STANDARD TWINNING LIGHT PROJECT FICHE

1. Basic Information

1.1. Publication notice reference:

1.2. Programme: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope

1.3. Twinning Number: HR 14 IB SPP 01 TWL

1.4. Title: Strengthening of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of EAGF, EAFRD and EMFF (CRO AGRI AUDIT)

1.5. Sector: Structural funds /Agricultural and Fisheries Funds

1.6. Beneficiary country: Republic of Croatia

2. Objectives

2.1. Overall objective:

The overall objective is to prepare the Republic of Croatia for sound financial management of European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF) in line with the EU requirements.

2.2. Project purpose:

The project purpose is to increase effectiveness of the Audit Authority (Certification Body) for the audit of EAGF, EAFRD and EMFF through the development of relevant audit procedures and practical trainings.

2.3. Contribution to Accession Treaty/Relevant national documents:

Following the signature of the **Accession Treaty** on 9 December 2011 and its ratification procedure in the Member States, Croatia joined the European Union on 1 July 2013 as the 28th Member State. The Accession Treaty sets provisions related to Structural and Cohesion funding and co-financing. This project will contribute to successful use of EU Cohesion Policy instruments in the financial perspective 2014-2020 through enhancement of the capacities of the Audit Authority.

Communication from the Commission to the European Parliament, the Council, the European Central Bank and the Eurogroup (2015 European Semester): Assessment of Growth Challenges, Prevention and Correction of Macroeconomic Imbalances, and Results of In-depth Reviews under Regulation No 1176/2011 {SWD (2015) 20 final to SWD (2015) 47 final}. Together with the European Structural and Investment Funds for the period 2014-2020, the Commission Investment Plan for Europe will make a strong contribution to restoring investment levels and promoting the key investments that Europe needs for job-creating growth.

Structural reforms in services, product and labour markets are needed to strengthen and sustain the economic recovery, correct harmful imbalances, improve the conditions for investment and unleash the potential of Member States' economies. At the same time, some reforms must be co-ordinated by Member States in order to maximise positive spill-overs and minimise negative ones. Their social impact should also be closely monitored and there is a general need for further modernisation of public administration and for increasing its efficiency and transparency, stepping up the fight against corruption, tax evasion and undeclared work.

The Commission has also assessed the Member States' response to recommendations calling for strengthening the institutional and longer term dimension of their fiscal policy. As agreed at EU level, Member States introduced new elements such as numerical fiscal rules, medium term frameworks, independent fiscal institutions and improved budgetary procedures, but there is still progress to be made. The combination of macro-economic and fiscal surveillance tools is essential to build consistent policy agendas, steer convergence of performance, monitor progress and manage interdependence.

The project objectives are in line with the above mentioned Communication from the Commission (2015 European Semester) which also states that in many Member States, EU funding plays an important role in financing investment and administrative reforms and that further measures are needed to enhance the management of EU Funds, e.g. in Bulgaria, the Czech Republic, Croatia, Italy, Romania and Slovakia.

Council Recommendation on the National Reform Programme 2015 of Croatia

The project is also in line with the above mentioned Council Recommendation. The distribution of competences between national and local level is complex and fragmented, which undermines the management of public finances and efficient public expenditure. The current attribution of policy functions and administrative weaknesses in the local authorities directly affect a number of areas, such as tax collection, the provision of social benefits, the management of European Structural and Investment Funds, public procurement and the provision of public services. In the central government, the reform and rationalisation of the system of state agencies has been brought forward on the basis of the analysis completed in 2014.

Partnership Agreement

As already identified during compliance assessment for 2007-2013, which was carried out in April-September 2013, capacities have to be enhanced in the Agency for the Audit of European Union Programmes Implementation System which is the Audit Authority in the management and control systems 2007-2013 and is intended to keep this role in the 2014-2020 period.

The project will support the goals included in the Partnership Agreement which states, amongst others, that: “It is intended to continue the use of the corpus of standardized business processes for ERDF, ESF and CF programmes codified in the Common National Rules (CNR), which have been established for 2007-2013 period, and are updated, upgraded and adjusted for the purpose of 2014-2020 programmes. Based on the adapted CNR, the bodies of the MCS are intended to adapt their own Manuals of Procedures (MoPs) as internal tools for implementing business processes within their institution. Actions to standardization and simplification of rules shall be applied for other ESIF programmes where appropriate.”

3. Description

3.1. Background and justification:

The role of the Audit Authority (Certification Body with regard to EU agricultural funds) in the Republic of Croatia is performed by the Agency for the Audit of European Union Programmes Implementation System (hereinafter: the Agency). The Agency was established by the *Regulation on the Establishment of the Agency for the Audit of European Union Programmes Implementation System* adopted by the Government of the Republic of Croatia on 20 June 2008 (OG 73/2008). It is responsible for the audit and verification of the implementation of European Union programmes, the management of and responsibility for which have been transferred to the Republic of Croatia.

For the new financial perspective 2014-2020, efficient management and control system of European Structural and Investment Funds should be established. It shall include external audit which will verify effectiveness of the management and control system and reliability of accounts within the bodies responsible for implementation of the EU programmes as well as verifying declared expenditure.

National institutional legal framework for the management of European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF) and for management of ETC programmes in the new programming period 2014-2020 was set with the *Act on the Establishment of Institutional Framework for the Management of European Structural and Investment Fund (ESIF) in the Republic of Croatia in 2014-2020 period*. The Act was adopted on 5 August 2014 (OG 92/2014), establishing management and control systems at the level of each programme, as per Article 72 of the Regulation (EU) No 1303/2013 – Common Provision Regulation (CPR). Article 7 of the Act established an Independent Audit Body – the Agency for the Audit of European Union Programmes Implementation System as per Article 124 of the CPR.

Based on the aforementioned Act, Croatian Government adopted the implementing act – *Decree on the Bodies of the Management and Control Systems for the Use of European Social Fund, European Regional Development Fund and Cohesion Fund related to the Investment for Growth and Jobs goal* on 4 September 2014, which elaborated rights and obligations stipulated in the Act, attributing specific management and control functions to specific public (administration) bodies.

In the current programming period 2007-2013, the *Decision on the Institutional Framework for the Utilisation of European Agriculture and Rural Development Funds* was adopted by the Croatian Government on 21 November 2009. Decision established the institutional framework for the utilisation of European agriculture and rural development funds. In accordance with Article 4 of this Decision, the Agency will be the Audit Authority for the Paying Agency for Agriculture, Fisheries and Rural Development.

The role of the Audit Authority as the Certifying Body with regard to EU agricultural funds is defined by the *Government's Regulation on the Bodies in the Management and Control System of Implementation of European Agricultural Fund for Rural Development* adopted on 30 October 2014.

Also, the *Decision on Designating the Implementing Bodies for the Management and Control of the Implementation of Fisheries Operational Programme (OP),* adopted by the Croatian Government on 16 January 2014, designates the implementing bodies for the management and control of Operational Programme (OP) for Fisheries. In accordance with Article 2 of this Decision, the Agency will be the Audit Authority for the implementation of Fisheries OP.

The Agency performs its work in line with objectives, tasks and procedures defined under internationally assumed obligations of the Republic of Croatia. The Agency performs audits related to Agriculture, Fisheries, Cohesion and Structural instruments as well as IPA programme. With the aim to ensure adequate financial management and control system for EU Structural, Cohesion, Agricultural and Fisheries Funds, the Agency's institutional and administrative capacities need to be further strengthened, especially bearing in mind the new programming period 2014-2020 for EMFF, but also for EAFRD and EAGF. The European Commission approved the operational programme for EAFRD in May 2015 and operational programme for EMFF in November 2015.

Through this Twinning light project the Agency for the Audit of European Union Programmes Implementation System is planning to develop its capacities which will enable the effective functioning of the Audit Authority in the EU Funds management system.

This Twinning light project is envisaged to provide assistance in the audit of EMFF in the new financial perspective 2014 – 2020 concerning the new types of audits to be carried out:

- The audit of accounts which shall be carried out by the Audit Authority in respect of each accounting year and in accordance with the audit strategy;
- Activities related to the Management declaration and Annual Summary. The Audit Authority in the Annual Control Report should explain how it has drawn assurance on the completeness, accuracy and veracity of the accounts on the basis of management declaration;
- Verifying the reliability of reported (financial/output/results) data relating to indicators and milestones, and appropriateness of the underlying data management and reporting systems for output, financial and result indicators on investment priority level and therefore, the progress of the Operational Programme in achieving its objectives provided by the Managing Authority;
- Verifying the implementation of effective and proportionate anti-fraud measures underpinned by a fraud risk assessment.

In the context of Agricultural Funds further strengthening is envisaged. This mainly concerns the support in the following areas:

- Sampling techniques;
- Substantive and compliance testing;
- Evaluation of errors;
- Practical use of CAAT tools;
- Reconciliations;
- Audit of annual accounts;
- Public procurement;
- Implementation of new regulations and guidelines.

It is also expected that this Twinning light project will further develop the audit methodology used by the Sector for Audit of Fishery and Agricultural Funds.

Strengthening the capacity of the Audit Authority staff is crucial for effective auditing of Agricultural and Fisheries Funds. This goal is envisaged to be achieved through extensive trainings based on practical audit assignments (e.g. on-the-job trainings, pilot audits, study visits), the purpose of which is to obtain practical knowledge which could be effectively and efficiently applied.

3.2. Linked activities:

1) **Phare 2006 project "Further Capacity Building to the Certifying Body for SAPARD and Technical Assistance to the Audit Authority for Instrument for Pre-accession Assistance (IPA)"** started in August 2008 and finished in July 2009.

The purpose of this framework contract was to support development of the Certifying Body for SAPARD towards the role of IPA Audit Authority in line with internationally accepted auditing standards and best practices, to assist Croatian authorities in successful setting up of the Audit Authority for IPA through development of tools and procedures, and to assist the SAPARD Certifying Body (Department for the Verification of SAPARD and the Audit of IPA program – Rural Development) in carrying out audit activities relevant for the SAPARD programme. Assistance was provided in the institutional capacity building through training of staff and development of all procedures, check lists and other documents required for auditing of IPA and SAPARD programmes.

2) **Phare 2006 project "Development of Institutional Capacity for the Management of EU Structural Funds Post-Accession (Institution Building Component)"** started in September 2008 and ended in December 2010.

This service contract was divided into four components, audit component being one of them. The overall objective of the project was to prepare the Croatian public administration for Croatia's effective participation in the EU Cohesion Policy while the specific purpose was to develop the capacity of the Croatian administration for the management of EU Funds, more precisely to develop programming, monitoring, evaluation and audit capacities. The Audit Component supported further development of the EU Funds-related audit capacity in the Audit Authority.

Project activities within the audit component of Phare 2006 project were focused on assisting the Audit Authority in updating the Audit Authority IPA manual in line with relevant IPA requirements and carrying out training courses on specific aspects of auditing of the different IPA components. In addition, this project provided the Audit Authority staff with basic insight and information on relevant EU legislation concerning EU Structural, Cohesion and Agricultural Instruments.

3) **IPA 2009 Twinning project "Strengthening the Administrative Capacity of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of EU Cohesion, Agricultural and Fisheries Instruments" (HR/2009/IB/SPP/01; Twinning partners: Netherlands/Estonian consortium)** started in December 2012 and finished in March 2014.

The project assisted the Audit Authority in setting up the system for audit of EU Cohesion, Agricultural and Fisheries Instruments in the programming period 2007-2013 through

development of relevant procedures and improvement of capacities of the Audit Authority staff. More specifically, this project achieved the following results:

- Relevant legislation and existing situation in the Audit Authority, including audit procedures, institutional set-up, roles and division of tasks, quality assurance system as well as monitoring and control system was analysed;
- Audit Manual on EU Cohesion, Agricultural and Fisheries Instruments was prepared and its key aspects were presented and discussed with the Audit Authority staff;
- Audit Authority staff was trained on audit of the EU Cohesion, Agricultural and Fisheries Instruments through seminars and workshops;
- Audit Authority staff was trained on the auditing of EU Cohesion, Agricultural and Fisheries Instruments through on-the-job training, study visits and internships.

There is no overlap or duplication between these two projects (the above mentioned IPA 2009 Twinning and this Twinning light project) regarding the EMFF as the trainings to be implemented are related to the new programming period 2014-2020, coping with new legislation and the new requirements (e.g. new types of audits) imposed to the Audit Authority, while the trainings carried out in IPA 2009 Twinning project were focused on the legislation and the methodology for the programming period 2007-2013. Moreover, there is also no overlapping concerning the EAGF and EAFRD as this Twinning light project represents further upgrade and adaptation of IPARD trainings carried out in the IPA 2009 Twinning project from more practical point of view.

4) **IPA 2010 Twinning light project "Further Capacity Building of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of EU Cohesion, Agricultural and Fisheries Instruments" (HR/2010/IB/SPP/01 TWL; Twinning partner: Germany)** started in May 2014 and finished in January 2015.

The purpose of the project was further strengthening of capacity of the Audit Authority staff, which was crucial for effective auditing of Structural, Cohesion, Agricultural and Fisheries Funds in the programming period 2007-2013. The project provided assistance in defining tasks, functions and prerequisites for an appropriate implementation of audit methodology and quality assurance and focus was put on the support to the Service for Methodology Development, Quality Assurance and IT as well as strengthening the audit performance and quality assurance in all phases.

There is no overlap or duplication between the above mentioned IPA 2010 Twinning light project and this Twinning light project as the trainings in IPA 2010 Twinning light project were provided from the quality assurance perspective. Trainings were focused on the design and operation of the quality system to ensure that audit process and reports meet the required professional practices, auditing standards and the needs of the Agency's stakeholders.

5) IPA 2012 Twinning light project "Strengthening of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of Structural and Cohesion Funds in the new financial perspective 2014-2020"

The project is expected to start in January 2016 and finish in July 2016. It is envisaged to increase effectiveness of the Audit Authority for the audit of Structural and Cohesion Funds in the new financial perspective 2014-2020 through the development of relevant audit

procedures and practical trainings. Additionally, effectiveness of the Audit Authority is to be increased for the audit of SOLID funds, Asylum and Migration Fund, Internal Security Fund, Fund for the Aid of the Most Deprived and European Territorial Cooperation (ETC) programmes.

There is no overlap or duplication between the above mentioned IPA 2012 Twinning light project and this Twinning light project as different sectors (areas) within the Agency will be involved in implementation of each project, namely the Sector for Audit of Structural Instruments and the Sector for Audit of Fisheries and Agricultural Funds. Moreover, Structural Instruments and above mentioned Funds have different regulation and specific areas to be addressed, which include e.g. audit of the functioning and security of IT systems and their connection with the IT system "SFC 2014"; audit of e-Cohesion requirements (IT audit/e-Audit) such as: the 'only once' encoding principle, the concept of interoperability, compliance of electronic audit trail with relevant articles of the CPR as well as with any national requirements on the availability of documents, data integrity, confidentiality, authentication of the sender and storage in compliance with defined retention rules of the system for electronic data exchange etc.

3.3. Results:

Result 1: Audit Manual which prescribes working procedures for the audit of EAGF, EAFRD and EMFF prepared and presented to the Audit Authority staff.

Indicators of achievement:

- Analysis of relevant legislation and existing working procedures regarding audit methodology in the Audit Authority conducted and report with recommendations prepared.
- Audit Manual for the audit of EAGF, EAFRD and EMFF further developed.
- Audit Manual presented to 10 Audit Authority staff.

Result 2: Audit Authority staff trained on audit of the EAGF, EAFRD and EMFF through practical assignments (pilot audits, on-the-job trainings, study visits).

Indicators of achievement:

- Training needs analysis of the Audit Authority staff members conducted and training programme and training materials prepared for auditors in charge of audit of Operational Programmes.
- On the basis of the prepared training programme, on-the-job trainings for 15 Audit Authority staff members (Sector for Audit of Fisheries and Agricultural Funds) organized and conducted with the support of short-term experts during ongoing audit engagements (7 practical assignments – pilot audits).
- 2 study visits[1] of the Audit Authority staff in an EU Member State (5 working days, 8 participants) conducted with the purpose to gain hand-on experience and practical

[1] There will be no overlapping with the linked IPA 2009 Twinning project, IPA 2010 Twinning light project and IPA 2012 Twinning light project: employees who will participate in this study visit did not participate in the study visits/internships under the related projects.

knowledge on EAGF, EAFRD and EMFF specifics using the Computer Assisted Auditing Techniques and Tools and study visit report prepared.

3.4. Activities:

Member State is kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.

Minimum two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

3.5. Means/ Input from the MS Partner Administration:

MS Project Leader may participate in the project also as the short-term expert (STE) and in this case the MS Project Leader should satisfy requirements stipulated in the fiche for both the Project Leader and the relevant STE profile.

3.5.1. Profile and tasks of the Project Leader

Profile of the Project Leader

Requirements:

- University level education or equivalent professional experience of 10 years in public or business administration
- Minimum 5 years of experience in the field of EU funding
- Experience in project management
- Computer literacy
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:

- Experience in managing EU projects
- Experience in auditing of EU funds
- Experience in methodology development

Tasks of the Project Leader:

- Overall responsibility of the project, support and coordination of all activities in the Beneficiary Country in cooperation with the BC Project Leader and experts engaged in undertaking activities
- Overall coordination of MS experts' work and availability
- Ensuring sound implementation of envisaged activities
- Reviewing and approving key project outputs and any revisions to the work plan according to the European Commission rules
- Coordination and networking with relevant institutions in Croatia and in the MS
- Organization of visibility events (kick-off and final events)

- Organization of study visits
- Participation in Steering Committee meetings
- Project reporting
- Ensuring backstopping and financial management of the project in the MS

3.5.2. Profile and tasks of the short-term experts

For each of the proposed experts in the submitted proposal the Member State is kindly requested to indicate the expert's profile.

Profile of the Short-term expert 1 (STE 1) – Expert for auditing of EMFF

Requirements:

- University level education or equivalent professional experience of 8 years in auditing
- Minimum 3 years of experience in auditing of EMFF
- Working level of English language
- Computer literacy
- Proven contractual relations to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:

- Possession of at least one of the certificates according to the international audit standards (e.g. ACCA, CFA, PIFCA, CIA)
- Experience as a trainer in auditing
- Experience in computer-assisted auditing techniques and tools, e.g. such as IDEA
- Experience in methodology development

Tasks of the Short-term expert 1:

- Close cooperation with the Croatian experts in undertaking all activities
- Providing professional advice to Croatian experts during the project implementation period
- Undertaking all activities and achieving the mandatory results related to the audit of EMFF such as:
    - Analysing relevant legislation and working procedures and preparing corresponding report
    - Preparing relevant parts of the Audit Manual
    - Conducting training needs analysis, developing training programme and training materials
    - Implementing on-the-job training and supervising pilot audits

Profile of the Short-term expert 2 (STE 2) – Expert for auditing of EAGF

Requirements:

- University level education or equivalent professional experience of 8 years in auditing
- Minimum 3 years of experience in auditing of EAGF
- Working level of English language
- Computer literacy

- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:

- Possession of at least one of the certificates according to the international audit standards (e.g. ACCA, CFA, PIFCA, CIA)
- Experience as a trainer in auditing
- Experience in computer-assisted auditing techniques and tools, e.g. such as IDEA
- Experience in methodology development

Tasks of the Short-term expert 2:

- Close cooperation with the Croatian experts in undertaking all activities
- Providing professional advice to Croatian experts during the project implementation period
- Undertaking all activities and achieving the mandatory results related to the audit of EAGF such as:
    - Analysing relevant legislation and working procedures and preparing corresponding report
    - Preparing relevant parts of the Audit Manual
    - Conducting training needs analysis, developing training programme and training materials
    - Implementing on-the-job training and supervising pilot audits

Profile of the Short-term expert 3 (STE 3) – Expert for auditing of EAFRD

Requirements:

- University level education or equivalent professional experience of 8 years in auditing
- Minimum 3 years of experience in auditing of EAFRD
- Working level of English language
- Computer literacy
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5

Assets:

- Possession of at least one of the certificates according to the international audit standards (e.g. ACCA, CFA, PIFCA, CIA)
- Experience as a trainer in auditing
- Experience in computer-assisted auditing techniques and tools, e.g. such as IDEA
- Experience in methodology development

Tasks of the Short-term expert 3:

- Close cooperation with the Croatian experts in undertaking all activities
- Providing professional advice to Croatian experts during the project implementation period
- Undertaking all activities and achieving the mandatory results related to the audit of EAFRD such as:
    - Analysing relevant legislation and working procedures and preparing corresponding report
    - Preparing relevant parts of the Audit Manual

- Conducting training needs analysis, developing training programme and training materials
- Implementing on-the-job training and supervising pilot audits

Note:

The pool of experts should include:

- At least one short-term expert who in addition to the respective profile requirements has experience in public procurement
- At least one short-term expert who in addition to the respective profile requirements has experience in conducting audit by using computer-assisted auditing techniques and tools

4. Institutional Framework

The main beneficiary institution of the project will be the Agency for the Audit of European Union Programmes Implementation System (hereinafter: the Agency). The Agency performs the role of the Audit Authority (Certification Body with regard to EU agricultural funds) in the Republic of Croatia for the audit of European Union Programmes Implementation System and it is in charge of the audit of EU Structural, Cohesion, Agricultural and Fisheries Funds as well as the pre-accession funds (IPA).

The Agency's Sector for Audit of Fisheries and Agricultural Funds (see Annex 2) will be directly involved in this Twinning light project.

Currently, the Audit Authority has 56 employees, out of which 50 auditors. Sector for Audit of Fisheries and Agricultural Funds as the beneficiary of the project employs 18 auditors.

The organizational structure of the Agency follows the responsibilities and tasks related to audit of IPA (including Transition Facility), Structural, Cohesion, Agriculture and Fisheries Funds. Accordingly, the Agency is divided in two main sectors - Sector for Audit of Structural Instruments and Sector for Audit of Fisheries and Agriculture Funds.

Two Steering Committee meetings will be held for the purpose of reviewing the progress made under the project as well as to discuss results achieved and/or problems occurred. The first Steering Committee meeting will be held during the third month of project activities implementation in order to discuss and comment the draft start-up report. The second Steering Committee meeting will be organized during the last month of the implementation period of the Action to discuss the draft final report. It should be noted that the participation of the Member State Project Leader in Steering Committees meetings has to be combined with expert missions in case the Member State Project Leader is also a short-term expert in the Twinning light project. If the Member State Project Leader is not short-term expert in the Twinning light project then his visits to Croatia, (one visit every three months) as part of his overall task to ensure coordination and political steering of the project, should be organized at the same time as the two Steering Committee meetings of the project.

The exact participants of the Steering Committee meetings will be defined during the implementation of the project, but will at least include the following members:

- BC Project Leader
- MS Project Leader
- CFCA Project Manager
- MRDEUF Sector Manager

The beneficiary is committed to provide all necessary infrastructure such as office space and desktop computers with internet connection for experts, venue for holding seminars and workshops, and to ensure the necessary local staff/experts inputs.

5. Budget

Strengthening of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of EAGF, EAFRD and EMFF (CRO AGRI AUDIT)	Transition Facility Contribution	National Co-financing	TOTAL
Twinning light Contract	90% 225.000 EUR	10% 25.000 EUR	250.000,00 EUR

The total amounts of the Transition Facility Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning light contract, while the relevant ratio (percentages) should be maintained as fixed.

The co-financing requirement foreseen under the Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

Provisions for visibility costs and expenditure verification costs should be included in the budget.

6. Implementation Arrangements

6.1. Implementing Agency responsible for tendering, contracting and accounting:

Central Finance and Contracting Agency (CFCA)
Ulica grada Vukovara 284, objekt C
10000 Zagreb, Croatia
Ms Nataša Mikuš Žigman, Director
Phone: +385 1 6042 400
Fax: +385 1 6042 598
E-mail: procurement@safu.hr

Twinning Administrative Office
Central Finance and Contracting Agency

Ulica grada Vukovara 284, Objekt C
10000 Zagreb, Croatia
Ms Nirvana Sokolovski, Twinning NCP
Phone: +385 1 6042 400
Fax: +385 1 6042 598
E-mail: twinning@safu.hr

6.2. Main counterpart in the BC:

Senior Programme Officer (SPO):
Mr Marin Stegić, Deputy Director
Agency for the Audit of EU Programmes Implementation System
Alexandera von Humboldta 4/V
10000 Zagreb, Croatia
Phone: +385 1 4585 999
Fax: +385 1 4585 995
E-mail: marin.stegic@arpa.hr

BC Project Leader:
Mr Neven Šprlje, Director
Agency for the Audit of EU Programmes Implementation System
Alexandera von Humboldta 4/V
10000 Zagreb, Croatia

6.3. Contracts:

It is envisaged that the Project will be implemented through one Twining light contract with the maximum amount of 250.000,00 EUR.

6.4. Reporting

The Start-up Report will cover first two months of the contract and will be submitted during the third month.

The Start-up report should:
- Clearly define the aims and purpose of the aid provided by the project,
- Give detailed description of the content of particular parts of the project,
- Work out in detail the activities carried out and the results achieved,
- Work out in detail all modifications agreed with the beneficiary institution,
- Review difficulties met during the implementation of the project and measures that were undertaken for their removal,
- Provide all findings obtained in the meanwhile and preliminary conclusions, and
- Contain a general plan of activities for the implementation of the remained duration of the project.

The Final Report shall be submitted within three months upon the completion of the project activities and in any case within the legal duration of the project, and it should contain the following:
- Complete review of all activities carried out by MS experts during the implementation of the project,

- Achieved progress concerning each activity,
- Summary of all project results, with particular emphasis on mandatory results,
- Estimation of the project impact compared with the project aims and measures of the achieved progress,
- Identification of all important problems met during the implementation of the contract and solutions that have been applied,
- Lessons drawn from the project, and
- Recommendations for further steps in future projects.

The reports must be endorsed and countersigned by the beneficiary, who may make additional comments.

Reports shall be submitted to the Agency for the Audit of EU Programmes Implementation System, the Central Finance and Contracting Agency, the Ministry of Regional Development and EU Funds and the concerned service of the European Commission in a form of 3 hard copies and an electronic version. All reports should be written in English.

6.5. Language

Working language of the project will be English.

7. Implementation Schedule (indicative)

7.1. Launching of the call for proposals: 4Q 2015

7.2. Start of project activities: 2Q 2016

7.3. Project completion: 4Q 2016

7.4. Duration of the execution period (number of months): 9 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 6 months.

8. Sustainability

After successful implementation of the project, auditors from the Agency's Sector for Audit of Fisheries and Agricultural Funds will be trained on the audit of EU Agricultural and Fisheries Funds. Achieved results of the project will contribute to the sound financial management of the EAGF, EAFRD and EMFF. Moreover, the adequate performance of auditors' work will be facilitated and the obtained knowledge will be disseminated to other auditors.

9. Crosscutting issues

Based on the fundamental principles of promoting equality and combating discrimination, participation in the operation will be guaranteed on the basis of equal access regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The activities of the objective have no negative impact on the environment.

10. Conditionality and sequencing

Not applicable.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Organisational structure of the Audit Authority

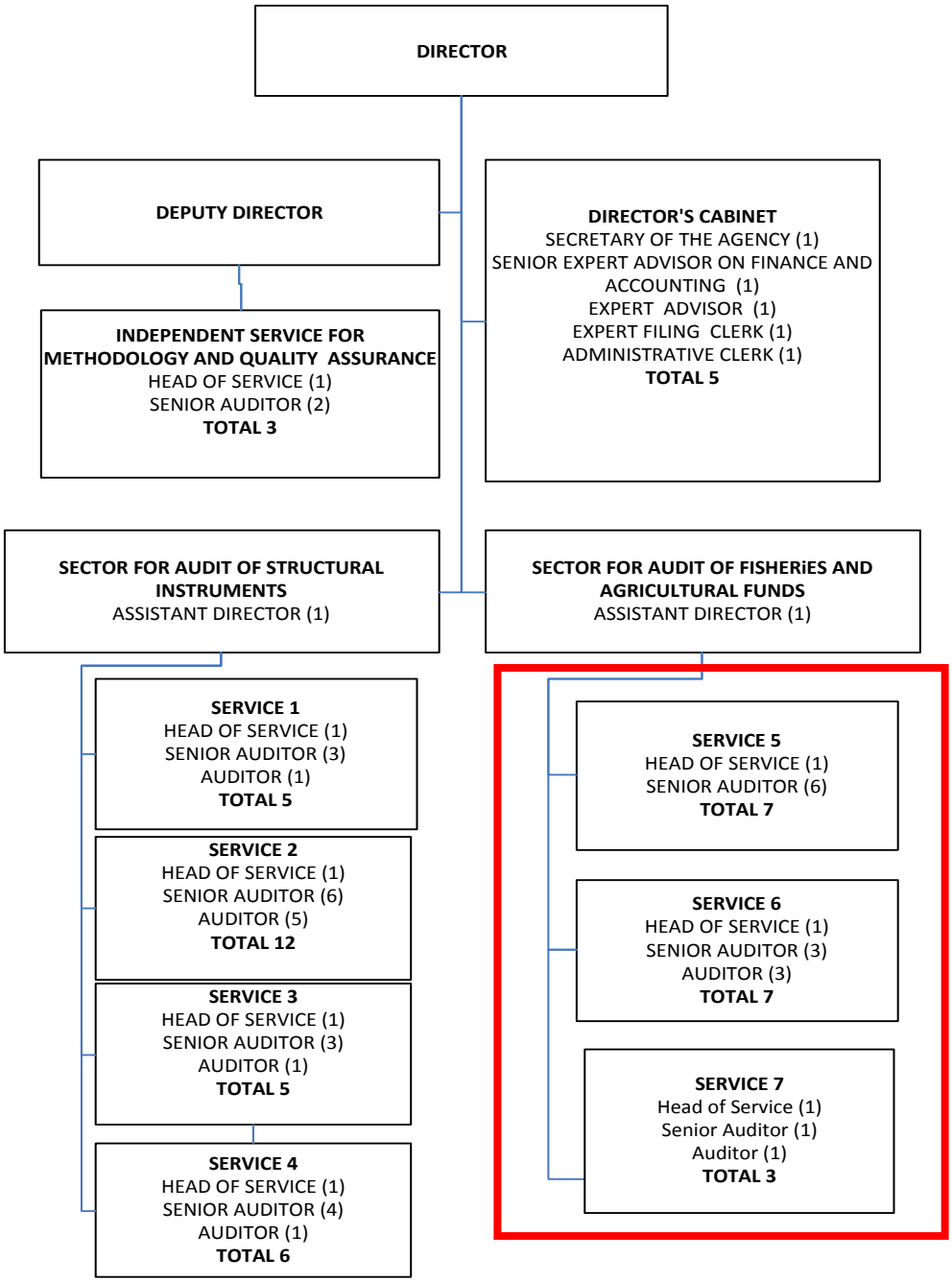
Annex 1. Logical framework matrix in standard format

Strengthening of the Agency for the Audit of European Union Programmes Implementation System (Audit Authority) for the Audit of EAGF, EAFRD and EMFF (CRO AGRI AUDIT)		Programme name and number: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope	
Agency for the Audit of European Union Programmes Implementation System		Contracting period expires: 3 years from the day on which the Commission notifies the Republic of Croatia that all of its internal procedures necessary for the adoption of this Decision have been fulfilled	Disbursement period expires: 4 years following the expiration of the contracting deadline
		Total budget: 250.000,00 EUR	Transition Facility: 225.000 EUR (90%) National co-financing: 25.000 EUR (10%)[2]
Overall objective	**Objectively Verifiable Indicators**	**Sources of Verification**	
The overall objective is to prepare the Republic of Croatia for sound financial management of European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF) in line with the EU requirements.	Acceptance of Annual Control Report (EMFF) and Annual Report on Certification Audit (EAGF, EAFRD) by EC Acceptance of Annual Audit Opinion on the functioning of the management and control systems (EMFF) and Opinions on the Annual Accounts and on Management Declaration (EAGF, EAFRD) by EC Sound financial management system for implementation of EU funds established	Relevant Audit Authority reports and opinions Relevant EC reports	
Project purpose	**Objectively Verifiable Indicators**	**Sources of Verification**	**Assumptions**
The project purpose is to increase effectiveness of the Audit Authority (Certification Body) for the audit of EAGF, EAFRD and EMFF through the development of relevant audit procedures and practical trainings.	Recommendations on legislation and existing working procedures prepared. Audit Manual further developed Capacity of auditors from the Agency's Sector for Audit of Fisheries and Agricultural Funds enhanced	Audit Manual Twinning project reports Twinning project documentation List of participants on trainings Study visit reports Training reports	Full commitment of the parties involved Good communication and cooperation between project leader and STE Staff of the project beneficiary is fully available for project implementation Trained people remain in sector related to the Fisheries and Agricultural funds

[2] The total amounts of the Transition Facility Contribution and National Co-financing stipulated in the above table represent the total maximum amounts and therefore, they may be reduced at the level of the Twinning light contract, while the relevant ratio (percentages) should be maintained and fixed. The co-financing requirement foreseen under the Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Result 1: Audit Manual which prescribes working procedures for the audit of EAGF, EAFRD and EMFF prepared and presented to the Audit Authority staff. Result 2: Audit Authority staff trained on audit of the EAGF, EAFRD and EMFF through practical assignments (pilot audits, on-the-job trainings, study visits).	• Analysis of relevant legislation and existing working procedures regarding audit methodology in the Audit Authority conducted and report with recommendations prepared. • Audit Manual for the audit of EAGF, EAFRD and EMFF further developed. • Audit Manual presented to 10 Audit Authority staff. • Training needs analysis of the Audit Authority staff members conducted and training programme and training materials prepared for auditors in charge of audit of Operational Programmes. • On the basis of the prepared training programme, on-the-job trainings for 15 Audit Authority staff members (Sector for Audit of Fisheries and Agricultural Funds) organized and conducted with the support of short-term experts during ongoing audit engagements (7 practical assignments – pilot audits). • 2 study visits of the Audit Authority staff in an EU Member State (5 working days, 8 participants) conducted with the purpose to gain hand-on experience and practical knowledge on EAGF, EAFRD and EMFF specifics using the Computer Assisted Auditing Techniques and Tools and study visit report prepared.	Twinning project reports Twinning project documentation Audit Manual Presentations TNA report Training programme Training materials List of participants on trainings Study visit reports	Full commitment of the parties involved Good communication and cooperation between project leader and STE Staff of the project beneficiary is fully available for project implementation Trained people remain in sector related to the Fisheries and Agricultural funds
Activities	**Means**	**Specification of costs**	**Assumptions**
Activities to be implemented correspond to the activities developed in the selected MS proposal.	Consultation, analysis, preparation of documentation, presentation, seminars, workshops, on-the-job training, practical assignments (pilot audits), study visits.	Twinning light project 250.000,00 EUR	In line with the assumptions specified for results.
			Preconditions: N/A

Annex 2. Organisational structure of the Audit Authority



Legend:
Service 1 – Service for Audit of European Funds for Asylum, Migrations, Integration and Internal Security
Service 2 – Service for Audit of European Regional Development Fund and Cohesion Fund
Service 3 – Service for Audit of European Territorial Cooperation Programmes
Service 4 – Service for Audit of European Social Fund
Service 5 – Service for Audit of European Agricultural Fund for Rural Development
Service 6 – Service for Audit of European Agricultural Guarantee Fund
Service 7 – Service for Audit of European Maritime and Fisheries Fund