

STANDARD TWINNING PROJECT FICHE

1. Basic Information

- 1.1 Publication notice reference: EuropeAid/ 137-957/IH/ACT/HR
- 1.2 Programme: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope
- 1.3 Twinning Number: HR 14 IPA FI 04 16
- 1.4 Title: Further development of internal control system and work methodology (CRO INTERCON)
- 1.5 Sector: Public Finance - Financial Control
- 1.6 Beneficiary country: Republic of Croatia

2. Objectives

2.1 Overall objective:

Overall objective is to contribute to successful management of public finance in the Republic of Croatia.

2.2 Project purpose:

The project purpose is to further develop the internal control system through improvement of work methodology with particular emphasis on practical usage in public sector entities and to promote good practices of implementation of internal control system.

2.3 Contribution to Accession Treaty/ Relevant national documents:

Following the signature of the **Accession Treaty** on 9 December 2011 by 27 Member States and the Republic of Croatia and its ratification procedure in the Member States, Croatia joined the European Union (EU) on 1 July 2013. As a Member State, Croatia needs to further enforce laws and regulations related to development of internal control system in line with the internationally accepted internal control standards and EU best practice.

The Republic of Croatia endorsed the **National Reform Programme for 2015** describing the measures undertaken by the Government of the Republic of Croatia in order to resolve structural challenges i.e. sustainable economic growth, job creation and creation of better opportunities for Croatian citizens, while taking into account the stability of public finances, sustainable level of debt and high quality of public services. With the aim to provide a complete and comprehensive approach to economic reforms, the Government has set three main objectives of structural policies: promoting growth, external competitiveness and re-establishing balance in the Croatian economy; resolving weaknesses in public sector governance and increasing public sector efficiency; increasing the sustainability of the general government debt and strengthening management of public finances. The above-mentioned objective related to resolving weaknesses in public sector governance and increasing public sector efficiency refers to the internal control system development. Within these main objectives there are also 10 specific reform areas, three of which refer to internal control system development: (1) strengthening the fiscal framework and management of public finances, (2)

rationalisation and improvement of expenditure control and (3) improving the management of public companies. Related to reform areas (1) and (2), a reform measure is to strengthen the internal control system by adopting new regulatory framework, including the new Act on Public Internal Control System and by-laws and to expand its scope of competence also on the state-owned and local/regional government-owned companies. Related to reform area (3), reform measure is to establish a reporting system on business operations for local/regional government-owned companies, to define specific objectives of the companies for the purpose of accountable governance and to set up measurable performance indicators for the evaluation of the companies operations.

The **Convergence Programme of the Republic of Croatia for 2015-2018** was endorsed in April 2015 describing the macroeconomic context and fiscal consolidation and the aim of the economic policy which is to stimulate a sustainable growth following a recession. The Programme is pointing out the need for control over expenditure which will lead consequently to potential savings and internal control system should be strengthened in these areas.

On the basis of the National Reform Programme and Convergence Programme for 2015, **the Council** has issued the following **recommendation** (2015/C 272/15) in July 2015: “The supervision of public enterprises is incomplete as regards companies established at local level and subsidiaries of major public enterprises. The authorities plan to reduce the number of ‘strategic’ companies and to step up the privatisation agenda. Further progress on the quality of governance is needed, including as regards strengthening and harmonising surveillance across various state-owned enterprises. The nomination of board members lacks transparency and competency requirements are relatively weak, which hampers a sound management of public property.”

The **Country Report Croatia 2015** including an in-depth review on the prevention and correction of macroeconomic imbalances states limited progress on improving the governance of companies under state control overall, 2015 State Asset Management Plan was adopted in November 2014 and the public appointments register has been made public.

The **Strategy for Development of Public Administration for the period 2015-2020** is a comprehensive document adopted by the Parliament of the Republic Croatia that provides a framework for the development of public administration and is aimed at improving administrative capacity and better organization of public administration whose reforms are key preconditions for implementation of all other reforms of the public sector. The Strategy identified the following weaknesses which should be dealt with in the forthcoming period: strategic planning particularly on local level, delegation of authority and responsibility within the organizational structures for the realization of the objectives and management of the allocated budgetary resources, linking and harmonising strategic goals and objectives of the annual work plans, linking risk management processes with processes of strategic planning, programming and annual work planning, as well as reporting on the most significant risks, unsettled relationships between 1st and 2nd level of budget users particularly in terms of authority and responsibility in planning, financing, monitoring (the manner in which individual user of 1st level will monitor the activities of 2nd level), systems for monitoring the achievement of program and project results through performance indicators and reporting on achievement of objectives, lack of strategic planning or non-linking goals of the lower-level organization with the objectives of the strategic plan of line ministry. One of the objectives within the Strategy is the improved system of professional training supporting the measures relating to strengthening the competencies of public administration employees and strengthening the capacities for good governance.

The project is in line with the goals and objectives in abovementioned documents. Through activities of this Twinning project further development of the internal control system will be achieved. Work methodology will be improved and good practices of implementation of internal control system will be promoted thus contributing to successful management of public finance in the Republic of Croatia.

3. Description

3.1 Background and justification:

Republic of Croatia has undertaken extensive efforts in recent years in the field of public internal financial control and has successfully implemented activities to create preconditions for establishment and development of internal control system (legislation and bylaws adopted, organizational and administrative capacity created and adopted).

In July 2015 the new Act on Internal Control System in Public Sector (OG 78/15) has been adopted and it replaced the Act on Public Internal Financial Control in Public Sector from December 2006 (OG 141/06). The new Act on Internal Control System adopted in July 2015 is based on COSO 2013 - Internal Control Integrate Framework and encompasses also the state-owned and local/regional government-owned companies (i.e. publicly owned enterprises).

In the Croatia Fact-finding Report (2015) the DG Budget concluded that there is a clear need for the Central Harmonisation Unit (CHU) within the Ministry of Finance of the Republic of Croatia to continue providing assistance and to support further development of internal control system in national and local government entities as well as to those publicly owned enterprises which will be entering the system for the first time, in line with the new adopted Act on Public Internal Control System (OG 78/15).

Further to this, there is a need to upgrade the current Financial Management and Control Manual issued in May 2012, which is primarily intended for budget users from state and local/regional level, not providing specifics for implementation of internal control system in the publicly owned enterprises. Additional update is also needed for current Financial Management and Control Manual used by budget users from state and local /regional level with the aim to support better practical implementation of internal control.

Despite progress achieved in the previous period, it is still necessary to further improve internal control system in the Republic of Croatia. This is in particular related to setting of objectives through further improvements of strategic and programme planning, improving the process of defining performance indicators in order to have basis for applying “value for money” principle and controlling efficiency and effectiveness in using budget resource. Further improvement of risk management is needed in order to apply it as an integral part of planning and decision making process. There is need to further develop practice of writing internal rules and regulations that will support public sector institutions in applying internal control system in their daily activities ensuring that authorities and responsibilities of participants in key financial management processes are defined, duties and tasks of each participants specified and control activities (ex-ante and ex-post controls) elaborated. Moreover, it necessary to ensure that system of internal recording and reporting is established to provide appropriate and relevant information for monitoring the achievement of objectives, performance indicators and managing and controlling of budget resources in a way that principles of sound financial management are met. There is need to further develop coordination of activities between 1st and 2nd /3rd level of budget users i.e. ministries and agencies under their authorities as well as local and regional self-government units and their budget

users. In addition there is need to further develop and design internal control system that will support the oversight activities of 1st level budget organizations over their subordinated institutions, including budget sector institutions but also publicly owned enterprises. These are the areas that require further improvements and improvement of work methodology.

Due to the fact that state-owned and local/regional government-owned companies in the Republic of Croatia are for the first time legally required to establish and implement internal control system, additional Manual on Internal Control System needs to be prepared related specifically to internal control system in publicly owned enterprises. The aim is to provide support to state-owned and local/regional government-owned companies in understanding the system of internal control, benefits of having properly established system of internal control as well as activities that are expected for them in practical implementation of internal control system.

There is also need to strengthen the capacity for coordination and development of internal control system on the level of public sector institutions which is in particular related to the staff in organizational units for finance. According to the new Act on Internal Control System organizational units for finance are responsible for the coordination of activities for developing internal control system on the level of budget users. Therefore, on the basis of Manual on Internal Control System, the organizational units for finance are expected to develop the guidelines for the practical implementation of internal control system on the level of their organizations, in particular in the processes related to financial management (planning, programming, budget preparation and execution, procurement and contracting, accounting and reporting), as well as guidelines for providing support to the management in implementation of internal control.

Due to the fact that management within each organization is ultimately responsible for functioning of internal control system, it is crucial to further strengthen the awareness of managers on the importance and the need for their active involvement in development of internal control in order to direct the activities on the improvement of internal control system and financial management processes.

The activities and results of this project are expected to contribute to further development of internal control system through improvement of work methodology/preparation of manuals with particular emphasis on practical use in public sector, strengthening capacity for implementation of internal control and promotion of good practice.

The overall aim is that further development of internal control system through this project provides contribution to structural reforms related to strengthening the fiscal framework and management of public finances, rationalization and improvement of expenditure control and improving the management of public companies.

3.2 Linked activities:

IPA 2010 “Strengthening the competence of public internal auditors in the Republic of Croatia in auditing Cohesion and Structural Funds in line with the best EU practice”

This Twinning light project (HR/2010/IB/FI/06 TWL) was implemented in the period from April 2014 to October 2014 with the Republic of Latvia as MS Twinning partner. The project purpose was to provide support to the CHU within the Ministry of Finance of the Republic of Croatia in upgrading work methodology for internal auditors in order to ensure efficient and effective internal auditing of Cohesion and Structural Funds. During the project implementation the following results were achieved: Guidelines on working methodology for internal auditing of Cohesion and Structural Funds for internal auditors prepared, Recommendations for improvement of organization of internal

audit units within pilot institutions prepared, including job descriptions and recruitment plan regarding internal audit of the Cohesion and Structural Funds, Recommendations for improvement of coordination and communication mechanisms among internal auditors in pilot institutions on central level prepared and Cooperation Agreement drafted and Capacity of the CHU staff and internal auditors in the pilot institutions in the field of the Cohesion and Structural Funds audit enhanced through targeted trainings.

IPA 2008 “Raising public awareness on the importance of the Public Internal Financial Control system in the Republic of Croatia”

This project was implemented from May 2012 to November 2012. The purpose of this framework contract was to raise public awareness on the importance of PIFC, especially awareness of managers in public sector on their active involvement in successful implementation of PIFC which contributed to the promotion of PIFC as integrated part of everyday activities in public institutions. PIFC concept, principles, legal requirements and benefits were presented in a user-friendly way to the target groups such as managers, citizens, media and politicians, so that they would become aware that their active involvement will contribute to the successful implementation of PIFC system. Through this project the official website of the CHU was updated and redesigned, three one-day conferences for target groups on state and local level and for state-owned companies were organized, promotional materials on PIFC were prepared and distributed to all conference participants.

CONSTITUENCY FACILITY SUPPORT “Further development of organisational units competent for finance and budget, and further strengthening of their coordination role in internal financial control system development”

This project was implemented in the period from November 2010 to January 2012 in cooperation between the Ministry of Finance of the Republic of Croatia and the Ministry of Finance of the Netherlands (National Academy for Finance and Economics). The purpose of this service contract was to strengthen coordination role of budget and financial directorates as important part of financial management and control system in order that financial management and control system are more understandable to the stakeholders involved in the whole system. A series of workshops were organized for financial management staff with the purpose to strengthen their coordination role. Also within the project, a study visit to the Netherlands was organised for the CHU and State Treasury representatives for the purpose of making the participants familiar with the role and tasks of finance directorates that are coordinators of development of financial management and control.

MATRA Flex “Support to the Ministry of Finance Internal Audit Service for the EU funds Internal Audit”

The project was implemented in the period from September 2009 to December 2010. The purpose of this service contract was to strengthen the role of the CHU in the EU funds auditing as well as to train the auditors on performance of EU funds auditing. The auditors who attended training were from the Ministry of Finance and other line institutions dealing with EU funds. This project helped in establishment of an auditing framework with regard to IPA funds, update of working methodology for internal audit of IPA funds specific for each IPA component, and in development of guidelines for risk assessment of all IPA components. CHU and internal auditors with respect to EU funds internal auditing have been trained.

IPA 2007 TAF “Further Strengthening and Enhancement of Croatian Public Internal Financial Control”

This Twinning light project (HR/2007/IB/F/07 TL) was implemented from January 2010 to September 2010 with United Kingdom as MS Twinning partner. The project objective was further development of PIFC system through improvement of methodology tools in financial management

and control as well as internal audit. Furthermore, Public Internal Financial Control activities were adjusted to the budget reforms set forth in the Strategy for improvement and modernisation of the processes in the State Treasury system 2007-2011 and Budget Act from 2008. Within this project, the FMC manual and Instructions for drafting the Annual report on PIFC (FMC and internal audit) were updated and template for Internal Audit Quality Assurance programme was prepared and several workshops were organized for CHU, FMC and IA staff.

PHARE 2006 “Improving Budget Processes for Effective Financial Management”

The project started in January 2009 and finished in November 2010. The overall objective of this service contract was to provide support to the Government in building an efficient and sustainable budget management system operating according to the European standards, through modernisation of budget processes and increasing budget management capacity. Within the project conference on Budget Management and Fiscal Policy was organised, as well as trainings and workshops in order to improve analytical skills of the State Treasury staff.

MATRA Flex “Technical Assistance to the Financial Management and Control System Development in Croatia”

The project was implemented in the period from February to August 2009. The project purpose was to improve the Financial Management and Control System in Croatian central government institutions in the area of project and risk management. Knowledge on implementation of risk and project management was acquired by financial staff.

PHARE 2006 PPF “Developing Public Internal Financial Control in the State Treasury”

This Twinning light project (HR/2006/IB/FI/05/TL) started in January 2009 and finished in June 2009 with France as MS Twinning partner. The overall objective of the project was to develop more efficient, accountable and better-functioning Public Internal Financial Control system in the State Treasury in compliance with international standards and EU practices for the purpose of having more efficient and transparent public finance in Croatia. Twinning partner provided support to the State Treasury staff in identifying significant risks in business processes to be managed. Accordingly, the Risk management strategy was developed. Within the project an analysis of the existing and expected controls in business processes was conducted and plan for removal of internal control weaknesses was developed and the workshops to train the financial management staff were organised.

CARDS 2004 “Strengthening Public Internal Financial Control Structure in the Republic of Croatia”

The project started in April 2006 and finished in January 2009. The overall objective of this service contract was to strengthen Public Internal Financial Control structure in the Republic of Croatia in line with the international standards and EU best practice. This project was an extension of a CARDS 2002 project. Within the project the following documents were prepared: Strategy for PIFC development on regional/local level, internal audit and FMC manuals, upgraded training programme for internal auditors, including three optional modules. Moreover, trainings for internal auditors on the preparation of Strategic and Annual internal audit plans were organized.

CARDS 2002 “Development of Public Internal Financial Control and Internal Audit”

The project started in October 2003 and finished in December 2005. The main objectives of this service contract were to assist the Ministry of Finance in establishing and developing a PIFC concept, organisation, procedures and methods, to enhance awareness on PIFC requirements across the public administration by setting up a sustainable training programme and certification scheme for internal auditors, to provide internal audit methodology to Government internal auditors in line with international standards. Through this project the concept of PIFC across the public administration, particularly at top management level was introduced. Through this project assistance to the CHU

staff was provided in the production of the following documents: internal audit and FMC manuals, PIFC Policy paper, template of Charter and Code of Ethics for internal auditors, as well as training materials for internal auditors training.

Cooperation with SIGMA (OECD) also contributed to the achievement of the objectives relevant for the PIFC by assisting in the preparation of documents related to internal audit and financial management and control and by providing support in organising various events of outstanding importance.

3.3 Results:

Component 1: Further developing of methodological tools in the area of internal control system

Result 1.1: Recommendations for improvement of existing practices and procedures in the area of internal control system prepared

Indicators of achievement:

- Analysis of legal framework related to internal control system in public administration bodies¹ conducted and analysis report with recommendations for improvement prepared
- Analysis of legal framework related to internal control system in state-owned and local/regional government-owned companies conducted and analysis report with recommendations for improvement prepared
- Comparative analysis of the EU practices in state-owned and local/regional government-owned companies in the area of internal control system between two Member States conducted and analysis report prepared
- Analysis of existing Manual for Financial Management and Control² for public administration bodies conducted and analysis report with recommendations for improvement prepared

Result 1.2: Manual on Internal Control System³ for public administration bodies updated

Indicators of achievement:

- Draft of the updated Manual on Internal Control System for public administration bodies prepared
- At least one round table discussion for at least 20 participants⁴ on the draft of the updated Manual on Internal Control System for public administration bodies conducted and recommendations for improvement prepared
- Manual on Internal Control System for public administration bodies updated

Result 1.3: Manual on Internal Control System for state-owned and local/regional government-owned companies prepared

¹ Public administration bodies refer to Art. 3 of the Act on Internal Control System in public sector (OG 78/15) i.e. budgetary and extra-budgetary users of the state budget and of the budget of local and regional self-government units determined in the Register of budgetary and extra-budgetary users and to local and regional self-government units.

² The latest version of the Manual (May 2012) will be analysed.

³ The update of the Manual for Financial Management and Control will be prepared according to the new Act on Internal Control System in public sector and by-laws which implies changes in terminology, i.e change of title of the updated manual.

⁴ The expected participants of the round table are CHU staff, management and persons responsible for coordination of development of financial management and control system in public administration bodies.

Indicators of achievement:

- Draft of the Manual on Internal Control System for state-owned and local/regional government-owned companies prepared
- One round table discussion for at least 20 participants⁵ on drafted Manual on Internal Control System for state-owned and local/regional government-owned companies conducted and recommendations for improvement prepared
- Manual on Internal Control System for state-owned and local/regional government-owned companies prepared

Component 2: Strengthening capacities for coordination and development of internal control system

Result 2.1: Knowledge and skills of persons responsible for coordination and/or development of internal control system improved

Indicators of achievement:

- Agenda and training materials for 3 trainings prepared
- Training⁶ for at least 20 participants related to use of newly updated Manual on Internal Control System for public administration bodies on state level organized and conducted
- Training for at least 30 participants related to use of newly updated Manual on Internal Control System for public administration bodies on local level organized and conducted
- Training for at least 20 participants related to use of newly prepared Manual on Internal Control System for state-owned and local/regional government-owned companies organized and conducted
- One study visit in MS in duration of 5 working days for 10 participants⁷ organized and conducted and study visit report prepared

Component 3: Promoting good practices in the internal control system

Result 3.1: Recommendations for improvement of existing promotional materials for internal control system prepared⁸

Indicators of achievement:

- Gap analysis of previous promotional materials (leaflets, brochures) related to internal control system conducted and analysis report with recommendations for improvement prepared
- Gap analysis of previous promotional materials (leaflets, brochures) related to internal audit conducted and analysis report with recommendations for improvement prepared

Result 3.2: Activities for promoting internal control system conducted

Indicators of achievement:

- Agenda and presentations for 3 conferences prepared

⁵ The expected participants of the round table are CHU staff, management and persons responsible for coordination and/or development of financial management and control system in state-owned and local/regional government-owned companies.

⁶ It is expected that trainings will be held in Zagreb in duration of one day.

⁷ The expected participants of study visit are CHU representatives and staff within organizational units responsible for finance and budget within public sector.

⁸ It is expected that these recommendations will be taken into account when preparing graphic design of Manuals within Result 3.3.

- 3 one-day conferences⁹ on promoting good practices in developing internal control system for at least 80 participants each organized and conducted

Result 3.3: Methodological framework for the internal control system development and internal audit published¹⁰

Indicators of achievement:

- Graphic design for the Manual on Internal Control System for public administration bodies prepared
- Graphic design for the Manual on Internal Control System for state-owned and local/regional government-owned companies prepared
- Graphic design for the Manual for Internal Auditors (v. 5.0) prepared
- 1050 Manuals¹¹ on Internal Control System for public administration bodies printed
- 1050 Manuals¹² on Internal Control System for state-owned and local/regional government-owned companies printed
- 650 Manuals¹³ for Internal Auditors (v. 5.0) printed

3.4 Activities:

Member State(s) 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 finance
- Minimum 5 years of experience in public finance
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5.

⁹ It is expected that activity will be held in Zagreb and will include top and middle management from 3 target groups: public administration bodies on state level, local level and state-owned and local/regional government-owned companies.

¹⁰ Printing of the Manuals under Result 3.3 is envisaged to be financed through private sector input specified in the point 5. Budget of the Twinning fiche.

¹¹ 1000 Manuals in Croatian and 50 Manuals in English.

¹² 1000 Manuals in Croatian and 50 Manuals in English.

¹³ 600 Manuals in Croatian and 50 in English.

- Computer literacy
- Experience in project management

Assets:

- Experience in preparing regulations in the field of internal control system and/or financial management
- Experience in preparing guidelines or manuals in the field of internal control system and/or financial management

Tasks of the Project Leader:

- Overall coordination and managing of the implementation of the project in cooperation with the BC Project Leader
- Ensuring sound implementation of the envisaged activities
- Monitoring and evaluating the needs and priorities in the respective sector, project risks, progress against the project budget, benchmarks, and outputs, and taking any necessary remedial actions if needed
- Coordination of MS experts' work and availability
- Providing efficient leadership of the project
- Ensuring backstopping and financial management of the project in the MS
- Participation in Steering Committee meetings
- Organization of study visit
- Project reporting

3.5.2 Profile and tasks of the RTA

Profile of the Resident Twinning Advisor

Requirements:

- University level education or equivalent professional experience of 10 years in public finance
- Minimum 3 years of experience in internal control system and/or financial management
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning Manual 5.4.5.
- Computer literacy
- Experience in project management

Assets:

- Experience in preparing regulations in the field of internal control system and/or financial management
- Experience in preparing guidelines or manuals in the field of internal control system and/or financial management
- Experience in internal control system and/or financial management in the publicly owned enterprises (state-owned and/or local government-owned companies)
- Experience in developing and/or conducting training programmes

Tasks of the Resident Twinning Advisor:

- Support and coordination of all activities in the BC

- Day to day management of the project in the beneficiary institution
- Coordination and assistance to the short-term experts
- Coordination of the project implementation and proposing corrective actions, if required
- Organization of visibility events (kick-off and final event)
- Organization of PIU and Steering Committee meetings
- Participation in Steering Committee meeting
- Executing administrative issues (e.g. assisting in reporting)
- Providing technical advice on EU policies and best practices, and assisting Croatian administration in the context of project work plan
- Networking with institutions relevant to this project in Croatia and in MS

The duration of the RTA secondment is 12 months.

3.5.3 Profile and tasks of short-term experts

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

Profile of the Short-term expert 1 (STE 1)

Requirements:

- University level education or equivalent professional experience of 7 years in public finance
- Minimum 3 years of experience in internal control system and/or financial management
- 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:

- Experience in preparing regulations in the field of internal control system and/or financial management
- Experience in preparing guidelines or manuals in the field of internal control system and/or financial management
- Experience in internal control system and/or financial management in the publicly owned enterprises (state-owned and/or local government-owned companies)
- Experience with COSO 2013 standards implementation in public sector
- Experience in conducting trainings

Tasks of the Short-term expert 1:

- Conducting analyses of legal framework, existing manuals and practices applied and preparing corresponding analysis reports
- Preparing Manual on Internal Control System for public administration and Manual on Internal Control System for state-owned companies and local/regional government-owned companies
- Preparing agenda, training materials and presentations
- Organising and conducting round table discussions
- Organising and conducting trainings
- Organizing and conducting conferences

Profile of the Short-term expert 2 (STE 2)

Requirements:

- University level education or equivalent professional experience of 7 years in the field of public relations
- Minimum 3 years of experience in promotional activities
- 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:

- Experience in preparation of promotional materials and/or promotional activities related to public finance
- Experience in the field of graphic design

Tasks of the Short-term expert 2:

- Conducting gap analysis of previous promotional materials and preparing corresponding analysis reports
- Preparing agenda and presentations
- Organizing and conducting conferences
- Preparing graphic design of the Manual on Internal Control System for public administration, Manual on Internal Control System for state-owned companies and local/regional government-owned companies and Manual for Internal Auditors

Note:

The pool of experts should include:

- At least one short-term expert who in addition to the respective profile requirements has experience in preparing guidelines or manuals
- At least one short-term expert who in addition to the respective profile requirements has experience in conducting trainings

4. Institutional Framework

The final beneficiary of this project is the Sector for harmonization of internal audit and financial control – Central Harmonisation Unit (CHU) within the Ministry of Finance of the Republic of Croatia.

In total 26 working posts are envisaged within the CHU organizational structure. Currently the CHU employs 18 employees in total, divided into 3 services:

- Service for methodology and standards
- Service for coordination of trainings and quality assessment
- Service for international activities

The activities of the CHU are primary focused on defining and development of work methodology and standards of internal audit and financial management and control in accordance with international standards and EU best practices. The CHU is in charge of development and

coordination of Public Internal Financial Control system i.e. financial management and control as well internal audit as follows:

- Developing laws and bylaws related to the field of financial management and control and to internal auditing
- Producing financial management and control and internal auditing methodology and performance standards
- Establishing internal financial control system and developing coordination
- Organising training for persons responsible for and involved in financial management and control and internal audit
- Conducting quality assurance of the financial management and control system within the budget users
- Performing quality checks of internal audit activities within the budget users
- Developing cooperation with European Commission and domestic and foreign institutions aimed to further developing of the financial management and control system in accordance with best practices
- Composing the consolidated annual report on the system of internal financial controls and its work which Minister of Finance submits to the Government of the Republic of Croatia
- Keeping and maintaining the internal audit units register, internal auditors' charter register, certified auditors register and register of persons involved in financial management and control.

It is expected that participants from other institutions (public administration bodies, state-owned companies and local/regional government-owned companies) will participate in round tables, trainings and conferences organized within the project. Throughout the project implementation Central Harmonisation Unit of Ministry of Finance will ensure project coordination and implementation of the project activities and will monitor the progress in project implementation on a regular basis.

The results of the project are not expected to lead to a change of the institutional framework.

The beneficiary institution will dedicate all necessary human and financial resources in order to guarantee an effective implementation of the respective project. In particular, the beneficiary institution will insure the availability of the following provisions:

- Adequately equipped office space for RTA and RTA assistant for the entire duration of their secondment (in particular a desk, a telephone line, PC with e-mail account, possibility to use fax & copy services)
- Adequate conditions for the STEs to perform their work while on mission to the BC
- Training and conference venues as well as presentation and interpretation equipment
- Costs for travel by BC participants from their capitals to MS or between MS (study visits)
- Its active involvement in preparation of the PIU and Steering Committee meetings and participation of its members on the same
- The availability of the BC human resources (BC experts) during the implementation of the activities.

5. Budget

Further development of internal control system and work methodology (CRO INTERCON)	Transition Facility contribution	National co-financing	TOTAL
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Twinning Contract	(90%) 495.000 EUR	(10%) 55.000 EUR	550.000 EUR
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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 contract, while the relevant ratio (percentages) should be maintained and fixed.

The co-financing requirement foreseen under 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.

In addition to the abovementioned, provisions with the total amount of 9.770,00 EUR should be included in the budget for the following purposes related to implementation of the activities within Result 3.3:

- Printing of Manuals on Internal Control System for public administration bodies - 1000 in Croatian and 50 in English - 3.720,00 EUR
- Printing of Manuals on Internal Control System for state-owned and local/regional government-owned companies - 1000 in Croatian and 50 in English - 2.870,00 EUR
- Printing of Manual for Internal Auditors - 600 in Croatian and 50 in English - 3.180,00 EUR

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
Ms Vladimira Ivandić, Head of Sector
Sector for European Union
Ministry of Finance
Katančičeva 5

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6.3 Contracts:

It is envisaged that this Project will be implemented through one Twinning Contract, with the maximum amount of 550.000,00 EUR.

7. Implementation Schedule (indicative)

- 7.1 Launching of the call for proposals: 1Q 2016¹⁴
- 7.2 Start of project activities: 4Q 2016
- 7.3 Project completion: 4Q 2017
- 7.4 Duration of the execution period: 15 months; the execution period will end 3 months after the implementation period of the Action (work plan), which will take 12 months.

8. Sustainability

It is planned that wide scope of foreseen activities will enable CHU to continue to provide assistance and support in order to further develop internal control system in public administration bodies and to well as facilitate development of internal control system in state-owned and local/regional government-owned companies.

The activities and results of this project are expected to contribute to further development of internal control system through improvement of work methodology i.e. update and preparation of manuals with particular emphasis on practical use in public sector, strengthening capacities for implementation of internal control and promotion of good practice. The updated methodology in the area of public internal financial control system will lead to better compliance with COSO 2013 standards and effective application of financial management and internal control.

¹⁴ Member States submitting proposals for Twinning projects implemented in Croatia, as well as the beneficiary institutions, will be requested to finalise drafting of the contracts in maximum four months regardless of the period of the year during which the drafting will take place.

CHU will use the results of this project for the purpose of decreasing internal control weaknesses and increasing the efficiency and effectiveness of internal control system which will lead to appropriate use of budget funds.

9. Crosscutting issues

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

This project does not involve any activities with an environmental impact.

10. Conditionality and sequencing

Not applicable.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. List of relevant laws and regulations
5. Coordination role of Central Harmonization Unit and list of public administration bodies and state-owned and local/regional government-owned companies

Annex 1. Logical framework matrix in standard format

Further development of internal control system and work methodology (CRO INTERCON)		Programme name and number: Transition Facility IPA/2013/24986 (Annex of C(2013) 8057 final); Institution Building Envelope	
Ministry of Finance, Sector for Harmonisation of Internal Audit and Financial Control, Central Harmonisation Unit (CHU)		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: 550.000,00 EUR	Transition Facility financing: 495.000,00 EUR (90%) National co-financing: 55.000,00 EUR (10%) ¹⁵
Overall objective	Objectively Verifiable Indicators	Sources of Verification	
Overall objective is to contribute to successful management of public finance in the Republic of Croatia.	<ul style="list-style-type: none"> • Efficiency of public internal control system increased 	<ul style="list-style-type: none"> • Annual Peer Base Missions report • Relevant EC reports • Relevant national reports • Ministry of Finance annual and statistical reports 	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions
The project purpose is to further develop the internal control system through improvement of work methodology with particular emphasis on practical usage in public sector entities and to promote good practices of implementation of internal control system.	<ul style="list-style-type: none"> • Work methodology for internal control system improved • Capacities for coordination and development of internal control system strengthened • Awareness raised and good practices among managers and persons responsible for coordination of development of internal control system promoted 	<ul style="list-style-type: none"> • Twinning project reports • Twinning project documentation (analysis, reports, recommendations, etc.) • Agenda, training materials • List of participants on round tables • List of participants on training • List of participants on 	<ul style="list-style-type: none"> • Support of project beneficiary management • Sufficient number of project beneficiary staff, their commitment and availability • Good communication and cooperation between MS and BC Twinning partners • Adequate participants selected for round tables, trainings, conferences

¹⁵ 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 contract, while the relevant ratio (percentages) should be maintained as fixed. The co-financing requirement foreseen under Transition Facility will be considered fulfilled according to the provision of the relevant Financing Decision.

		conference <ul style="list-style-type: none"> List of participants on study visit Manuals 	and study visit
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>Component 1: Further developing of methodological tools in the area of internal control system</p> <p>Result 1.1: Recommendations for improvement of existing practices and procedures in the area of internal control system prepared</p> <p>Result 1.2: Manual on Internal Control System for public administration bodies updated</p>	<ul style="list-style-type: none"> Analysis of legal framework related to internal control system in public administration bodies conducted and analysis report with recommendations for improvement prepared Analysis of legal framework related to internal control system in state-owned and local/regional government-owned companies conducted and analysis report with recommendations for improvement prepared Comparative analysis of the EU practices in state-owned and local/regional government-owned companies in the area of internal control system between two Member States conducted and analysis report prepared Analysis of existing Manual for Financial Management and Control for public administration bodies conducted and analysis report with recommendations for improvement prepared Draft of the updated Manual on Internal Control System for public administration bodies prepared At least one round table discussion for at least 20 participants on the draft of the updated Manual on Internal 	<ul style="list-style-type: none"> Twinning project reports Twinning project documentation (analysis, reports, recommendations, etc.) Agenda, training materials List of participants on round tables List of participants on training List of participants on conference List of participants on study visit Manuals 	<ul style="list-style-type: none"> Support of project beneficiary management Sufficient number of project beneficiary staff, their commitment and availability Good communication and cooperation between MS and BC Twinning partners Adequate participants selected for round tables, trainings, conferences and study visit

<p>Result 1.3: Manual on Internal Control System for state-owned and local/regional government-owned companies prepared</p>	<ul style="list-style-type: none"> Control System for public administration bodies conducted and recommendations for improvement prepared • Manual on Internal Control System for public administration bodies updated • Draft of the Manual on Internal Control System for state-owned and local/regional government-owned companies prepared • One round table discussion for at least 20 participants on drafted Manual on Internal Control System for state-owned and local/regional government-owned companies conducted and recommendations for improvement prepared • Manual on Internal Control System for state-owned and local/regional government-owned companies prepared 	
<p>Component 2: Strengthening capacities for coordination and development of internal control system</p>		
<p>Result 2.1: Knowledge and skills of persons responsible for coordination and/or development of internal control system improved</p>	<ul style="list-style-type: none"> • Agenda and training materials for 3 trainings prepared • Training for at least 20 participants related to use of newly updated Manual on Internal Control System for public administration bodies on state level organized and conducted • Training for at least 30 participants related to use of newly updated Manual on Internal Control System for public administration bodies on local level organized and 	

	<p>conducted</p> <ul style="list-style-type: none"> • Training for at least 20 participants related to use of newly prepared Manual on Internal Control System for state-owned and local/regional government-owned companies organized and conducted • One study visit in MS in duration of 5 working days for 10 participants organized and conducted and study visit report prepared 	
<p>Component 3: Promoting good practices in the internal control system</p>		
<p>Result 3.1: Recommendations for improvement of existing promotional materials for internal control system prepared</p>	<ul style="list-style-type: none"> • Gap analysis of previous promotional materials (leaflets, brochures) related to internal control system conducted and analysis report with recommendations for improvement prepared • Gap analysis of previous promotional materials (leaflets, brochures) related to internal audit conducted and analysis report with recommendations for improvement prepared 	
<p>Result 3.2: Activities for promoting internal control system conducted</p>	<ul style="list-style-type: none"> • Agenda and presentations for 3 conferences prepared • 3 one-day conferences on promoting good practices in developing internal control system for at least 80 participants each organized and conducted 	
<p>Result 3.3: Methodological framework for the internal control system development and internal audit published</p>	<ul style="list-style-type: none"> • Graphic design for the Manual on Internal Control System for public administration bodies prepared • Graphic design for the Manual on Internal Control System for state- 	

	<p>owned and local/regional government-owned companies prepared</p> <ul style="list-style-type: none"> • Graphic design for the Manual for Internal Auditors (v. 5.0) prepared • 1050 Manuals on Internal Control System for public administration bodies printed • 1050 Manuals on Internal Control System for state-owned and local/regional government-owned companies printed • 650 Manuals for Internal Auditors (v. 5.0) printed 		
Activities	Means	Specification of costs	Assumptions
Member State(s) is kindly requested to develop activities in the submitted proposal which are needed in order to achieve the results stipulated in the fiche.	Consultations, analyses, preparation of documentation, graphic design, round tables, trainings, workshops, conferences, study visit.	Twinning project: 550.000 EUR	In line with the assumptions specified for results
			Preconditions: N/A

Annex 2: Detailed implementation chart

Further development of internal control system and work methodology (CRO INTERCON)	2016											2017											2018		
	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	
Month																									
Twinning	T	T	T	T	C	C	C	C	C	A/I	I	I	I	I	I	I	I	I	I	I	I	R	R	R	

T – Call for proposals and evaluation

C – Contracting

A/I – Arrival of the RTA/ Start of the implementation of activities

I – Implementation of activities

R – Report

Annex 3: Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)

Further development of internal control system and work methodology (CRO INTERCON)	Cumulative contracting schedule by quarters in EUR (provisional)			
	2017			
	I	II	III	IV
Twinning	550.000,00			
TOTAL (EUR):	550.000,00			

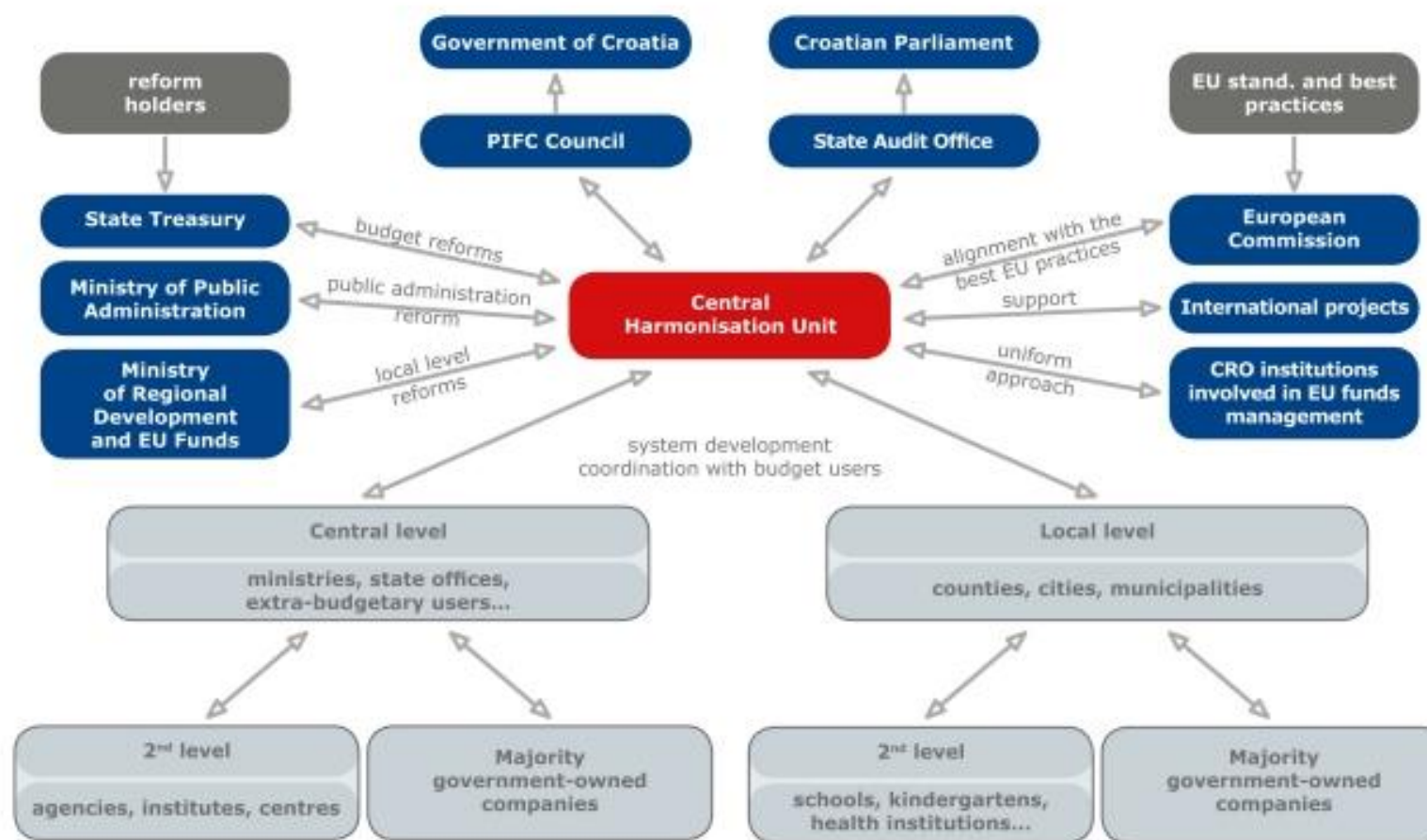
Further development of internal control system and work methodology (CRO INTERCON)	2017				2018			
	I	II	III	IV	I	II	III	IV
Twinning	429.268,29				120.731,71			
TOTAL (EUR):	429.268,29				550.000,00			

Annex 4. List of relevant laws and regulations

- Act on Internal Control System (OG 78/15)
- Fiscal Responsibility Act (OG 139/10, 19/14)
- Budget Act (OG 87/08, 136/12, 15/15)
- Civil Obligations Act (OG 35/05, 41/08, 125/11, 78/15)
- Company Law (OG 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15)
- Accounting Act (OG 78/15, 134/15)
- Public Procurement Law (OG 90/11, 83/2013, 143/2013, 13/2014)
- Construction and Physical Planning Law (OG 38/09, 76/07, 55/11.,90/11.,50/12., 55/12, 80/13), 78/15)
- Labor Law (OG 93/14)
- Law on right on information access (OG 25/13, 85/15)
- Information Security Law (OG 79/07)
- International Financial Reporting standards (OG 140/06)

and other by-laws, guidelines, instructions regulating the area of internal control system.

Annex 5: Coordination role of the Central Harmonisation Unit and list of public administration bodies and state-owned and local/regional government-owned companies



A list of public administration bodies i.e. budgetary and extra-budgetary users of the state budget and of the budget of local and regional self-government units determined in the Register of budgetary and extra-budgetary users and to local and regional self-government units is at the following link: <http://www.mfin.hr/hr/registar>

A list of state-owned and local/regional government-owned companies is at the following link: <http://www.mfin.hr/hr/izjava-o-fiskalnoj-odgovornosti>

Please note that the information included at the above-mentioned links will be provided to project partners in English language during project implementation.

