

**LIST OF ABBREVIATIONS**

AA	Audit Authority
AGIPAA	Assistant General IPA Auditor
BC	Beneficiary Country
CAO	Competent Accrediting Officer
CFCDD	Central Financing and Contracting Department
CSA	Certified State Auditor
DEU	Delegation of European Union
EC	European Commission
EU	European Union
GIPAA	General IPA Auditor
IAS	International standards on auditing
IPA	Instrument for Pre-accession Assistance
IT	Information Technology
MS	Member State
NAO	National Authorizing Officer
NPAA	National Programme for Adoption of EU acquis
PL	Project Leader
RTA	Resident Twinning Adviser
PAO	Programme Authorising Officer
PSC	Project Steering Committee
STE	Short Term Expert
TAIB	Transition Assistance and Institution Building

## **1. Basic Information**

**1.1 Publication reference:** EuropeAid/ 137-242/IH/ACT/MK

### **1.2 Programme:**

Instrument for Pre-accession Assistance (IPA) - National Programme for 2012 under the IPA Transition Assistance and Institution Building Component (TAIB)

**1.3 Twinning Number: MK 12 IB FI 02**

### **1.4 Title:**

Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority.

### **1.5 Sector:**

3.32 Financial Control

### **1.6 Beneficiary country:**

The Beneficiary Country<sup>1</sup>

## **2. Objectives**

### **2.1 Overall Objective:**

The overall objective of this project is to increase know-how, effectiveness and impact of the Audit Authority involved in the audit of EU funds and to increase efficiency during implementation including the swift response to emerging priorities.

### **2.2 Project purpose:**

To further develop and strengthen the capacities of the Audit Authority for auditing EU Funds in view of the harmonisation of the audit procedures and legal framework with IAS, new EU Regulation and guidelines given by the EC for the upcoming 2014-2020 Financial Perspective.

### **2.3 Contribution to National Development Plan/Cooperation agreement/ Association Agreement/Action Plan**

The project objective is harmonised with the national strategic documents, and in this context, addresses the priorities established in the Accession Partnership, National Programme for adoption of EU acquis (NPAA), Progress reports from 2011 and 2012 and the Strategic Plan of the Audit authority for the period 2013 – 2015.

In particular, the project is in compliance with the:

The priorities listed in the **Accession Partnership** (Chapter 22) have been selected on the basis that it is realistic to expect that the country can complete them or take them substantially forward over the next few years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years. The priorities concern both legislation and its implementation.

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<sup>1</sup> As per Financing Agreement concerning the National Programme Transition Assistance and Institution Building – TAIB 2012 from the Instrument for Pre-Accession Assistance under the Transition Assistance and Institution Building Component entered into force on 2 October 2013.

The **Progress Report from 2011** has stated that further attention is still needed to strengthen and develop the capacities of the Audit Authority, as a body functionally independent from all the actors forming the management and control systems, whereas according to the **Progress Report from 2012** some progress was made, i.e. the senior management of the IPA Audit Authority was replaced in May and its budget for 2012 was slightly increased.

In the **Progress Report 2014** it is noted that “Administrative capacity in the area of financial management, control and audit needs to be further improved (see Chapter 32 — Financial control). Efforts need to be made to further strengthen the financial management, audit and control procedures by means of improvements to operating structures. The country needs to further develop its capacity in this field, in order to ensure sound financial management of EU funds”.

The **Stabilisation and Association Agreement** notes that the overall objectives of the EU assistance, in the form of institution-building and investment, shall contribute to the democratic, economic and institutional reforms, in line with the Stabilisation and Association process. In this respect, financial assistance may cover all areas of harmonisation of legislation and cooperation policies of the SAA, including Justice and Home Affairs.

According to the Article 83 paragraph 2, “The Parties shall cooperate with the aim of developing efficient audit systems in the former Yugoslav Republic of Macedonia following the harmonised Community methods and procedures.

Cooperation shall focus on:

- technical assistance to the Office of Auditors in the Beneficiary country,
- the establishment of internal audit units in official agencies,
- the exchange of information with regard to auditing systems,
- the standardisation of audit documentation,
- training and advisory operations.”

The main strategic goals of the *Strategic Plan of the Audit Authority for the period 2013 – 2015, are:*

**Goal 1: Maintaining the functional independence.** Continuously maintaining the functional and operational independence of the Audit Authority in carrying out audit of IPA management and control system in accordance with the IPA Regulation and Framework and Sectoral Agreements between the and the Beneficiary country and the Commission of the European Communities.

**Goal 2: Development of institutional capacities.** Ensuring adequate financial, spatial, technical and human resources as a requirement for discharging of Audit Authority’s functions.

**Goal 3: Ensuring quality of performed audit.** Developing and improving procedures for performing audits according to IPA IR and adopted international audit standards and follow-up the effects from conducted audits;

**Goal 4: Information system and information technology.** Setting out and developing information system of the Audit Authority, applying the information technology and its rational and efficient usage during audit.

**Goal 5: Development of communication system.** Setting out a system for communication and exchange of information with IPA administrative structure, national and international legal entities and publicity of Audit Authority work.

**2.4 Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II)**

The project is directly linked with the new IPA II Regulation, in which new policies are developed and functions and requirements for the Audit Authority are amended, therefore the need for further development of the Audit Authority's legal framework and procedures, as well further development of the professional skills of the auditors is envisaged.

The Commission set the framework for the Union's instrument for financing external action through the Instrument for Pre-accession Assistance ('IPA II') on 11 March 2014 with IPA II regulation 231/2014 and Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II).

As Council Regulation (EC) No 1085/2006 expired on 31 December 2013, and in order to make the external action of the Union more effective, a framework for planning and delivering external assistance should be maintained for the period from 2014 to 2020. The enlargement policy of the Union should continue to be supported by a specific instrument for financing external action -IPA II.

Assistance under this Regulation shall mainly address the following policy areas:

- (a) reforms in preparation for Union membership and related institution-and capacity-building;
- (b) socio-economic and regional development;
- (c) employment, social policies, education, promotion of gender equality, and human resources development;
- (d) agriculture and rural development;
- (e) regional and territorial cooperation.

Union assistance under this Regulation shall be implemented directly, indirectly or in shared management through programmes and measures.

### **3. Description**

#### **3.1 Background and justification:**

The Audit Authority for Audit of Instrument for Pre-accession Assistance (hereinafter Audit Authority) was designated to carry out functions described in Article 29 of Regulation (EC) 718/2007 and Annex A to the Framework Agreement, as single audit authority for all five components of IPA, namely:

- Transition Assistance and Institution Building (IPA Component I),
- Cross-Border Cooperation (IPA Component II),
- Regional Development (IPA Component III),
- Human Resources Development (IPA Component IV), and
- Rural Development (IPA Component V).

The Audit Authority was set up in July 2007 as an integral part of the State Audit Office, functionally independent from all actors of the management and control systems. In June 2011, the Audit Authority was established as a separate legal entity, in accordance with the Law on Audit of IPA. Its status, main powers and responsibilities are subject to the highest legislation level, i.e. the provisions of this law.

According to the above Law, the Audit Authority is managed by the General IPA Auditor (hereinafter referred to as the *GIPAA*), with a nine years term of office. The *GIPAA* currently in office was appointed by the Decision of the Government of the Beneficiary country on 29 May 2012.

The Audit Authority has seven departments, including 5 departments for auditing each IPA Component, headed by the Assistant General IPA Auditors (hereinafter referred to as the *AGIPAA*). The Audit Authority has currently 32 employees.

### ***General Functions and Requirements for IPA I***

The general responsibility of the Audit Authority as indicated in Article 29 of Regulation (EC) 718/2007 and respectively in Annex A to the Framework Agreement and in the Law on Audit of IPA, is to verify:

- the effective functioning of the management and control system for IPA;
- the reliability of accounting information provided to the Commission.

In order to ensure the execution of these responsibilities the Audit Authority every year plan the activities and audits in the Annual Audit Work Plan.

The Audit Authority, under the responsibility of its head, shall in particular comply with the following requirements:

- The Audit Authority's audit work shall be performed in accordance with internationally accepted audit standards,
- The Audit Authority shall be functionally independent from all actors in management and control systems for IPA,
- During the course of each year, the Audit Authority shall establish and fulfil an Annual Audit Work Plan, to be submitted to the NAO and the Commission by 30 September of the respective year at the latest,
- The Audit Authority's audit work shall include audits of an appropriate sample of operations or transactions, and an examination of procedures,
- The Audit Authority shall issue an Annual Audit Activity Report and an Annual Audit Opinion, for IPA Components I, III, IV and V, and submit them to the EC, CAO and NAO by 31 December each year,
- The Audit Authority shall issue an opinion on any final statement of expenditure for the closure of a programme or of any part thereof and submit it to the EC, CAO and NAO.

The Audit Authority shall comply with further specific requirements that are set out in the Sectoral Agreements and Financing Agreements.

In 2014 the main activities planned with the Annual Audit Work Plans per IPA Component for 2014 and Strategy plan for 2014 were carried out as follows:

- Amendments of the Law for auditing IPA was adopted on 04.03.2014,
- Strategy plan (3 year) was reviewed,,
- Training Plan 2014, WLA 2014, IT Strategy were developed and reviewed
- The Training plan for 2014 was realised according to planned training days and planned training topics,
- 24 audit engagements were performed during the 2014 (system audits, audit of operation and financial audit) for all five IPA Components,
- AAWP's per IPA Component for 2015 were issued on time (at the end of 30.09.2014),
- AAAR and AAO for IPA Components 1,3,4, and 5 were issued on 26.12., 29.12, and 30.12.2014
- Annual Audit Report for MCS for IPARD was issued on 30.12.2014,
- The auditors from Department for audit of IPA Component 2 regularly participated in the Group of Auditors for the CBC Programme with Bulgaria and SEE Transnational Programme
- Realisation of the Technical Assistance project to the Audit Authority.

## ***General Functions and Requirements for IPA II***

The functions and responsibilities of the Audit Authority are defined in article 12 in the new Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II).

In accordance with point (c) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012, the structures and authorities referred to in Article 7(1) established by the IPA II beneficiary and the management structure referred to in Article 7(2) established by the NAO shall be subject to an independent external audit performed by the audit authority referred to in Article 7(3) which shall be independent from the IPA structures and authorities.

The IPA II beneficiary shall ensure that the Head of the audit authority possesses adequate competence, knowledge and experience in the field of audit.

The audit authority shall carry out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards and in accordance with an audit strategy prepared on a tri-annual basis. The audit strategy shall be updated annually.

The audit authority shall prepare an annual audit activity report and an annual audit opinion drawn up in accordance with internationally accepted auditing standards.

At the end of the implementation of a programme, the audit authority shall prepare a final audit activity report and provide an audit opinion on the final statement of expenditure.

### **3.2 Linked activities (*other international and national initiatives*):**

The below listed projects are complementing, and not overlapping, the activities programmed under this Twinning Fiche:

**Title:** Capacity building to the Audit Authority operating under IPA Implementing Regulation

**Source of funding:** CARDS 2006

**Duration:** 12 months (April 2008 - March 2009), in amount of 199.000,00 euro

**Description:** Ref. No Framework Contract EUROPEAID/119860/C/SC/multi, LOT No11. The project was implemented in the period from April 2008 until March 2009, while the Audit Authority according to the State Audit Law was an integral part of the State Audit Office. It resulted in positive achievements regarding the fulfilment of the fundamental requirements for functioning of the Audit Authority, i.e. the following documents were prepared: Audit Strategy, Annual Audit Work Plan, IPA Audit Manual (Common and Special Editions), Workload Analysis and the internal acts were reviewed.

**Title:** Technical Assistance to the Audit Authority

**Source of funding:** IPA TAIB 2009

**Duration:** 12 months (June 2013-June 2014) in amount of 192.640,00 euro

**Description:** Ref. No: Europe Aid /127054/C/SER/multi, Specific Contract 10-18993/1. The objective of this project was to further develop the Audit Authority capacities for the purpose of safeguarding the national and EU financial interests, by providing technical assistance for revision and update of relevant documents of the AA and professional capacity building of the auditors.

### **3.3 Results:**

The project shall provide advisory support to the Audit Authority as the main beneficiary.

The twinning is aimed at further development of the capacity of the Audit Authority to apply harmonized IAS and IPA II regulation and related legislation and procedures with the EU acquis and EU best practice,

supported by the appropriate control mechanisms and IT systems. For all seminars and workshops delivered the training materials should be prepared in the English language.

The mandatory results to be achieved are:

### **Mandatory result 1 - Improved legal framework**

This mandatory result shall be achieved through the following intermediary results:

1. Prepared new/ amendments of the Law for the competences of the Audit Authority, that will include its responsibilities arising from the IPA II and fostering the independence of the Audit Authority;
2. Prepared assessment and recommendations for the existing organisational structure of Audit Authority;
3. Upgraded internal acts of the Audit Authority (Rulebooks of the organisation and systematisation).

### **Mandatory result 2 - Strengthened administrative and operational capacities**

This mandatory result shall be achieved through the following intermediary results:

1. Prepared assessment and recommendations for enhancement of the audit procedures including:
  - analytical review of existing quality control in practice at AA and preparing detailed map of the current quality control system, mapping out all strengths and weaknesses as well as compliance with the relevant standards.
2. Improved audit manuals in accordance with IPA II regulations, including revised existing methodology and provided recommendations to improve for IPA II requirements as follows:
  - to perform audits aiming to verify the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts,
  - to perform audits aiming to verify the efficient and effective functioning of the management, control and supervision systems for IPA administrative structures,
  - to perform audits aiming to verify the legality and regularity of the underlying transactions,
  - to update and improve the check lists and audit programmes in line with IPA II regulations,
  - to improve the reporting process and follow up of the recommendations,
  - to improve the quality of the annual audit reporting.
3. Revised Audit Authority's strategies and Guidelines:
  - revised IT Strategy and Risk strategy and
  - new Audit Strategy prepared for IPA II in accordance with the Framework Agreement 2014-2020 (3 year Audit Strategy).

### **Mandatory result 3 - Enhancement of the audit skills**

This mandatory result shall be achieved through the following intermediary results:

1. The audit processes and procedures are streamlined with the IAS, best EU practices and lessons learnt from the EU member states and EU candidate countries, including:
  - staff trained through pilot audits on new revised audit procedures in compliance with IPA II requirements and making use of the similar experience for audit of EU funds from the member states (audit techniques, working papers, sub sampling techniques),
  - Auditors trained to use valid templates of the reports developed for IPA II regulation.

2. Trained staff in relation to the fulfilment of the Audit Authority current and upcoming competences:
  - to improve the analytical capacities of staff and quality assurance in practice,
  - train staff aiming to perform comprehensive on the spot checks,
  - enhancement of the auditors skills for verification of the expenditures, legality and regularity of transactions,
  - to improve skills for performing financial audits.
3. Improved technical capacities for audit sampling (CAATS) including:
  - Auditors trained for using the software for sampling.

**Measurable indicators:**

- Analysis of the existing legal framework for the competences and organisation of the Audit Authority concerning the changes proposed in the IPA II legislation;
- Written recommendations for improvement of the legal framework and the organisation of the Audit Authority;
- Revised draft Law on auditing the Instrument for Pre-accession Assistance and related bylaws;
- Strategies prepared relating to the functioning of the Audit Authority with a view to its competences;
- Assessment Report including a Map of current practices and recommendations;
- Number of procedures impacted by changes in the IPA Audit Manuals with a view to the Audit Authority competences and responsibilities for IPA II and according the best practises of the MS for the new financial –budgeting period 2014-2020;
- Internal acts e.g. Rulebooks for organisation and systematisation developed reflecting the new competences and responsibilities of the Audit Authority;
- Training needs assessment report, plan for capacity building, training programme and curricula;
- Number of auditors trained on the audit processes and procedures streamlined with the IAS, best EU practices and lessons learnt from the EU member states.
- Number of staff trained on the developed audit procedures and audit techniques.

**3.4 Activities:**

The Twinning project shall be implemented as a joint project in which each partner takes on its responsibilities. The selected MS shall transfer the requested hands-on public sector expertise to the Beneficiary Country, support into reinforcement of administrative capacities to meet the obligations of the EU membership by introducing and sharing EU wide best practices in connection with EU legislation and specific needs of the Beneficiary Country in the field of audit of EU funds.

**The proposal made by the MS should include the activities they propose to achieve the results listed in the fiche. Without listing necessarily all the possible activities, the proposal should be detailed enough to respond adequately to the twinning project fiche.**

The set of proposed set of activities will be further developed with the MS twinning partner when drafting the twinning work plan, keeping in mind that the final list of activities will be decided among the twinning partners.

The Twinning assistance will be provided in the form of know-how transfer, and will be delivered through:

**a) Advice and coaching sessions:** Coaching and advice activities as on-the-job support will be the predominant type of activity. They will help for drafting of new or amendments to the existing national

legislation –IPA Audit Law on the basis of actual EU legislation in force, development of the internal acts, further development of procedures, implementing provisions and control mechanisms and strengthening of the administrative and operational capacities of the Audit Authority. They shall contribute to increased effectiveness of the audits and its harmonisation with the IAS and EU best practice.

**b) Tailor made training programme:** This project will include the development and implementation of a tailor-made training programme. The programme will take into account the lessons learnt from the previous trainings and will be based on a training needs assessment of the target groups. The training programme will focus on all aspects of improving the capacities of the BC in the areas outlined above. The Beneficiary prefers on-the-job training, where applicable.

**c) Seminars, workshops:** The training programme will involve the organisation of seminars, workshops, etc.

**d) Legal acts, Guidelines, Manuals, procedures:** The Twinning partner should review and propose new legal acts, revise manuals and procedures and/or propose amendments to existing national legislation which regulates the work and organisation of the Audit Authority in line with the IPA II related regulation, EU acquis and EU best practice, as well as propose more effective procedures. This task will be done in close cooperation and consultation with the Beneficiary.

**e) Development:** The Twinning partner will propose and provide assistance and guidance in the development of the audit skills of the auditors, as well to assist in improving institutional and administrative capacities and competences. This will be done in the course of establishing and introducing revised audit procedures in accordance with IPA II and providing training to auditors. This task will be done in close cooperation and consultation with the Beneficiary.

**f) Study visits:** Study visits will be organised for representatives of the beneficiary institution to a Member State for exchange of good practices and experience in connection with the implementation of the audit procedures in line with the EU regulations and EU funds.

### **3.5 Means/ Input from the MS Partner Administration:**

The project will be implemented in the form of a Twinning contract between the Beneficiary country and an EU Member State. Details of implementation shall be agreed during the preparation of the work plan. The implementation of the project requires one Project Leader (PL), responsible for the overall coordination of project activities, one Resident Twinning Adviser (RTA), responsible for management and implementation of project activities and a pool of Short-Term Experts within the limits of the contract budget. It is essential that the team has sufficiently broad expertise to cover all the areas included in the project description.

The interested Member State institution shall include in its proposal the CVs of the designated Project Leader, Resident Twinning Adviser and of the proposed key Short-Term Experts. The details of implementation of the Twinning Project will be agreed upon/during the preparation of the Work Plan.

#### **3.5.1 Profile and tasks of the Project Leader**

##### ***Member State Project Leader (MS PL)***

The Project Leader from the Member State must be a high-ranking public servant or equivalent staff of a Member State administration, with relevant working experience in audit of EU Funds of at least 5 years.

The MS Project Leader will continue to work at his/her Member State administration but will devote some of his/her time to conceive, supervise and co-ordinate the overall thrust of the Twinning project, and ensure the attainment of the projected outputs.

The MS Project Leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and is expected to devote a minimum of 3 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilise the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Skopje at least every three months.

He/she will be supported by his/her Member State administration for logistic, accounting and administrative affairs.

### **Qualifications and skills:**

- Education of at least University degree<sup>2</sup> in economics or similar discipline relevant to the project;
- Relevant working experience in audit of EU Funds at least 5 years;
- Experience of relevant IAS, EU funds management rules and procedures;
- Fluent written and spoken English.

### **Tasks:**

- Conceive, supervise and coordinate the overall preparation of the project;
- Coordinate and monitor the overall implementation of the project;
- Co-ordinate MS experts' work and availability;
- Communicate with the beneficiary, CFCD and EUD;
- Liaison with the Project Leader from the Beneficiary Institution;
- Co-chairing, with the Beneficiary Country Project Leader, the regular project implementation Steering Committee meetings;
- Ensuring the backstopping functions and financial management;
- Preparation and drafting of interim, quarterly and final report;
- Guarantee from the MS administration side the successful implementation of the Project's Work Plan.

### **Beneficiary Country Project Leader (BC PL)**

The BC Project Leader will act as the counterpart of the MS PL and will ensure close cooperation in the overall steering, co-ordination and management of the project from the beneficiary side. He/she will support the Twinning project team in organizational and technical matters and will also coordinate the Project Steering Committee (PSC) on behalf of the BC. The role of the BC PL and the MS PL are complementary.

### **3.5.2 Profile and tasks of the RTA**

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<sup>2</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104\\_en.doc](http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc))

One Resident Twinning Advisor (RTA) will be appointed, and he/she will be located in the premises of the Audit Authority in the Beneficiary Country.

The secondment of the Resident Twinning Adviser will last 16 months, during which he/she will be responsible for the day-to-day implementation of the project activities, under the overall supervision of the MS Project Leader.

He/she will come from an EU Member State to work on a full time and day-to-day basis with the beneficiary administration. The Resident Twinning Adviser will have a key role in the coordination of the inputs required for the successful implementation of all the project activities. He/she shall be supported by short – term experts.

### **Qualifications and skills:**

- Be a national of a Member State of the European Union;
- Be a civil servant or equivalent staff seconded to work within departments/units of an Audit Authority or equivalent audit institutions in a Member State;
- Have at least a University degree<sup>3</sup> in law, economy, public administration or equivalent field;
- Have at least 3 years of professional experience in the field of EU funds audits and procedures;
- Be fluent in written and spoken English.

### **Tasks:**

As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser (RTA) tasks will include:

- Coordination of all project activities and experts' inputs in the country;
- To provide technical advice, support and assist the Audit Authority in BC, in the context of a predetermined work plan;
- Make recommendations on the organizational structure optimization;
- To assist to the further development of a sustainable institutional framework (system and mechanisms) which would ensure the efficient and effective functioning;
- Ensuring day-to-day implementation of the Twinning project in the BC;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- Ensuring smooth implementation of the different activities delivered;
- Assess continuously the Twinning Project in all stages and provide link to compare it with the specified benchmarks/results and time-frame;
- Prepare the material for regular monitoring and reporting;
- Prepare the operative side letters;
- Taking corrective actions, if necessary, inside the terms of the signed contract.

### **RTA Counterpart**

RTA Counterpart will be assigned by the Audit Authority.

### **3.5.3 Profile and tasks of the short-term experts**

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<sup>3</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104\\_en.doc](http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc))

Other specialized staff will be made available by the Twinning Partner to support the implementation of activities.

Specific and technical matters not directly covered by the Resident Twinning Adviser can be taken over by a pool of short-term experts within the limits of the budget. The detailed expert input shall be established when drawing up the twinning work-plan.

### **Short-Term Experts (STEs):**

Qualifications and skills:

- Civil servants or equivalent staff seconded to work within departments/units related to an Audit Authority or equivalent audit institutions in a Member State;
- University level education<sup>4</sup>;
- 3 years of experience in auditing EU funded Programmes ;
- Fluent in written and spoken English;
- Computer literacy;
- Experience in conducting trainings for auditors will be considered as an asset;

### **Tasks of Short-Term Experts (STEs):**

- Prepare and implement specific tasks in compliance with their mission description and in accordance with Project activities;
- Provide practical expertise/advice/support to relevant staff for execution of different tasks related to the project;
- contribute to the project reporting, contribute to the draft notes and other documents and report on their missions;
- address cross-cutting issues.

### **The pool of STE experts should encompass amongst others the following expertise:**

- Drafting of laws, by-laws and procedures in the area of auditing;
- Auditing major projects;
- Auditing agriculture and rural EU funds,
- Experience in using CAATS.

## **3.5.5 Profile and tasks of the RTA assistants**

### **3.5.5.1 RTA Assistant:**

- The RTA will be provided with a full-time RTA assistant acting as an assistant for technical and organizational support. The assistant will be contracted according to the twinning rules and paid from the twinning budget. The assistant will be selected through an open call. The role of RTA Assistant is to support the RTA in the project management. In addition, the assistant will be responsible for organization of meetings, seminars etc. and their logistics, as well as interpretation and translation.

### **3.5.5.2 Full-time translator / interpreter:**

- A full-time translator / interpreter will be selected through an open call. The translator / interpreter will be contracted according to the twinning rules and paid from the twinning budget. The full-time translator / interpreter will be involved in all necessary project activities (training

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<sup>4</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104\\_en.doc](http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc))

sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator / interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

#### **4. Institutional Framework**

The Contracting Authority for this Twinning project is the Central Financing and Contracting Department (CFCD) within the Ministry of Finance.

##### **4.1 Beneficiary Institution(s)**

The Law on Audit of IPA regulates inter alia operational and functional independence of Audit Authority from all actors in the management and control systems of the Instrument for Pre-Accession Assistance. According to Article 2 point 4 of the Law on Audit of IPA, the Audit Authority is defined as an autonomous legal entity. On June 9, 2011, according to this Law, the Audit Authority was registered in the Central Register of the Beneficiary country, thus acquiring its operational independence. With Amendment of the Budget of the Beneficiary country for 2012, a new Budget Line of the Audit Authority was opened and it was a basis for opening a new account of the Audit Authority on June 8, 2012 thus ensuring financial independence.

According to the above Law, the AA is managed by the General IPA Auditor (GIPAA), with a nine years term of office.

AA has seven departments, including 6 departments for auditing each IPA Component, headed by the Assistant General IPA Auditors (AGIPAA).

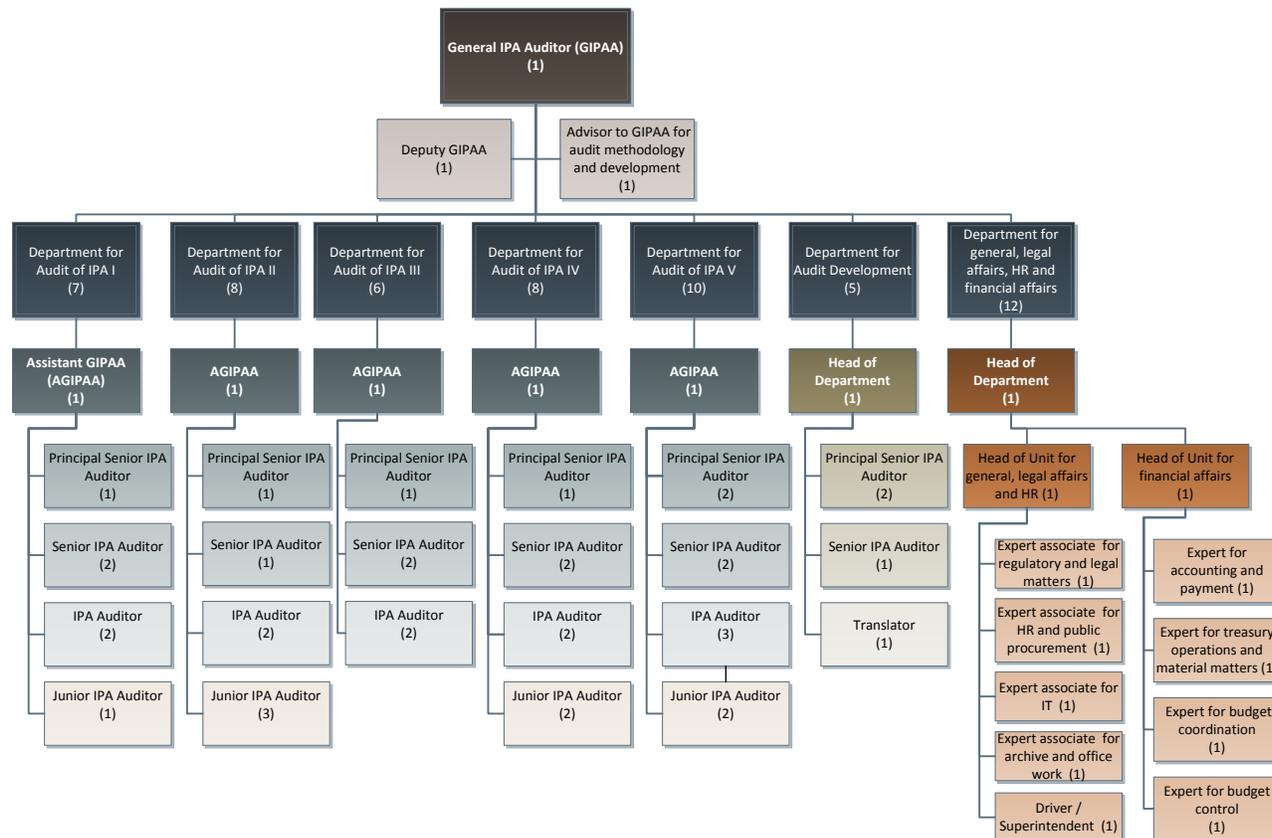
In addition to the GIPAA and the Deputy GIPAA, there are 57 systematized work posts in the AA. The staff is recruited according to the actual staff needs, elaborated in the Work load analysis. AA currently has 32 employees.

According to the Law for auditing IPA, the GIPAA establishes and signs the internal acts for the Audit Authority.

The main internal acts regulating the work and delegation of responsibilities in the AA are:

- The Rulebook on organisation and work in the AA, and
- The Rulebook on systematization of the working posts.

**Figure 1. AA Organizational Structure and Systematized Work Posts (as of May 2014)**



The AA is carrying out its task as an IPA Audit Authority in compliance with the international auditing standards and considers the European Commission guidelines.

The AA performs and reports on the results of the following types of audit engagements: Systems Audits, Audits of Operations and Audits of Accounting Information (Audits of Accounts, in case of IPA Component V), and other audit procedures. Considering ISSAI, such audit engagements are carried out in compliance with the standards applying to<sup>5</sup>:

- Financial Audit,
- Compliance Audit.

Pursuant to Article 23 of the Law on Audit of IPA, and with the purpose to perform independently and objectively the audit activities, the auditors of the Audit Authority have full access to all information and documents related to projects and programmes which are fully or partially financed from IPA funds.

**Overall Audit Scope**

The overall audit scope is the determination of the subject matter – i.e. the systems, range of the activities and transactions / projects / operations / programmes and the period of transactions - that shall be subjected to audit examination in order to issue the opinions on:

<sup>5</sup> The third type of audit in accordance with the ISSAI, the ‘performance audit’ is not in AA scope.

- the conformity of the management and control systems designed to implement IPA programmes with the applicable regulatory framework, and as to whether these management and control systems – designed to contribute to the production of reliable statements of expenditure presented to the Commission and therefore to help ensure, inter alia, the legality and regularity of the transactions underlying those statements – were operated effectively in all material aspects;
- the reliability of accounting information provided to the Commission.

Furthermore, these opinions shall state the AA's conclusions whether the results of the audit work carried out give rise to any significant doubts in respect of the NAO Statement of Assurance.

The specific scope of each audit is further planned in the annual audit work plans, and the individual audit plans.

#### **4.2 Co-ordination mechanisms between institutions**

A project Steering Committee (SC) will be established at the beginning of the project comprising senior representatives of the Beneficiary Institution, other relevant institutions, the Delegation of the European Union, the Secretariat for European affairs and the Central Financing and Contracting Department within the Ministry of Finance.

The SC will monitor, supervise and co-ordinate the overall progress and implementation of the project. The SC will provide guidance for the different components of the project, will define priorities, approve and monitor budgets and approve the results.

#### **4.3 Reporting requirements as per Art 6.4 of the Twinning Manual**

Reports will follow the templates of Annex C4 of the Twinning Manual. In addition to these formal reporting stages, the twinning partners are obliged to inform in writing the Contracting Authority of any critical aspects or conditions of project implementation, or any amendments/modifications necessary within the budget.

All reports must be produced in the English in electronic and hard copy. These reports shall be signed by both project leaders. Each report must be presented in electronic format one week prior to the Steering Committee meetings and in two hard copies to the following addresses:

Central Financing and Contracting Department

Ministry of Finance

Dame Gruev 12, 1000 Skopje

The final versions should incorporate any comments and discussions during the Steering Committee meetings.

### **5. Budget**

The project will be implemented through a Twinning Contract estimated at a maximum of EUR 600.000,00 (out of which 95% IPA funds and 5% National co-financing).

Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority	IPA Community Contribution	National Co-financing	<b>TOTAL</b>
Twinning Contract	95% 570.000,00 EUR	5% 30.000,00 EUR	<b>600.000,00 EUR</b>

*The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.*

In addition to the IPA and National co-financing as part of the Twinning Contract amount, as a rule, all twinning contracts must provide additional co-financing on the side of the Beneficiary Institution (Audit Authority), for the purpose of covering costs not covered under the project budget as per Twinning manual, point 5.13, as follows:

- Direct and indirect cost of the Beneficiary administration, civil servants and national private experts working for the project;
- Travel by the beneficiary officials from their capitals to a MS or between MS;
- Organization of seminars/ workshops/ trainings (incl. hall rental, printing seminar materials and other logistical support);
- Facilities for the Member State experts: adequately equipped office space; telephone; e-mail services; fax; photocopiers; computer; internet access; secretarial support; access to information.

The following expenses are to be covered with the project funds:

- Visibility Cost;
- Audit certificate cost.

The project will be located in the premises of the Audit Authority, which will ensure appropriate facilities and basic equipment for the work of the experts.

## **6. Implementation Arrangements**

### 6.1 Implementing Agency responsible for tendering, contracting and accounting

The Central Financing and Contracting Department (CFCD) of the Ministry of Finance will be the Contracting Authority and will be responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities. The Head of CFCD will act as the Programme Authorising Officer (PAO) of the project:

Ms. Radica Koceva (PAO)  
 Central Financing and Contracting Department  
 Ministry of Finance  
 e-mail: radica.koceva@finance.gov.mk

### 6.2 Main counterpart in the BC

#### **Project Leader Counterpart**

Ms. Natasa Misovska, MSc, CSA  
Advisor to the General IPA Auditor for audit methodology and development  
Audit Authority for Audit of Instrument for Pre-Accession Assistance

**RTA counterpart**

Ms. Sonja Ciforova Simeonova  
Head of Department for Audit Development,  
Audit Authority for Audit of Instrument for Pre-Accession Assistance

**Beneficiary Institution**

Audit Authority for Audit of Instrument for Pre-Accession Assistance  
Address: Vasil Glavinov 12/1, TCC Plaza, 1000 Skopje  
website: [www.aaipa.gov.mk](http://www.aaipa.gov.mk)  
e-mail: [ipa\\_aa@aaipa.gov.mk](mailto:ipa_aa@aaipa.gov.mk)

**Senior Programme Officer:**

Ms. Marija Grubovic,

Senior Programme Officer (SPO), Head of Unit for Information and Publication  
Sector for Management and Public Relations  
Secretariat for European Affairs  
Quay Dimitar Vlahov 4, 1000 Skopje  
website: [www.sep.gov.mk](http://www.sep.gov.mk)

**6.3 Contracts**

One (1) Twinning contract is foreseen for implementation of the above mentioned activities.

**7. Implementation Schedule (indicative)**

7.1 Launching of the call for proposals

The estimated date for the launching of the call for proposals is: May 2015

7.2 Start of project activities

The estimated date for start of project activities is: November 2015

7.3 Project completion

The project implementation period (duration of the work plan) is 16 months after the commencement date of the contract.

7.4 Duration of the execution period

The overall execution period of the Twinning contract is 19 months with an implementation period of 16 months. (The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action).

**8. Sustainability**

The achievements of a Twinning project (mandatory results) shall be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning project implementation. This

presupposes inter alia that effective mechanisms are put in place by the Beneficiary administration to disseminate and consolidate the results of the project.

The Beneficiary administration is fully committed to ensuring a long term impact of the activities of this twinning project. The expected combined impact of this project will bring to: harmonization of the national legislation and procedures with the IAS, EU acquis and EU best practice related to auditing of EU funded programmes, improved audit procedures, improved planning and reporting practices in relation with the new requirements of the IPA II regulation, improved technical skills of the auditors in performing the audits, enhanced skills in sampling methods. The project will have an impact on improvement of the audit quality which will result in better efficiency and effectiveness of the audit work. With this we will have sustainable impact on our final products – audit reports and recommendations.

An ongoing review of key issues impacting on sustainability will start from the beginning of project implementation, based on the results and outcomes that should be achieved over time.

The improvement of the audit process will most certainly have a positive impact on the protection of the financial interests of the EU.

The Member State Twinning partner shall transfer their best practices and know-how necessary to achieve the mandatory results to the Beneficiary administration. Staff benefiting from trainings shall transfer knowledge through subsequent training to their colleagues. At the end of the implementation period, lessons learnt seminar will be held to disseminate the results and best practices acquired and to foresee future relevant activities.

## **9. Crosscutting issues**

The cross-cutting issues will be addressed throughout the project. Throughout the project cycle, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

The mainstreaming of the cross cutting issues is regarded on two different levels: (a) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below and (b) ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

### **9.1. Civil Society development and dialogue**

Where appropriate the project activities will endeavor to involve input or the distribution of information to civil society groups relevant and active in the sector.

### **9.2. Environmental considerations**

Any ecological friendly initiative which can be taken will have to be implemented.

### **9.3. Equal Opportunity and non-discrimination**

The beneficiary institution is committed to an equal gender treatment throughout its human resource management. The training activities will have in mind the Government Gender Strategy, while reference will be made to the EC Programme of Action for the mainstreaming of gender equality in community development cooperation (2001-2006).

### **9.4. Minority and vulnerable groups**

Where the main reference is the Ohrid Framework Agreement, in an EU context, the training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming

minority and vulnerable groups in programme and project development as well as monitoring and evaluation.

#### **9.5. Good governance, with particular attention to fight against corruption**

Where appropriate the project activities will endeavor to align activities to broader good governance themes and best practices.

#### **9.6. Communication and publicity**

All requirements to ensure the visibility of EU financing will be fulfilled in accordance with Regulation (EC). N. 718/2007<sup>6</sup>.

### **10. Conditionality and sequencing**

#### **10.1 Conditionality**

Contributions expected from the Beneficiary include:

1. Timely allocation of working space and facilities by the beneficiary institution before the launch of the selection process;
2. Participation by the beneficiary in the selection process as per EU Twinning regulations;
3. Appointing counterpart personnel by beneficiary prior to circulation of the Twinning project fiche defined in point 6.2. of these Twinning Fiche;
4. Appointing relevant staff by the beneficiary to participate in training activities;
5. Organization, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
6. Allocation of the necessary Beneficiary institution co-financing budget for the relevant project for non eligible costs.

#### **10.2 Sequencing**

Key milestones will be:

1. Approval of the Twinning project fiche;
2. Circulation of the Twinning Project Fiche to Member State National Contact Points;
3. Completion of the selection of the twinning partner;
4. Signature of the Twinning contract, including the Twinning Work Plan;
5. Commencement of the implementation of the twinning (inter alia, the arrival in the country of the Resident Twinning Adviser);
6. End of the implementation period;
7. Submission of the final report.

### **ANNEX TO THE PROJECT FICHE**

Annex 1 - Logical framework matrix in standard format (compulsory)

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<sup>6</sup> See Article 62 and 63 of Regulation(EC) N. 718/2007

# **ANNEX**

## Annex 1

LOGFRAME PLANNING MATRIX for Project Fiche		Programme name and number TAIB-IPA National programme 2012		
		<b>Contracting period expires 24 months from the date of the conclusion of the Financing Agreement</b>	<b>Execution period expires 19 months from the final date for contracting</b>	<b>Disbursement period expires one year from the final date for execution of contracts</b>
		<b>Total budget :</b> EUR 600.000		<b>IPA budget:</b> 570.000
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>		
The overall objective of this project is to increase know-how, effectiveness and impact of the Audit Authority involved in the audit of EU funds and to increase efficiency during implementation including the swift response to emerging priorities.	Fully harmonized national legislation and procedures of the AA with new IPA 2 EU Regulation and IAS and enhanced organizational, administrative and professional capacity.	<ul style="list-style-type: none"> <li>- EC regular report;</li> <li>- Annual report of the Steering Committee;</li> <li>- Project reports (quarterly, annual);</li> <li>- European Commission annual reports;</li> <li>- Monthly monitoring progress report from SPO to CFCD.</li> </ul>		
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>		<b>Assumptions</b>
To further develop and strengthen the capacities of the Audit Authority for auditing EU Funds in view of the harmonisation of the audit procedures and legal framework with IAS, new EU Regulation and guidelines given by the EC for the upcoming 2014-2020 Financial Perspective.	The project shall provide advisory support to the Audit Authority as the main beneficiary. The twinning is aimed at further development of the capacity of the Audit Authority to apply harmonized IAS and IPA II regulation and related legislation and procedures with the EU acquis and EU best practice, supported by the appropriate control mechanisms and IT systems.	<ul style="list-style-type: none"> <li>- Ensuring high core values: Independence, Integrity, Professionalism, Credibility, Inclusiveness, Cooperation, Innovation;</li> <li>- Audit Reports and Opinions with high quality and timely recommendation for effective functioning of the management and control system;</li> <li>- Audit Reports and Opinions for accounts.</li> </ul>		<ul style="list-style-type: none"> <li>- IPA structure provides good financial management and implementation of the IPA;</li> <li>- Management and control system for IPA functioning effectively and provides sound financial management;</li> </ul>

LOGFRAME PLANNING MATRIX for Project Fiche		Programme name and number TAIB-IPA National programme 2012	
			- Accounting records/information provided to Commission are reliable.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p><b>Mandatory result 1 - Improved legal framework</b> This mandatory result shall be achieved through the following intermediary results:</p> <ol style="list-style-type: none"> <li>1. Prepared new/ amendments of the Law for the competences of the Audit Authority, that will include its responsibilities arising from the IPA II and fostering the independence of the Audit Authority;</li> <li>2. Prepared assessment and recommendations for the existing organisational structure of Audit Authority;</li> <li>3. Upgraded internal acts of the Audit Authority (Rulebooks of the organisation and systematisation).</li> </ol> <p><b>Mandatory result 2 - Strengthened administrative and operational capacities</b> This mandatory result shall be achieved through the following intermediary results:</p> <ol style="list-style-type: none"> <li>1. Prepared assessment and recommendations for enhancement of the audit procedures including: <ul style="list-style-type: none"> <li>- analytical review of existing quality control in practice at AA and preparing detailed map of the current quality control system, mapping out all strengths and weaknesses as well as compliance with the relevant standards.</li> </ul> </li> <li>2. Improved audit manuals in accordance with IPA II regulations, including revised existing methodology and provided recommendations to improve for IPA II requirements as follows: <ul style="list-style-type: none"> <li>to perform audits aiming to verify the</li> </ul> </li> </ol>	<p><b>Measurable indicators:</b></p> <ul style="list-style-type: none"> <li>- Analysis of the existing legal framework for the competences and organisation of the Audit Authority concerning the changes proposed in the IPA II legislation;</li> <li>- Written recommendations for improvement of the legal framework and the organisation of the Audit Authority;</li> <li>- Revised draft Law on auditing the Instrument for Pre-accession Assistance and related bylaws;</li> <li>- Strategies prepared relating to the functioning of the Audit Authority with a view to its competences;</li> <li>- Assessment Report including a Map of current practices and recommendations;</li> <li>- Number of procedures impacted by changes in the IPA Audit Manuals with a view to the Audit Authority competences and responsibilities for IPA II and according the best practises of the MS for the new financial –budgeting period 2014-2020;</li> <li>- Internal acts e.g. Rulebooks for organisation and systematisation developed reflecting the new competences and responsibilities of the Audit Authority;</li> <li>- Training needs assessment report, plan for capacity building, training programme and curricula;</li> <li>- Number of auditors trained on the audit</li> </ul>	<ul style="list-style-type: none"> <li>- Reports on the realization of the Action plans produced and drafted</li> <li>- Adopted manuals, guidelines, instructions and manuals</li> <li>- New procedures introduced</li> </ul>	<p>Full commitment of the parties involved.</p> <p>Continuing adherence to agreed policy objectives</p> <p>Good and continuous interaction between the stakeholders relevant to the economic sector</p>

LOGFRAME PLANNING MATRIX for Project Fiche		Programme name and number TAIB-IPA National programme 2012	
<p>completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts,</p> <p>to perform audits aiming to verify the efficient and effective functioning of the management, control and supervision systems for IPA administrative structures,</p> <p>to perform audits aiming to verify the legality and regularity of the underlying transactions,</p> <p>to update and improve the check lists and audit programmes in line with IPA II regulations,</p> <p>to improve the reporting process and follow up of the recommendations,</p> <p>to improve the quality of the annual audit reporting.</p> <p>3. Revised Audit Authority's strategies and Guidelines:</p> <p>revised IT Strategy and Risk strategy'</p> <p>new Audit Strategy prepared for IPA II in accordance with the Framework Agreement in draft 2014-2020 (3 year audit strategy).</p> <p>Mandatory result 3 - Enhancement of the audit skills This mandatory result shall be achieved through the following intermediary results:</p> <p>1. The audit processes and procedures are streamlined with the IAS, best EU practices and lessons learnt from the EU member states and EU candidate countries, including:</p> <p>staff trained trough pilot audits on new revised audit procedures in compliance with IPA II requirements and making use of the similar experience for audit of EU funds from the member states (audit techniques, working papers, sub sampling techniques),</p> <p>auditors trained to use valid templates of the</p>	<p>processes and procedures streamlined with the IAS, best EU practices and lessons learnt from the EU member states.</p> <p>– Staff trained on the developed audit procedures and audit techniques.</p> <p>–</p>		

<b>LOGFRAME PLANNING MATRIX for Project Fiche</b>		<b>Programme name and number TAIB-IPA National programme 2012</b>	
<p>reports developed for IPA II regulation.</p> <p>2. Trained staff in relation to the fulfilment of the Audit Authority current and upcoming competences:</p> <p>to improve the analytical capacities of staff and quality assurance in practice,</p> <p>train staff aiming to perform comprehensive on the spot checks,</p> <p>enhancement of the auditors skills for verification of the expenditures, legality and regularity of transactions,</p> <p>to improve skills for performing financial audits,</p> <p>3. Improved technical capacities for audit sampling (CAATS) including:</p> <p>auditors trained for using the software for sampling.</p>			
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<p>The twinning will be provided in the form of know-how transfer, and will be delivered through:</p> <ul style="list-style-type: none"> <li>- Advice and coaching sessions;</li> <li>- Tailor made training programme;</li> <li>- Seminars, workshops and conferences;</li> <li>- Drafting legal acts, guidelines, manuals, procedures and check-lists;</li> <li>- Development, testing and adjustment;</li> <li>- Study visits and Internship</li> </ul>	<ul style="list-style-type: none"> <li>• One Twinning contract</li> <li>• One Member State Project Leader;</li> <li>• One Member State Resident Twinning Adviser;</li> <li>• A pool of short-term experts.</li> </ul>	<p>Total budget: EUR 600.000</p> <p>IPA budget: EUR 570.000</p>	<p>Input from EU MS partner</p> <p>Continuing commitment of staff and management</p>