a relevant, fair and reliable staff assessment process is in place that is competency-based and provides individuals and management with reliable information about strengths and weaknesses and can be used to inform future training needs.

3.3.1.2 Key output indicator(s)

- Revised HR policies and procedures in place
- An HR Section with increased institutional and administrative capacity to develop and deliver HR policies and procedures in line with local rules and regulations
- A core team of professional HR specialists in place to manage the COA’s HR function effectively and efficiently
- A revised and updated training strategy and curriculum
- A suite of training courses and materials developed to deliver the revised training curriculum;
- A staff performance appraisal system designed and tested

- Employee training and personal development plans in place based on the assessment of performance and individuals' needs

3.3.2 Result 2: The COA has developed the capacity to undertake and report on Financial and Compliance audits⁹ in compliance with the ISSAIs and domestic legislation

3.3.2.1 Description

The project will build on the activities related to financial and compliance audit undertaken in the CAPSAP and through the mainly hand-on practical delivery of on-the-job training using real locally based case studies and training materials. The training will be centred on **12 live audits**. The audits will be chosen by the COA and its twinning partner to ensure as wide a cross-section of COA's audit mandate possible is covered. At the conclusion of the project the COA will have the internal capacity to undertake high quality financial and compliance audits on a sustainable basis.

3.3.2.2 Key output indicator(s)

- A report including recommendations for action based on the application of the ISSAI Compliance Assessment Tools (iCATs) detailing the level of compliance by the COA in its financial and compliance audit activity with the Level 2 and Level 4 ISSAIs
- Revised COA approved training and guidance materials on risk-based financial and compliance audit consistent with the ISSAIs and domestic Azerbaijani legislation/normative acts for use by the COA audit teams and management
- A cadre of 20 professional audit staff and management trained in risk-based financial and compliance audit methodologies
- 5 specialised risk-based financial and compliance auditors capable of delivering high quality financial audit training to COA staff identified and developed through train the trainer coaching;
- 12 high quality financial and compliance audits completed and reported in line with ISSAIs and domestic Azerbaijani legislation/normative acts
- A set of revised ISSAI compliant quality assurance and control procedures and policies for financial and compliance audits prepared, and tested in real cases
- 5 COA staff trained to apply the revised quality assurance and control procedures for financial and compliance audits

3.3.3 Result 3: The COA has developed the capacity to undertake and report on Performance audits¹⁰ in compliance with the ISSAIs and Azerbaijani legislation/normative acts

3.3.3.1 Description

The project will build on the activities related to performance audit undertaken in the CAPSAP and through the mainly hands-on practical delivery of on-the-job training using real locally based case studies and training materials. The training will be centred on **4 live audits** to ensure that all training and guidance is directly relevant to local circumstances and will provide the opportunity to ensure that domestic Azerbaijani legislation/normative acts can be harmonised as closely as possible with the ISSAIs. The audits will be chosen by the COA and its twinning partner to ensure the subjects

⁹ These audits will be designated as "pilot audits" until or unless the new COA Law has been approved by the Parliament of the Republic of Azerbaijan

¹⁰ These audits will be designated as "pilot audits" until or unless the new COA Law has been approved by the Parliament of the Republic of Azerbaijan

covered are relevant and important and of parliamentary and public interest. At the conclusion of the project the COA will have the internal capacity to undertake high quality performance audits on a sustainable basis into the future.

3.3.3.2 Key output indicator(s)

- A report including recommendations for action based on the application of the iCATs detailing the level of compliance by the COA in its performance audit activity with the Level 2 and Level 4 ISSAIs
- Revised COA approved training and guidance materials on performance audit consistent with the ISSAIs and domestic Azerbaijani legislation/normative acts for use by the COA audit teams and management
- A cadre of 10 professional audit staff and management trained in performance audit methodologies
- 3 specialised performance audit trainers identified and developed through train the trainer coaching
- 4 high quality performance audits completed and reported in line with ISSAIs and domestic Azerbaijani legislation/normative acts
- A set of revised ISSAI compliant quality assurance and control procedures and policies for performance audits prepared and tested and
- 5 COA staff trained to apply revised quality assurance and control procedures for performance audits

3.3.4 Result 4: The COA engages effectively with better-informed stakeholders including Parliament, auditees and the media concerning the role and work of the COA

3.3.4.1 Description

At the conclusion of the twinning project the COA will be able to engage effectively with key stakeholders who themselves will have an improved understanding of the role of the COA in promoting good governance, transparency and accountability for the use of state funds and resources. Improved engagement of this kind with stakeholders will assist the COA in its work.

3.3.4.2 Key output indicator(s)

- A communication strategy developed to enable better coordination and management between various stakeholders as well as raise public awareness concerning the audits undertaken by the COA
- All members on the Economics and Budget Committee received support in how to make best use of COA financial and compliance, and performance audit reports to exercise oversight
- Briefing material for Committee members providing background to the methodology, key findings, conclusions and recommendations contained in each of the financial and compliance, and performance audits (16 in total) completed during the project. The material will include advice on the questions and issues the members of the Committee may wish to pursue further
- A number (the precise number to be determined by the COA and twinning partner) of staff within budget institutions received training in the role, powers and functions of the COA

- For each of the financial and compliance, and performance audits undertaken during the project (16 in total), the media to receive a briefing pack providing background to the methodology, key findings, conclusions and recommendations of each report

3.4 Activities

In order to meet the specific mandatory results of this project, the partners may agree on alternative or complementary activities and outputs to those identified in this section.

Project kick-off event

A meeting aiming at presenting the Twinning project to the main involved stakeholders shall take place at the beginning of the project implementation

Quarterly meetings of the Steering Committee

The SC meetings to be chaired by the MS PL and BC PL shall be organised every three months to review main achievements all activities carried out during the previous quarter the project achievements discussed and plan of activities for the next quarter discussed

Mid-term visibility conference

A conference shall present the main results achieved during the first year of the project and shall be organised not later than the fifth quarter of the project

Project closing event

A conference shall present the main results achieved during the project implementation and shall be organised before the conclusion of the project.

Activities related to Result 1:

- 1.1 Review the institutional and administrative capacity of the current HR and Training Department and obtain COA top management approval for any recommended changes and work with COA staff to implement them
- 1.2 Develop a set of policies and procedures appropriate to the needs of the COA in line with the requirements of the EU best practices
- 1.3 Revise training strategy and curriculum based on COA staff needs and taking account of the mandate of the COA
- 1.4 Develop a suite of training course and materials based on existing available materials and case studies supplemented as necessary by new material to enable delivery of the new training strategy and curriculum
- 1.5 Study visit to a EU MS SAI to gather practical knowledge on how to operate an effective staff appraisal system
- 1.6 Design and test a fair and objective staff performance evaluation system to assist in the identification of individual training needs and suitability for different aspects of the COA's work

Activities related to Result 2:

- 2.1 Undertake an in-depth iCAT review of the COA's financial and compliance audit methodologies and report to COA leadership
- 2.2 Revise existing financial and compliance audit training materials and guidance in the light of the results of the iCAT report and actual experience of carrying out financial and compliance audits in the Azerbaijani environment
- 2.3 Study visit to an EU MS SAI to gather practical knowledge of undertaking financial and compliance audits in line with the ISSAIs

- 2.4 Train 20 COA financial and compliance auditors in the up to date training materials and guidance
- 2.5 Plan, execute and report 12 ISSAI compliant financial and compliance audits
- 2.6 Provide train the trainer coaching for selected financial and compliance auditors to enable them to deliver future financial and compliance audit training
- 2.7 Revise existing quality control and assurance processes for financial and compliance audits in line with the ISSAIs
- 2.8 Train COA staff to undertake quality control and assurance reviews of financial and compliance audits undertaken by the COA

Activities related to Result 3:

- 3.1 Undertake an in-depth iCAT review of the COA's performance audit methodologies and report to the COA leadership
- 3.2 Review and revise existing performance audit training materials and guidance in the light of the results of the iCAT report and actual experience of carrying out performance audits in the Azerbaijani environment
- 3.3 Study visit to EU MS SAI to gather practical knowledge of undertaking performance audits in line with ISSAIs
- 3.4 Train 10 COA performance auditors in the up to date training materials and guidance
- 3.5 Plan, execute and report 4 ISSAI compliant performance audits over the life of the project
- 3.6 Identify 3 COA performance auditors and provide train the trainer coaching to enable them to deliver future performance audit training
- 3.7 Revise existing quality control and assurance processes for performance audits in line with the ISSAIs
- 3.8 Train a COA staff to undertake quality control and assurance reviews of performance audits undertaken by the COA

Activities related to Result 4:

- 4.1 Deliver a seminar for all members of the Economic and Budget Committee of Parliament on the role, responsibilities and work of the COA
- 4.2 Deliver a high-level seminar to members of the Economic and Budget Committee of the Parliament on risk-based financial and compliance audit
- 4.3 Deliver a high-level seminar to members of the Economic and Budget Committee of the Parliament on performance audit
- 4.4 Study visit to EU MS SAI and Parliament to gather practical knowledge of managing relationships with key stakeholders
- 4.5 Prepare briefing material for the members of the Economic and Budget Committee of Parliament on the 16 audits (12 financial and compliance and 4 performance) undertaken during the project. The material will summarise the main contents of the audit reports including findings, conclusions and recommendations and will advise the Committee on the issues they may wish to address and the questions to be asked
- 4.6 Deliver 20 one-day workshops to staff working in individual state budget institutions on the role, powers and functions of the COA

- 4.7 Issue press notices and briefing packs to the press, TV and radio for each of the 16 audits (12 financial and compliance and 4 performance) undertaken during the project summarising the findings, conclusions and recommendations contained in the reports

3.5 Means/ Input from the MS Partner Administration

The MS partner administration is expected to provide the Project Leader (MS PL) and Resident Twinning Advisor (RTA) as well as a team of short term experts to support them in implementation of the project activities.

The implementation of a Twinning project requires the Commitment of two project Leaders, appointed in the MS and the BC administrations respectively. The MS Project Leader should be a high-ranking civil servant or equivalent staff commensurate with the requirement for an operational dialogue and backing at political level, therefore he/she cannot come from an ad hoc mandated body. The MS Project Leader is not an adviser, he/she directs the implementation of the project.

The MS PL is the key link between the partners, acting at an overall operational and strategic level. The MS PL is complemented by the RTA. The RTA is seconded and resides in the BC for the entire duration of the project. (S)he co-operates day-to-day with the BC partners and coordinates the input of the MS short-term experts (STEs). STEs will work in Azerbaijan on the basis of specific Terms of Reference (ToR) which will be designed by the RTA for each mission together with the Beneficiary.

It has proved to be an advantage for the project implementation in previous Twinning projects when the MS has designated a senior STE to be responsible for each mandatory result/component of the project (i.e. a component leader) and to liaise with the respective component leader to be nominated by the BC PL. The BC PL will nominate counterparts to these key roles (see section 6.3).

The required MS experts must either be civil/public servants of the relevant MS administration or be permanent staff of authorised mandated bodies. All experts must comply with the requirements set in the Twinning Manual.

The nature of work for technical assistance abroad requires strong initiative, good analytical, interpersonal and language skills. All experts shall possess these qualities.

The RTA is supported in his/her MS administration for logistics, accounting and administrative tasks.

The RTA should be assisted by a full time project assistant for providing translation and interpretation services on a daily basis and for performing general project duties. The cost of the RTA assistant will be funded by the project. The recruitment procedure may be launched before the signature of the Twinning Contract but the RTA assistant may not start to work and corresponding costs will not be eligible before the start of the Twinning contract.

A full-time interpreter/translator may also be recruited in Azerbaijan and funded by the project. (S)he will perform most of the required interpretation/translation services. Whenever required and needed on a clear justified request, e.g. for simultaneous interpretation during seminars and workshops, additional interpretation may be procured and funded by the project. (S)he will provide day-to-day interpretation/translation to the RTA and project experts during meetings.

3.5.1 Profile and tasks of the Project Leader (PL)

The Project Leader (PL) from the MS should be a high-ranking civil servant or an equivalent senior manager in a MS national body with sufficient work experience in the field relevant to the project.

The PL will supervise and coordinate the overall thrust of the project. (S)he will direct the project and will ensure that all the required strategic support and operational input from management and staff of the MS side are available. Together with the Beneficiary PL, (s)he will organise the Project Steering Committee (PSC) meetings. **The MS PL would continue to work in her/his MS administration but should devote a minimum of three working days per month to the project in Azerbaijan with an on-site visit to Azerbaijan at least every three months to participate in the project SC meetings.**

Profile:

Qualification and skills

- An university degree or internationally recognised professional qualification in finance, economics, accountancy or another relevant discipline and experience in the national implementation of international instruments
- Good command of written and spoken English

General professional experience

- Preferably at least 7 years of professional experience at a senior management level in her/his MS Supreme Audit Institution
- Experience in project management

Specific professional experience

- Broad knowledge of current ISSAIs
- Experience in the application of ISSAIs within an MS SAI
- Experience in SAI capacity building would be an asset
- Specific experience in the management of the implementation of international instruments would be an asset
- Experience in EU funded projects would be an asset

Tasks:

- Liaising with the BC Administration at the political level
- Overall co-ordination, guidance and monitoring
- Ensuring the direction of the project work
- Ensuring the achievement on time of the mandatory project results
- Ensuring the availability on time of MS Short Term Experts and other MS resources
- Executing other administrative tasks

3.5.2 Profile and tasks of the Resident Twinning Advisor (RTA)

The Resident Twinning Advisor (RTA) seconded from the EU MS should have at **least seven years' work experience as a staff member in a MS SAI**, working directly in the field of public sector auditing. A network of functional contacts with related EU and Member State institutions will also be an asset. The RTA will be in charge of the day-to-day implementation of the Twinning project in Azerbaijan. (S)he should co-ordinate the implementation of activities according to a predetermined work plan and liaise with the RTA counterpart in Azerbaijan. **(S)he will reside for the entire implementation period of 27 consecutive months in Azerbaijan and work full-time**

for the project. The RTA is expected to be actively involved in the implementation of all activities. (S)he should co-ordinate the project and have a certain level of understanding of all components.

Profile:

Qualification and skills

- A University degree or internationally recognised professional qualification in finance, economics, accountancy or another relevant discipline
- Good command of written and spoken English

General Professional Experience

- 10 years of general professional experience, of which at least 7 years in the application of the ISSAIs in public sector auditing
- Experience in managing teams of experts
- Experience in developing, co-coordinating and conducting training programmes

Specific Professional experience:

- Familiarity with current ISSAIs
- Good knowledge of the institutional environment relating to the implementation and enforcement of relevant EU legislation
- Experience in working in a different cultural environment would be an asset

Tasks:

- Day-to-day coordination and implementation of the project activities in Azerbaijan
- Preparation of Terms of Reference (ToR) for STEs' missions
- Managing secondment and input of short-term experts
- Arranging study tours to MS countries for the staff of the COA and other involved administrations
- Substantial provision of own expertise
- Ensuring the coherence and the continuity of the inputs and the on-going progress
- Assessing continuously the Twinning-project at all stages and comparing actual progress with the specified benchmarks and time-frame
- Guaranteeing smooth implementation of the different activities;
- Liaising with the BC Project Leader and RTA Counterpart on regular basis
- Liaising with the EU Delegation and the PAO of Azerbaijan
- Preparing interim, quarterly and final reports
- Reporting to the MS-Project Leader

3.5.3 Profile and tasks of the short term experts (STEs)

All required EU institutional and technical expertise will be covered by the short-term experts. The short-term experts should have good experience in the relevant subject matter. The STEs should be civil servants or staff members of the selected MS institution(s). They should have worked in the required fields for not less than 3 years and have appropriate qualifications and necessary skills to implement the above mentioned activities.

The exact number of STEs per activity should be agreed upon during the contract negotiations. There should be a pool of short-term experts to ensure smooth implementation of the project. The STEs should be identified during the negotiation of the contract.

Indicative fields of experience for the short-term experts:

- ISSAIs for financial, compliance and performance auditing
- HR policies, strategies and best practice
- Capacity building in SAIs
- Others (to be defined in the proposal and/or during the contracting phase)

Indicative profile of the short-term experts:

Qualification and skills

- Relevant university degree
- Good command of written and spoken English

General Professional Experience

- At least 5 years' proven experience in the relevant field of public sector audit

Specific professional experience

- Up-to-date knowledge and current experience in the respective field of public sector auditing
- Project and training experience would be an asset

In addition to their missions in Azerbaijan, the STEs are expected to contribute actively in developing programmes for the study visits proposed in the project.

STEs' main tasks:

- Provision of their specific expertise
- Know-how transfer according to the ToR prepared by the RTA and BA
- Reporting on their missions

3.6 Reporting and monitoring

The MS Project Leader must draw up Interim Quarterly Reports and a Final Report. (S)he will be responsible for submitting them to the relevant authority.

For templates and requirements to reporting and monitoring, see the Twinning Manual.

Project Steering Committee (PSC)

The PSC will be convened at least every three months. The PSC will be chaired jointly by the MS PL and the BC PL. The PSC composition will be defined in the Working Plan according to requirements set in the Common Twinning Manual. Representatives from the PAO of the Republic of Azerbaijan and the EU Delegation, the RTA counterpart and BC PL as well as the RTA, MS PL and BC component leaders will participate in the PSC meetings. Observers from other institutions may be involved from time to time in cross-cutting issues. Representatives from other administrations or short-term experts, may also be invited if necessary. The PSC will follow the achievement of the project results and the timely implementation of the project activities in order to identify and rectify any problems that may arise in the course of the implementation of the project.

The secretarial support of the PSC will be provided by the RTA and RTA Assistant, who will prepare the agenda of the meetings, the documents to be discussed as well as the minutes of the meetings.

The working language of the Project implementation will be English. Translation and interpretation will be provided where necessary and where permitted in the provisions of the Twinning Manual.

4 Institutional framework

4.1 Responsible authorities for the project

As an independent institution the Chamber of Accounts of the Republic of Azerbaijan will be the sole authority for this project

4.2 Other Azerbaijani stakeholders for the project

As the Chamber of Accounts is responsible for the audit of the state budget all state budget institutions are effectively stakeholders for the project as is the Economic and Budget Committee of Parliament as recipients of the COA reports.

4.3 Organisation of the Beneficiary Administration (BA) for the project

4.3.1 Functions, Departments and Staff

4.3.1.1 Functions

Article 2 of the COA Law requires the COA to carry out the following functions:

- To render opinion on drafts of the State budget and on those of the extra-budgetary State funds (institutions)
- To supervise the volume, the structure, as well as the timely and targeted execution of revenue and expenditure items of the State budget and of the extra-budgetary State funds (institutions) budgets
- To render opinion on the annual State budget execution report and the appropriate draft laws
- To analyse whether budget financing is carried out as provided in the approved State budget; and to prepare and submit proposals to the Parliament regarding elimination of discovered deviations and improvement of budget process in general
- To supervise the management of state property, the issuance of orders in respect of such property, and the inflow of funds generated from the privatisation of state property to the State budget
- Based on assignment of the Parliament and its permanent committees, to carry out financial expertise of draft laws concerning the State budget and extra-budgetary State budget (institutions), as well as of the international agreements, which are approved by the Parliament
- To analyse and inform the Parliament on whether the State budget funds are entered into the treasury account and utilised in conformity with targets established in an approved State budget
- To obtain and analyse the information from the National Bank and other authorised credit institutions about the flow of finances of the State budget and those of extra-budgetary State funds (institutions) in bank accounts, and to give relevant proposals to the Parliament
- To inform the Parliament about law violations, which were discovered as a result of supervisory measures taken
- To operate in close contact with other State supervisory bodies
- To conduct audit of the revenues and expenditures of the state budget and consolidated budget, including extra-budgetary funds, in accordance with the legislation

4.3.2 Departments and Staff

The Chamber consists of the Chairman, Deputy Chairman and seven members each of whom serves for a period of seven years. The members could be re-appointed once the terms of office expire. In addition Heads of Departments within the Chamber are co-opted to the Board as required. The terms of the members do not run concurrently thus avoiding a situation whereby all members are due to complete their terms simultaneously.

The COA audit responsibilities are organised on sectoral lines as follows:

- Department of Review and Analysis
- Department of Control of State Revenues
- Department of Control of Banking, Analysis of State Debt and Crediting and Management of State Property
- Department of Control of Administration, Defence and Law Enforcement Expenses;
- Department of Audit of Social Spheres
- Department of Audit of Real Economy Expenditures
- Department of Audit of State Investments
- Department of Control of Extra-budgetary State Funds, Social Protection and Social Security
- Office of Chamber of Accounts in Nakhchivan Autonomous Republic

In addition there are a number of administrative departments not directly concerned with audit work:

- Department of International Cooperation
- Department of Law, Human Resources and Internal Control
- Department of Finance and Services

The COA currently has a total staff of 163.

4.3.3 Infrastructure and technical resources

The COA occupies its own headquarters in Baku and also has an office in Nakhchivan Autonomous Republic

5 Budget

The maximum budget allocated to this Twinning project is € 1,400,000

The Azerbaijani beneficiary administration will provide the RTA and other MS experts with office space in its main building in Baku, equipment and other provisions as stated in the Common Twinning Manual.

6 Implementing arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting

The Implementing Agency responsible for tendering, contracting and accounting is the European Commission represented by **the Delegation of the European Union to the Republic of Azerbaijan**.

The persons in charge of this project at the Delegation of the European Union to the Republic of Azerbaijan are:

Mr Jeroen WILLEMS

Head of Cooperation

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami str.

AZ 1010 Baku, Republic of Azerbaijan

Tel. +994 12 497 20 63 (ext. 853)

Fax +994 12 497 20 69

E-mail: Jeroen.Willems@eeas.europa.eu

Website: <http://eeas.europa.eu/delegations/azerbaijan>

Mr Olaf Heidelberg

Programme Manager

Delegation of the European Union to the Republic of Azerbaijan

Landmark III, 11th Floor, 90A, Nizami str.

AZ1010 Baku, Republic of Azerbaijan

Tel. +994 12 497 20 63 (ext. 846)

Fax +994 12 497 20 69

E-mail: Olaf.HEIDELBACH@eeas.europa.eu

Website: <http://eeas.europa.eu/delegations/azerbaijan>

6.2 Main counterparts in the Beneficiary country

Programme Administration Office in Azerbaijan (PAO)

The person in charge of this project at the PAO is:

Mr Ruslan Rustamli, Director of PAO

Head of the Department on Cooperation with International Organizations

Ministry of Economy and Industry of the Republic of Azerbaijan

6th floor, Government House,

84 Uzeyir Hajibayli str.

Baku, AZ 1000

Republic of Azerbaijan

Tel.: (+994 12) 493 88 67 (ext. 2115)

Fax: (+994 12) 598 07 86

E-mail: ruslan.rustamli@economy.gov.az

Website: <http://pao.az>

Ms Ulviya Veliyeva, PAO Project Manager

Leading adviser, Division on Cooperation with European Union,

Department on Cooperation with International Organizations

Ministry of Economy and Industry of the Republic of Azerbaijan

6th floor, Government House,

84 Uzeyir Hajibayli str.

Baku, AZ 1000

Republic of Azerbaijan

Tel.: (+994 12) 493 88 67 (ext. 2367)

Fax: (+994 12) 598 07 86

E-mail: Ulviya.Veliyeva@economy.gov.az

Website: <http://pao.az>

Beneficiary Administration – The Chamber of Accounts of Republic of Azerbaijan

The Beneficiary Administration has nominated its main counterparts to the MS PL and RTA:

Project Leader – Hilal Huseynov

Head of International Cooperation Department

Chamber of Accounts of Republic of Azerbaijan

33 Khagani str, Baku, AZ 1000 Azerbaijan

Tel.: (+994 12) 493 32 11 (ext. 112)

E-mail: h.huseynov@ach.gov.az

Website: www.ach.gov.az

RTA counterpart – Nazim Naghdaliyev

Head of International Cooperation Department

Chamber of Accounts of Republic of Azerbaijan

33 Khagani str, Baku, AZ 1000 Azerbaijan

Tel.: (+994 12) 493 32 11 (ext. 169)

E-mail: nazimnaghdaliyev@gmail.com

During the contracting phase of the project, the beneficiary administration will nominate leaders for each of the four results.

6.3 Contracts

Only one Twinning contract is foreseen for this project.

A new Financial Regulation applicable to the general budget of the European Union entered into force on 1st January 2013¹¹. This implies several changes to the Twinning contract templates. An updated version of the Twinning Manual and of its Annexes, incorporating these changes, is in preparation and shall be published soon on EuropeAid website¹². The Twinning contract, which shall be signed as a result of the present procedure, shall follow the templates of the updated Twinning Manual and Annexes.

7 Implementation schedule (indicative)

7.1 Launching of the call for proposals: September 2016

7.2 Start of project activities: June 2017

7.3 Workplan duration: 27 months

8 Sustainability

The Twinning project will have to seek sustainable solutions and approaches based on the adoption of best practices and thus prepare the grounds for Azerbaijani enhanced compliance with the selected EU Acquis and specifically best European practices in the field of public sector external audit.

Sustainability is highly dependent of the commitment of the Beneficiary Administration. Therefore the nomination of a responsible person within the Beneficiary Administration, for each component of the

¹¹ Financial Regulation: Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:298:0001:0096:EN:PDF>

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:362:FULL:EN:PDF>

¹² Rules of Application: Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning_en.htm

Twinning project, is highly recommended. This person will coordinate and promote the activities during the implementation of the project. The “**component leader**” will then ensure, for her/his component that the actions and work of the COA are in line with the results of the projects after its completion.

Besides, in the final report, twinning partners will include specific recommendations and strategies for consolidating and safeguarding the achievement of mandatory results in the beneficiary administration.

To ensure sustainability, Beneficiary Administrations should be provided with the training materials (all handovers) in both languages, English and Azerbaijani. That means that a budget for the translation of Guidelines, Handbooks, Glossaries, Methodology Manuals, etc. developed within the project should be foreseen.

9 Cross-cutting issues

9.1 Equal opportunity

The proposed project will comply with EU equal opportunity policies. Equal treatment of women and men in project implementation at all levels will be one of the most important principles in the project management and implementation. The beneficiaries are already equal opportunity employers. In particular, great attention will be given to the equality principle in the training of personnel and the recruitment of the STEs. Of course, appropriate professional qualifications and experience will be the main decisive factors in personnel recruitment and evaluation but, subject to that, both women and men will have identical prospects.

9.2 Environment

The principle of implementation of this Twinning project is based on a paperless work environment. This means, in particular, minimising paper use during project implementation by the maximum feasible use of e-mails and, if available, project web-site and/or project electronic data base for co-operation between partners. Documents are automatically saved in electronic format.

10 Conditionality and sequencing

For the project to succeed it will be essential for the twinning partners to operate in a fully cooperative and open manner with a mutual understanding and willingness to resolve any issues which may arise.

The twinning partners will determine the detailed timing and sequencing of activities, taking account of the existing priorities of the COA and the availability of twinning partner resources, when drafting the detailed twinning contract.

List of the abbreviations

AP	Action Plan
BC	Beneficiary Country
CAPSAP	Corporate and Public Sector Accountability Project
COA	Chamber of Accounts of the Republic of Azerbaijan
COAFCAWG	Chamber of Accounts Financial and Compliance Audit Working Group
COAHRWG	Chamber of Accounts Human Resources Working Group
COAPAWG	Chamber of Accounts Performance Audit Working Group
CoM	Cabinet of Ministers
ECD	European Commission Delegation
ENP	European Neighbourhood Policy
ENP AP	European Neighbourhood Policy Action Plan
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
HR	Human Resources
iCAT	International Standards for Supreme Audit Institutions Compliance Assessment Tool
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MoF	Ministry of Finance
MoT	Ministry of Taxes
MS	Member State
MS PL	Member State Project Leader
NIP	National Indicative Programme
OPG	Open Government Partnership
PAO	Programme Administration Office
PCA	Partnership and Cooperation Agreement
PFM	Public Financial Management
ROA	Republic of Azerbaijan
RTA	Resident Twinning Adviser
SAI	Supreme Audit Institution
SIGMA	Support for Improvement in Governance and Management
STE	Short Term Expert
TAIEX	Technical Assistance Information Exchange Office
ToR	Terms of Reference
TSA	Treasury Single Account
WG	Working Group

ANNEXES

1. Logical framework matrix in standard format
2. List of relevant Laws and Regulations
3. Organogram of the COA

ANNEXE 1: Logical Framework Matrix*

Strengthening the institutional and administrative capacity of the Chamber of Accounts of the Republic of Azerbaijan		Programme name and number: AZ/15/ENP/FI/42 ENPI-Annual Action Programme 2012 for the Republic of Azerbaijan (CRIS number: ENPI/2012/023411)	
Chamber of Accounts of the Republic of Azerbaijan		Contracting period expires:	Disbursement period expires:
Total budget: 1,4 million EUR			
	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall objective:			
To strengthen existing COA capacity to fulfil its mandate and thus make a significant contribution to improving the accountability, transparency, oversight and reporting of public financial management in Azerbaijan	<ul style="list-style-type: none"> • A more transparent and accountable public financial management system subject to high quality scrutiny by the COA • An efficient and effective COA capable of preparing high quality audit reports in line with the ISSAIs • A better informed Parliament, media and public concerning the need for good governance, accountability and transparency 	<ul style="list-style-type: none"> • COA audit reports • External reports such as PEFA assessments • Quarterly and final project reports. • Financial statements and annual reports of budget institutions and Parliament 	
Project purpose:			
To strengthen the institutional and administrative capacity of the Chamber of Accounts in line with internationally accepted and EU accepted best practice external audit standards issued by INTOSAI, the International Organisation of Supreme Audit Institutions	<ul style="list-style-type: none"> • Better informed and trained COA staff and management in the practical application of the ISSAIs • Improved quality of COA reporting. • Improved compliance with financial reporting rules and regulations • Improved quality of public services 	<ul style="list-style-type: none"> • COA audit reports • External reports such as PEFA assessments • Quarterly and final project reports • Financial statements and annual reports of budget institutions and Parliament 	<ul style="list-style-type: none"> • Continued support from COA leadership and senior management • The provision of sufficient and appropriate time and resources to the project by the twinning partner • The provision of sufficient and appropriate time and resources to the project by the COA • A willingness by Parliament and auditees to respond positively to COA reports • Approval of the draft new Law on the Chamber of Accounts (developed

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			within the CAPSAP project) that reflecting core principles of SAls and giving the COA responsibility to undertake financial, compliance and performance audits in accordance with the ISSAIs
Mandatory Results:			
1. The COA has developed its Human Resources Management and Administrative capacity to maximise the efficiency and effectiveness of its staff	<ul style="list-style-type: none"> Revised HR policies and procedures in place An HR Section with increased institutional and administrative capacity to develop and deliver HR policies and procedures in line with local rules and regulations A core team of professional HR specialists in place to manage the COA's HR function effectively and efficiently A revised and updated training strategy and curriculum A suite of training courses and materials developed to deliver the revised training curriculum; A staff performance appraisal system designed and tested Employee training and personal development plans in place based on the assessment of performance and individuals' needs 	<ul style="list-style-type: none"> Quarterly and final project reports COA HR strategy and training curriculum HR manual and policies Staff evaluation reports 	<ul style="list-style-type: none"> Continued support from COA leadership and senior management The provision of sufficient and appropriate time and resources to the project by the twinning partner The provision of sufficient and appropriate time and resources to the project by the COA
2. The COA has developed the capacity to undertake and report on Financial and Compliance audits ¹³ in compliance with the ISSAIs and Azerbaijani legislation/normative acts	<ul style="list-style-type: none"> A report including recommendations for action based on the application of the ISSAI Compliance Assessment Tools (iCATs) detailing the level of compliance by the COA in its financial and compliance audit activity with the Level 2 and Level 4 ISSAIs Revised COA approved training and 	<ul style="list-style-type: none"> Quarterly and final project reports Training materials and manuals 12 financial and compliance audit reports Quality assurance and 	<ul style="list-style-type: none"> Continued support from COA leadership and senior management The provision of sufficient and appropriate time and resources to the project by the twinning partner The provision of sufficient and appropriate time and resources to the project by the COA

¹³ These audits will be designated as "pilot audits" until or unless the new COA Law has been approved by the Parliament of the Republic of Azerbaijan

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	<p>guidance materials on risk-based financial and compliance audit consistent with the ISSAIs and domestic Azerbaijani legislation/normative acts for use by the COA audit teams and management</p> <ul style="list-style-type: none"> • A cadre of 20 professional audit staff and management trained in risk-based financial and compliance audit methodologies • 5 specialised risk-based financial and compliance auditors capable of delivering high quality financial audit training to COA staff identified and developed through train the trainer coaching; • 12 high quality financial and compliance audits completed and reported in line with ISSAIs and Azerbaijani legislation/normative acts • A set of revised ISSAI compliant quality assurance and control procedures and policies for financial and compliance audits prepared, and tested in real cases • 5 COA staff trained to apply the revised quality assurance and control procedures for financial and compliance audits 	control procedures manual	<ul style="list-style-type: none"> • Adoption and implementation of the Performance Audit /strategy for 2015-2016 (developed within the CAPSAP project)
3. The COA has developed the capacity to undertake and report on Performance audits ¹⁴ in compliance with the ISSAIs and Azerbaijani legislation/normative acts	<ul style="list-style-type: none"> • A report including recommendations for action based on the application of the iCATs detailing the level of compliance by the COA in its performance audit activity with the Level 2 and Level 4 ISSAIs • Revised COA approved training and guidance materials on performance audit consistent with the ISSAIs and domestic Azerbaijani legislation/normative acts for use by the COA audit teams and 	<ul style="list-style-type: none"> • Quarterly and final project reports • Training materials and manuals • 4 performance audit reports • Quality assurance and control procedures manual 	<ul style="list-style-type: none"> • Continued support from COA leadership and senior management • The provision of sufficient and appropriate time and resources to the project by the twinning partner • The provision of sufficient and appropriate time and resources to the project by the COA • Adoption and implementation of the Financial Audit /strategy for 2015-

¹⁴ These audits will be designated as “pilot audits” until or unless the new COA Law has been approved by the Parliament of the Republic of Azerbaijan

Strengthening the Institutional and Administrative Capacity of the Chamber of Accounts
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	<p>management</p> <ul style="list-style-type: none"> • A cadre of 10 professional audit staff and management trained in performance audit methodologies • 3 specialised performance audit trainers identified and developed through train the trainer coaching • 4 high quality performance audits completed and reported in line with ISSAIs and Azerbaijani legislation • A set of revised ISSAI compliant quality assurance and control procedures and policies for performance audits prepared and tested and • 5 COA staff trained to apply revised quality assurance and control procedures for performance audits 		2017 (developed within the CAPSAP project)
4. The COA engages effectively with better informed stakeholders including Parliament, auditees and the media concerning the role and work of the COA	<ul style="list-style-type: none"> • A communication strategy developed to enable better coordination and management between various stakeholders as well as raise public awareness concerning the audits undertaken by the COA • All members on the Economics and Budget Committee received support in how to make best use of COA financial and compliance, and performance audit reports to exercise oversight • Briefing material for Committee members providing background to the methodology, key findings, conclusions and recommendations contained in each of the financial and compliance, and performance audits (16 in total) completed during the project. The material will include advice on the questions and issues the members of the 	<ul style="list-style-type: none"> • Quarterly and final project reports • Training materials and briefing provided to members of the Committee • Training materials provided to senior management and staff of budget institutions • Briefing materials provided to the media 	<ul style="list-style-type: none"> • Continued support from COA leadership and senior management • The provision of sufficient and appropriate time and resources to the project by the twinning partner • The provision of sufficient and appropriate time and resources to the project by the COA • Members of the Committee are willing to engage fully with the project • Senior management and staff of budget institutions are willing to engage with the project • The media is willing to engage with the COA and use briefing materials provided appropriately.

Strengthening the Institutional and Administrative Capacity of the Chamber of Accounts
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	<p>Committee may wish to pursue further</p> <ul style="list-style-type: none"> • A number (the precise number to be determined by the COA and twinning partner) of staff within budget institutions received training in the role, powers and functions of the COA. • For each of the financial and compliance, and performance audits undertaken during the project (16 in total), the media to receive a briefing pack providing background to the methodology, key findings, conclusions and recommendations of each report 		
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	Means	Costs	
General management and visibility actions			
0.1. Kick-off meeting	<ul style="list-style-type: none">• Adequate logistics provided by the BA• MS PL, RTA, 2 project assistants and STEs• BA PL, RTA Counterpart, BA staff involved to the project		
0.2. Quarterly meetings of the Steering Committee			
0.3. Mid-term visibility conference			
0.4. Final conference			
Activities to achieve result 1:			
1.1 Review the institutional and administrative capacity of the current HR and Training Department and obtain COA top management approval for any recommended changes for improvement and work with COA staff to implement them.	RTA, RTA counterpart, HR STE and COAHRWG		
1.2 Develop a set of policies and procedures appropriate to the needs of the COA in line with the requirements of the EU best practices.	RTA, RTA counterpart, HR STE and COAHRWG		

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1.3 Revise training strategy and curriculum based on COA staff needs and taking account of the mandate of the COA.	RTA, RTA counterpart, HR STE and COAHRWG		
1.4 Develop a suite of training course and materials based on existing available materials and case studies supplemented by new material to enable delivery of the new training strategy and curriculum.	RTA, RTA counterpart, STEs and COAHRWG		
1.5 Study visit to an EU MS SAI to gather practical information on how to operate an effective staff evaluation system.	RTA, RTA counterpart, HR STE and COAHRWG		
1.6 Design and test a fair and objective staff performance evaluation system to assist in the identification of individual training needs and suitability for different aspects of the COA's work.	RTA, RTA counterpart, HR STE and COAHRWG		
Activities to achieve result 2:			
2.1 Undertake an in-depth iCAT review of the COA's financial and compliance audit methodologies and report to COA leadership.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
2.2 Revise existing financial and compliance audit training materials and guidance in the light of the results of the iCAT report and actual experience of carrying out financial and compliance audits in the Azerbaijani	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		

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environment.			
2.3 Study visit to a EU MS SAI to gather practical knowledge of undertaking financial and compliance audits in line with the ISSAIs.	RTA, RTA counterpart, COAFCAWG		
2.4 Train 20 COA financial and compliance auditors in the up to date training materials and guidance.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
2.5 Plan, execute and report 12 ISSAI compliant financial and compliance audits.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
2.6 Provide train the trainer coaching for selected financial and compliance auditors to enable them to deliver future financial and compliance audit training.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
2.7 Revise existing quality control and assurance processes for financial and compliance audits in line with the ISSAIs.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
2.8 Train COA staff to undertake quality control and assurance reviews of financial and compliance audits undertaken by the COA.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAFCAWG		
Activities to achieve result 3:			
3.1 Undertake an in-depth iCAT review of the COA's performance audit methodologies and report to the COA leadership.	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
3.2 Review and revise existing performance audit training materials and guidance in the light of the results of the iCAT report and actual experience of carrying out performance audits in the Azerbaijani environment	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
3.3 Study visit to EU MS SAI to gather practical knowledge of undertaking performance audits in line with ISSAIs.	RTA, RTA counterpart, Financial and Compliance Audit STE and COAPAWG		
3.4 Train 10 COA performance auditors in the up to date training materials and guidance.	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
3.5 Plan, execute and report 4 ISSAI compliant performance audits over the life of the project	RTA, RTA counterpart, Performance Audit STE and COAPAWG		

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3.6 Identify 3 COA performance auditors and provide train the trainer coaching to enable them to deliver future performance audit training	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
3.7 Revise existing quality control and assurance processes for performance audits in line with the ISSAIs.	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
3.8 Train COA staff to undertake quality control and assurance reviews of performance audits undertaken by the COA.	RTA, RTA counterpart, Performance Audit STE and COAPAWG		
Activities to achieve result 4:			
4.1 Deliver a seminar for all members of the Economic and Budget Committee of Parliament on the role, responsibilities and work of the COA.	RTA, RTA counterpart, STE and COA		
4.2 Deliver a high-level seminar to members of the Economic and Budget Committee of the Parliament on risk-based financial and compliance audit.	RTA, RTA counterpart, Financial and Compliance Audit STE and COA		
4.3 Deliver a high-level seminar to members of the Economic and Budget Committee of the Parliament on performance audit.	RTA, RTA counterpart, Performance Audit STE and COA		
4.4 Study visit to EU MS SAI and Parliament to gather practical knowledge of managing relationships with key stakeholders.	RTA, RTA counterpart, selected members of the COA FCA and PA WGs		
4.5 Prepare briefing material for the members of the Economic and Budget Committee of Parliament on the 16 audits (12 financial and compliance and 4 performance) undertaken during the project. The material will summarise the main contents of the audit reports including findings, conclusions and recommendations and will advise the Committee on the issues they may wish to	RTA, RTA counterpart, Financial and Compliance Audit, and Performance Audit STEs and COA		

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address and the questions to be asked			
4.6 Deliver 20 one-day workshops to staff working in individual state budget institutions on the role, powers and functions of the COA.	RTA, RTA counterpart, COA		
4.7 Issue press notices and briefing packs to the press, TV and radio for each of the 16 audits (12 financial and compliance and 4 performance) undertaken during the project summarising the findings, conclusions and recommendations contained in the reports.	RTA, RTA counterpart, Financial and Compliance Audit, and Performance Audit STEs and COA		

** - This Logical Framework Matrix is tentative. The Twinning partners shall revise the content of the Logical Framework Matrix, mainly measurable indicators / benchmarks basis of commonly agreed activities and outputs during the drafting of the work plan for this project*

ANNEXE 2: List of relevant Laws and Regulations

Main adopted laws:

- Article 92 of the Constitution of the Republic of Azerbaijan.
- Law No 700-IQ of the Republic of Azerbaijan dated 2 July 1999.
- The COA has prepared an internal regulation under Law 269-IIQ dated 5 March 2002 known as “The Charter”.
- The Budget System Law No 358-IIQ of the Republic of Azerbaijan dated 2 July 2002

Legislation under drafting process:

- A new Law on Chamber of Accounts.

ANNEXE 3: Organogram of the Chamber of Accounts of the Republic of Azerbaijan Members of Chamber of Accounts

