

TWINNING PROJECT FICHE
UA 15 ENI FI 01 16 (UA/56)

**Development of external audit and control of public finances
in Ukraine**

LIST OF ABBREVIATIONS

AA	Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part (EU-Ukraine Association Agreement)
ACU	Accounting Chamber of Ukraine
BA	Beneficiary Administration
BC	Beneficiary Country
CMU	Cabinet of Minister of Ukraine
CoE	Council of Europe
EC	European Commission
EP	European Parliament
EU	European Union
EUD	Delegation of the European Union to Ukraine
EUROSAI	European Organisation of Supreme Audit Institutions
GIZ	Gesellschaft für Internationale Zusammenarbeit (provides services worldwide in the field of international cooperation for sustainable development)
IAS	Information and Analytic System
INTOSAI	International Organization of Supreme Audit Institution
IT	Information Technology
IQR	Interim Quarterly Report
MS	Member State (of the EU)
PAO	Programme Administration Office
PL	Project Leader
PSC	Project Steering Committee
RTA	Resident Twinning Adviser
SAI	Supreme Audit Institution
SDP	Strategic Development Plan
STE	Short Term Expert
UA	Ukraine
UNDP	United Nations Development Programme

1. BASIC INFORMATION

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| 1.1. Programme: | ENI - Technical Cooperation Facility 2015 |
| 1.2. Twinning Number: | UA 15 ENI FI 01 16 (UA/56) |
| 1.3. Title: | Development of external audit and control of public finances in Ukraine. |
| 1.4. Sector: | Finance, Internal market and Economic criteria |
| 1.5. Beneficiary country: | Ukraine |
| 1.6. Beneficiary Administration: | Accounting Chamber of Ukraine (the ACU) |

2. OBJECTIVES

2.1 Overall Objective(s):

Improvement of the external state audit and control system by implementing INTOSAI standards (levels I-III), improvement of the quality of audits and strengthening the institutional capacity of the Accounting Chamber of Ukraine

2.2 Project purpose:

The purpose of the project is to strengthen the capacities of the Accounting Chamber in the framework of external audit reform in line with the International Standards of Supreme Audit Institutions (INTOSAI standards, ISSAIs) by providing best EU practices and assistance to contribute in:

- legislation approximation in the area of external control and audit in line with INTOSAI standards (levels I-III);
- enhanced quality of audits;
- improvement of internal policies of the Accounting Chamber focused on audit and control methodologies; risk management system; training and certification of staff;
- strengthening institutional capacity of the Accounting Chamber by enhancing cooperation between the ACU, the Parliament, the Government and Ukrainian public, specifically by ensuring proper follow-up and public access to the ACU reports.

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

The relations between Ukraine and the EU are based on the Partnership and Cooperation Agreement (PCA) signed in 1994 and in force since 1998, and the European Neighbourhood Policy EU-Ukraine Action Plan, which has been replaced by the Association Agenda in November 2009.

The Association Agreement between the European Union and their member states, of the one part, and Ukraine, of the other part, was negotiated and prepared during the period 2007 – 2013. The EU-Ukraine Association Agreement was signed in two phases: on 21 March 2014 – a political part (i.e. Preamble, Article 1, Title I ‘General Principles’, Title II ‘Political dialogue and reform, political association, cooperation and convergence in the field of foreign and security policy’, and Title VII ‘Institutional, general and final provisions’), and on 27 June 2014 – an economic part (Titles III ‘Justice, freedom and security’, IV ‘Trade and trade-related matters’,

V ‘Economic and sector cooperation’, and VI ‘Financial cooperation, with anti-fraud provisions’). Since 1 January 2016 also the Title IV of the Association Agreement (which establishes a Deep and Comprehensive Free Trade Area (DCFTA)) is provisionally applied.

The Association Agreement between Ukraine and the EU defines relationship between Ukraine and the EU on the basis of “political association and economic integration” and serves as a strategic guideline for systematic socio-economic reforms in Ukraine.

The Agreement stipulates that a significant part of the *acquis communautaire* should be incorporated into Ukrainian legislation.

Chapter 3 of Title V of the Association Agreement covers public financial management. The project will contribute to the implementation of Articles 346 and 347 of Chapter 3.

Article 346: Cooperation in the field of management of public finances shall aim at ensuring the development of budget policy and sound systems of public internal control and external audit, on the basis of international standards, and which are compatible with the fundamental principles of accountability, transparency, economy, efficiency and effectiveness.

Article 347: The Parties shall exchange information, experience, best practice and take other actions, in particular on the following:

1. In the area of budget policy:

- (a) development of a medium-term budget forecast/planning system;
- (b) improvement of programme-based approaches in the budget process and analysis of the efficiency and effectiveness of the implementation of budget programs;
- (c) improvement of the exchange of information and experience on planning and execution of the budget and on public debt.

2. In the area of external audit:

implementation of the International Organisation of Supreme Audit Institutions (INTOSAI) standards and methods as well as exchange of best practices of the EU in the field of external control and audit of public finances, paying particular attention to the independence of the relevant bodies of the Parties

Subparagraph 7.1. “Public financial internal control and external audit and control” Paragraph 7 of the Operational Part of the Association Agenda, approved at the meeting of the Ukraine-EU Association Council on 16 March 2015 foresees that the Parties shall cooperate to ensure implementation of the internationally accepted external audit standards (International Organisation of Supreme Audit Institutions) by the Supreme Audit Institution (Accounting Chamber), ensuring effective cooperation with the relevant EU Institutions and bodies in the case of on-the-spot checks and inspections related to the management and control of EU funds, to be provided in line with relevant rules and procedures.

Ukraine is one of the priority partners for the EU and it has been mutually agreed to move from cooperation towards gradual economic integration and deeper political association. The integration into the EU is surely to be one of the major priorities of the Ukrainian state policy. Having signed international conventions on harmonizing the national standards and regulations with the common requirements of the European Union, Ukraine declared its readiness to take actions required for improvement the national external audit system.

3. DESCRIPTION

3.1 Background and justification

External audit development is an important part of the broader reform of public finance in Ukraine.

The Accounting Chamber of Ukraine, on behalf of the Parliament of Ukraine, exercises control and audit over the revenues and expenditures of the State Budget of Ukraine. Activities of the Accounting Chamber are based on the principles of legality, independence, objectivity, fairness, publicity and political impartiality. The ACU is organizationally, functionally and financially independent.

The necessity to develop public finance management is stipulated by article 3 of the Roadmap of the Strategy for Sustainable Development “Ukraine – 2020” which foresees implementation of 62 reforms and development programs, including reform of public financial control of the budget. The paragraph 5 of the article 3 stipulates the following: “The main priority of public finance management should become strengthening of transparency and effectiveness of public funds distribution and spending. The public procurement process should become transparent and based on general principles of competition. It is important to fight with corruption in public procurement. Management of government institutions should accept their responsibility in the reduction of corruption and recognize the role of the ACU for raising awareness about corruption risks and reinforcing corruption prevention tools”.

The Public Finance Management Strategy (the Decree of the Cabinet of Ministers of Ukraine as of 10.08.2013 #774-p) foresees making external public finance control and audit more efficient through implementation of INTOSAI standards and the world’s best practices, including revenue audits.

The ACU has been a member of the International Organization of Supreme Audit Institutions (INTOSAI) since 1998 and the European Organization of Supreme Audit Institutions since 1999. The main national regulations governing the activities of the ACU are the Constitution of Ukraine and the Law of Ukraine “On the Accounting Chamber”.

The status of the Accounting Chamber as the institution which acts on behalf of the Verkhovna Rada of Ukraine and controls revenues and expenditures of the State Budget of Ukraine is defined in the Constitution of Ukraine. The mandate assigned to the Accounting Chamber by the Constitution of Ukraine is carried out through measures of public external financial control (audit). Public external financial control (audit) is provided by the Accounting Chamber through financial audits, performance audits, examination, analysis and other control measures.

Legal basis for organization and functioning of the Accounting Chamber is defined by the Budget Code, the Law of Ukraine “On the Accounting Chamber” as well as other legal acts. Adoption of a new version of the Law “On the Accounting Chamber” in July 2015 is a big step forward in the reform of the ACU.

Specifically, the new Law of Ukraine “On the Accounting Chamber” takes into account commonly recognized international standards of the audit of public finances such as Lima Declaration, Mexico Declaration on SAI Independence etc.

The Law defines the organization, competences and functions of the Accounting Chamber, secures functional and organizational independence necessary for the SAI of Ukraine to carry out its tasks. Key innovations of the Law include:

- broadening the remit of the Accounting Chamber of Ukraine to control revenues of the state budget
- conducting financial and performance audits for better accountability of public finances
- enabling the members of the ACU to access databases, registers, and automated systems funded from the state budget
- regular publication of audit reports, plans and decisions of the Accounting Chamber on its website in the form of open data in accordance with the Law of Ukraine “On access to public information”

- assessment of the exposure of public sector institutions to corruption risks as well as the level of controls intended to reduce such risks.
- establishment of competitive selection procedure for the Members of the Accounting Chamber, - enshrinement of the legislative rule to use ISSAIs in its activities,
- conduction of external audit of the ACU and external evaluation of its activities,
- enhancement of cooperation with the Verkhovna Rada of Ukraine.

To meet requirements of Lima and Mexico Declarations on the mandate of the ACU the article 98 of the Constitution of Ukraine, which is in force, needs to be revised. Specifically, the mandate should be extended to audit local budgets and state-owned enterprises.

In this context, Twinning project will contribute in improvement of the system of external public audit and control by implementing INTOSAI standards and strengthening the institutional capacity of the Accounting Chamber of Ukraine, which will make it possible to objectively audit the public finances, increase governmental transparency, strengthen the relationship between state and society and promote reforms. As a part of this project it is expected to qualitatively enhance audits by strengthening the institutional capacity of the ACU, improving corresponding methodologies, developing and training the staff, as well as using new audit methods and technologies to improve quality of audit reports.

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

TACIS Project “Audit of Public Finances” (2002-2004);

The overall purpose of the project, managed by Gesellschaft für Internationale Zusammenarbeit (GIZ), was to improve external review of the collection and use of financial resources by public authorities. It was decided to strengthen the position of the Accounting Chamber of Ukraine and deepen its capacity to exercise effective control over revenues and expenditures of the state budget and state property management.

The main objectives of the project were to assist the ACU in adapting its structure and working methods to European standards and norms by approximation of the existing auditing approach to the principles of efficiency and economy, deepening relations with SAIs of the EU Member States, as well as to provide advanced training for specialists in theoretical and practical aspects of auditing public authorities.

Although the main beneficiary of the project was the Accounting Chamber of Ukraine, the project also offered assistance to other institutions involved in control of public finance, the State Control and Auditing Service in particular.

One of the major outcomes of the project was acceleration of harmonization of the Ukrainian audit standards with corresponding international standards in the area of external public financial control. The project also supported strengthening the institutional capacity of the Accounting Chamber of Ukraine by supporting establishment of regional representative offices, improvement of legal framework and capacity building of its human resources.

The total project budget was EUR 2 mln.

UNDP Project “Respectability in Practice” (2002-2005)

The ACU participated in the Framework assistance program for Ukraine 2002-2005, which was prepared by the UN Office in Ukraine.

The UN Framework assistance program for Ukraine was prepared to determine the basic principles and priorities for UN assistance to Ukraine and to assess the economic situation in the country. The goals, objectives and cooperation strategies in the following areas were defined: public management, poverty reduction, social services, environmental protection, HIV/AIDS. The document contained the basic activity principles for donor agencies of the United Nations.

The project provided capacity building support to the Accounting Chamber of Ukraine and assistance in its formation, including at regional level. The project also supported enhancement of the system of informing the public and the Parliament about the results of the ACU's work. Overall, the project was implemented as a support project for the Parliament of Ukraine, the Ombudsman and the ACU. It also supported corresponding efforts of the Parliament in execution of its functions.

The total project budget was EUR 3mln.

GIZ project “Support to Public Finance Management Reforms in Ukraine”

The Accounting Chamber of Ukraine, together with other stakeholders, has been cooperating with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German Federal Enterprise for International Cooperation) in the framework of the project “Support to Public Finance Management Reforms in Ukraine” since 2013.

The overall objective of the project is to support improvement of public finance management system for sustainable economic development of Ukraine. The main area of support for the Accounting Chamber of Ukraine is assistance in external financial control reform. The project cooperates with all key public institutions in the area of public finance, including Ministry of Finance, Ministry of Economic Development and Trade of Ukraine, the State Fiscal Service of Ukraine, Budget Committee and Committee on Taxation and Customs Policy of the Verkhovna Rada of Ukraine.

In July 2016 the ACU and GIZ signed Action Plan for 2016-2017, that defines major directions and envisages 26 events of bilateral cooperation.

Expected outputs of the Action Plan are:

- establishment of grounds for ACU reporting capabilities improvement;
- enhancement of professional staff capabilities of the ACU and its regional representations;
- civil society (business associations, mass media) use of the ACU reports.

Expected outputs	Core elements
Establishment of grounds for ACU reporting capabilities improvement	Support in drafting audit reports Improvement of cooperation between the ACU and the Parliament Round table “Accounting Chamber of Ukraine and its role in public finance management” Pilot financial audit follow up Drafting the Financial Audit Manual Pilot performance audit follow up Seminar «Internal quality control and the ACU reports monitoring system according to ISSAIs»
Enhancement of professional staff capabilities of the ACU and its regional representations	Functional review of the ACU Elaboration of the Strategic Development Plan Performance audit seminar EU funds seminar Audit of annual financial and budget reports Audit of transfers from the state budget by

	local budgets
	Audit of state-owned enterprises
	Audit of separate taxes, for instance VAT
	International experience in auditing central banks
	Development of audit system of transboundary cooperation programs
	Interpretation of ISSAIs together with the ACU staff
Civil society (business associations, mass media) use of the ACU reports	High-level seminars together with the ACU and business associations other external stakeholders. Enhancement of understanding of ACU tasks and activities as well as possibilities to use it by interested parties (NAO/RPR/CPSA). Enhancement of cooperation with civil society taking into account its strategic role and legislative tasks, for instance cooperation with mass media, web-page instrument, social networks Facebook/Twitter

3.3 Results

The foreseen results of the Twinning Project have been divided into following components:

Component 1: Legislation approximation in the area of external audit and control in line with INTOSAI standards

Result 1.1.: Provisions of the new Law of Ukraine “On the Accounting Chamber” and ISSAIs, levels I-III are supported by appropriate/corresponding national legislation.

Result 1.2.: The Strategic Development Plan (SDP) of the Accounting Chamber of Ukraine as well as Strategy for ISSAIs implementation as a part of the SDP are improved.

Component 2: Development of audit methodologies and reporting capacities

Result 2.1.: Basic requirements of international standards ISSAI (levels I-III) are incorporated into guidelines and manuals of the Accounting Chamber of Ukraine on financial audit, compliance audit and performance audit as well as into audit practices.

Result 2.2.: The risk management system as well as audit quality control and assurance system are implemented.

Result 2.3.: ISSAIs on IT audit are implemented with corresponding training for the auditors.

Result 2.4.: IDEA software is incorporated with supporting training for improvement of financial audit.

Component 3: Strengthening of the ACU's institutional capacity and improving impact of the ACU's audit results

Result 3.1.: Recommendations on the improvement of organisational structure and functions of the ACU are developed.

Result 3.2.: The interactive web-site of the ACU is made fully operational, including on-line dialogue with civil society, subscription to news, on-line comments to audit reports, user-friendly design of the web-site. The system of audit reports publication, informing stakeholders and the public on completed audits is enhanced.

Result 3.3.: The framework of interaction between the ACU and key stakeholders (the President of Ukraine, the Budget Committee of the Parliament of Ukraine, the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine, State Treasury Service of Ukraine, key budget holders etc.) including evaluation of follow up on audit reports by the Budget Committee of the Parliament is developed.

3.4 Indicative list of activities:

The activities set out in this Twinning Fiche and the proposed method of implementation, are indicative and should, in the future, be revised by institutions-partners of the project.

The formulation of the twinning project should be based on certain principles and guidelines derived from the “Institution Building in the Framework of European Union Policies Common Twinning Manual” in its Revision 2012 and templates of Twinning Contracts with annexes currently available in Revision 2013.

In addition, it is important to ensure that the provisions of the project work plan do not overlap with previous activities in this area funded by the EU and other donors.

General activities

COMPONENT 0.

Activity 0.1: Kick-off Conference

A ‘kick-off’ conference will be held in the first month aimed at presenting the project, the Project office of the Resident Twinning Advisor (RTA) in the premises of the Accounting Chamber of Ukraine. The RTA will hire an assistant and permanent translator; both candidatures shall be chosen according to the corresponding selection procedure.

During the preparation to launching period, the RTA will organize an introductory meeting to provide first official contacts with all parties involved in the project and presentation to the media and the general public. In order to ensure the public receive information about the beginning of the project, the meeting will end with a press conference and press release publishing. The meeting will be of an operational nature and attended by representatives of the EU Delegation to Ukraine, a partner organization, management of the Accounting Chamber of Ukraine, Project Manager, RTA, representatives of other interested parties concerned with the issues of external audit and representatives of the Embassy of the partner country of the Accounting Chamber of Ukraine. During the meeting participants will receive information about the goals of the project, its implementation plan and so on.

Activity 0.2: Final round-table discussions

During the last month of the project, a final ‘closing’ round table will be organized at which the results of the project will be presented. The round table should include presentations on the project’s achievements and raising public awareness. All interested parties will be invited to the round table and it will be held in Kyiv.

The round table will conclude with recommendations and exchange of experience regarding any similar projects in the future.

These two publicity events will have both a scientific and an information dissemination role about the project. They will be addressed to the broader stakeholders in the public finance management area and will be attended by a number of Short-term and/or Medium-term experts of the MS Twinning partner,

who will have the opportunity to deliver presentations and discuss regulatory issues with the workshop participants.

Component 1: *Legislation approximation in the area of external audit and control in line with INTOSAI standards*

Activities related to result 1.1:

- Revise and identify gaps related to levels I-III of ISSAIs in primary legislation in the area of external audit and control;
- Develop new legislation and/or draft amendments to Budget and Tax Codes as well as corresponding laws, relevant government decrees addressing identified gaps;

Activities related to result 1.2:

- Improve the Strategic Development Plan¹ of the ACU based on EU best practices and internal planning system framework for elaboration the supportive planning of operational activities;
- Develop ISSAIs implementation strategy as a part of SDP;
- Facilitate improvement of monitoring and performance assessment system during SDP implementation process.

Component 2: *Development of audit methodologies and reporting capacities*

Activities related to result 2.1.:

- Review and improve, with the advice of experts, the guidelines (procedures/manuals) to conduct financial, compliance and performance audits;
- Conduct study visits for gaining experience of conducting audits in accordance with international standards of INTOSAI;
- Provide practical training sessions on annual audit planning of the Accounting Chamber;
- Conduct staff training for audit of EU funds;
- Identify and conduct pilot audits (performance, financial, compliance) with the participation of experts;
- Elaborate the follow-up mechanism for audit recommendations on the results of audits and approaches for opening information from follow-up reports;

Activities related to result 2.2.:

- Provide recommendations on implementation of risk-based management system;
- Develop proposals for improvement of audits quality control and assurance system;
- Develop approaches for government organizations anti-corruption risk assessment and risk analysis and monitoring process;

Activities related to result 2.3.:

- Develop Manual on IT auditing based on corresponding ISSAIs;
- Conduct practical trainings for IT auditors on conducting IT audits;
- Conduct pilot IT audit with the participation of experts;

¹ Strategic Development Plan includes Strategy of ACU capacity, institutional and professional development and Action Plan for its implementation.

Activities related to result 2.4.:

- Update/Provide IDEA software for the ACU;
- Provide supportive training for the ACU staff.

Component 3: *Strengthening of the ACU's institutional capacity and improving impact of the ACU's audit results*Activities related to result 3.1.:

- Assess the professional capacities of ACU staff to implement ISSAIs;
- Review the internal organisational structure of the ACU in accordance with the new Law of Ukraine "On the Accounting Chamber" and the best practice of European SAIs;
- Develop functional responsibilities of each ACU organizational unit, job descriptions for auditors and advisors for Members of the Board, establishing lines of authority and responsibility by updating the internal regulations of the institution;
- Review internal regulations, including Rules of Procedures of the Accounting Chamber ACU, the Code of Ethics;
- Conduct the training events on strengthening the institutional capacities of the ACU in the areas of annual planning of activities, including audit planning, budget planning, HR, staff training etc;
- Develop suggestions to improve internal document management system;

Activities related to result 3.2.:

- Concept development for modernization of the web-site as an integral part of designing the modern communications strategy;
- Design and develop the modern communication strategy to enhance public credibility, and establish schemes for online communication with public;

Activities related to result 3.3.:

- Analyze the current state of cooperation between the ACU and Parliament / Government;
- Develop a draft interaction framework with Budget Committee, Parliament, the Government and audited entities in accordance with EU best practices ;
- Develop guidelines to support the improvement of the procedures on follow up of ACU decisions, based on the experience of the EU;
- Improve the structure of the reports submitted to the Parliament and the corresponding committees by preparing reporting models based on the EU good practices and conduct training events for the auditors who prepare such reports;
- Develop new concept and design of the ACU Annual Report to the Parliament according to art. 30 of the Law of Ukraine "On the Accounting Chamber".

Round table meeting

According to the Component 3 Beneficiary jointly with EU member country will organize the round table meetings, involving the Budget Committee, Government bodies, civil society, professional organizations and academia, aimed at discussion of the main challenges related to:

- a) the value and benefits of external audit, particularly, the value of financial auditing;

- b) interaction with Parliament, the Government and audited entities;
- c) external audit role in detecting and reducing corruption.

Consultations with experts and parliamentarians on increasing the role of audit reports and follow up recommendations as well as mechanisms of interaction with stakeholders and obstacles to the effectiveness of external audit on reducing corruption with the reference to the European experience will be conducted.

Study visits

During the implementation of the Project 8 study visits to the selected EU member states are foreseen for sharing and learning practical experience on different directions of external audit as following:

- **Functioning of audit quality control and assurance system** which will acquaint the representatives of the ACU with audit quality control and assurance methods, tools of the European SAIs;
- **Financial auditing** focused on risk assessment procedures and determination of materiality of planning and performance of audit financial statements;
- **Carrying out** specialised audits (e.g., performance audits) to make detection and reduction of corruption more efficient, which will give the possibility to raise awareness, enhance the knowledge and further strengthen the capacities of the participants to apply anticorruption standards, guidelines and tools. A general overview of the core anticorruption tools and mechanisms and the methods of improvement of audit practice will be given. Particular concentration is to be on economy, effectiveness and efficiency;
- **Carrying out audits of public revenues.** The representatives of the ACU will be aware of methodologies and the best practice of the European SAIs on public revenues audits;
- **Carrying out audits of EU funds.** The representatives of ACU will be aware of methodologies and the best practice of the European SAIs on audits of EU funds;
- **Carrying out IT audits.** The representatives of ACU will be aware of methodologies and the best practice of the European SAIs on IT audits;
- **Operating of follow up audit recommendations system** which focuses on monitoring and evaluating that process in EU country for learning the best practices of the European SAIs;
- **Maximising value for money in procurement process** as a result of audit recommendations to service requirements of state agencies in the framework of their needs and strategies.

Participation of operational and middle management as well as management level staff is planned.

3.5 Means/ Input from the MS Partner Administration:

3.5.1 Profile and tasks of the Project Leader

Role and Tasks

The Member State Project leader (MS PL) is expected to be a senior civil servant from MS-partner administration. He/she should be a high ranking official. MS PL should direct, coordinate and monitor overall progress of the Twinning Project.

The Project Leader (PL) will be responsible for the overall planning and implementation of the thrust of the MS inputs in this twinning project and will ensure the achievement of the mandatory results. In particular, the MS PL will be responsible for the following tasks:

- conceive, supervise, coordinate and monitor the overall project;
- plan project activities together with the BC Project leader (BC PL) and ensure MS experts' availability to work in the project;
- maintain communications with the Accounting Chamber of Ukraine, other partners to the project and with the EU Delegation to Ukraine;
- ensure backstopping and financial management for the project;
- co-chair the Project Steering Committee (PSC) meetings with the BC PL;
- submit interim quarterly and financial project reports to the PSC and to the EU Delegation to Ukraine.

The PL is expected to devote at least three working days for the progress of the project, including visits in Ukraine for attending the Steering Committee meetings and coordinating with the RTA and the BC Project Leader. It is also expected that the PL spends a number of working days in the phase of project preparation.

MS Project Leader Profile:

Qualification and skills:

- University Degree (or equivalent) in public administration, public finance, economics, law or related discipline;
- fluent English , both spoken and written;
- good communication skills;
- good inter-personal skills.

General professional experience:

- civil servant official from a EU Member State , preferably from a Supreme Audit Institution;
- at least 10 years working experience in auditing of public finance;
- Knowledge of capacity building and strengthening of institutions related to the public finance sector;
- Experience gained in similar international projects is highly desired;
- Experience in project management and excellent organizational skills

Specific professional experience:

- knowledge of EU legislative and operational activities related to the various components of the project;
- knowledge of ISSAIs;
- experience in negotiations at the ministerial and intra-EU levels;
- work experience in the ENPI region will be an asset.

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

Resident Twinning Advisor (RTA) will be seconded in Ukraine to support the project during the term of its implementation (24 months), managing all aspects of the work of the MS team and working directly with the BC PL and RTA Counterpart on a day-to-day basis to support and coordinate

activities being implemented in the BC country. His/her role is not purely administrative, since it is assumed that he/she will provide high-level advice and direction on all project activities. Thus, the successful RTA candidate should combine both technical competence and practical experience.

RTA Profile:

Qualifications and skills:

- University degree (where university degree has been awarded on completion after three/ four years study in an internationally recognized university or equivalent institution) in economics, finance, accountancy, audit or any other relevant field;
- fluent English, both written and spoken;
- excellent team-working skills;
- strong analytical skills;
- excellent communicational skills;
- command of Ukrainian or Russian language will be an asset.

General professional experience:

- at least 10 years of professional experience in public sector;
- experience working in a public institution dealing with external audit
- experience as a Twinning project coordinator will be an additional asset.

Specific professional experience:

- profound knowledge of procedures of interaction between Supreme Audit Institutions and Parliament, EU Member States' relevant practices;
- profound knowledge of the INTOSAI standards;
- extensive knowledge of EU Member States' approaches to external audit and public financial management and of international best practice;
- experience in development of risk-based and quality assessment systems.

Role and tasks of the RTA

Supervision of project implementation and coordination of the activities (including administrative issues) in line with the agreed work programs to enable timely completion of project outputs:

- Make the necessary liaisons with the different parties involved;
- Manage day-to-day operations in cooperation with the RTA counterpart;
- Manage the short- and medium-term experts (STEs, MTEs);
- Contribute to tasks of the 3 Components;
- Monitor project implementation and achievement of project objectives;
- Provide the ACU with training and advise on regulatory issues;
- Prepare interim quarterly reports and final reports to be submitted to the PL;
- Maintain close contact with the PAO and the EU Delegation;
- Prepare terms of reference (ToR) for all MTE/STE missions.

In daily activities the RTA will receive assistance from the relevant assistant and interpreter, who will work on a permanent basis, provided that this option is considered sufficiently justified and reasonable given the expected volumes of translations. Both assistant and potential translator will be hired and receive wages from project funds.

3.5.3 Roles and Profiles of the Short Term Experts (STEs)

In the framework of the project a pool of short term experts will be available. Their «mix» should be identified by the Project Leader/RTA. The short term experts will work in close cooperation with the PL/RTA and the Beneficiary in order to meet the specific objectives as set out above. Terms of reference (role, profile and duration of participation) for short-term expert(s) will be defined by PL/RTA and beneficiary representative during the preparation of the working plan.

Short term experts	Assignment	Profile
STEs 1: Experts in external audit and control issues, with legal background and experience of drafting and implementing regulations	Analysis of legal documents and regulations (including elaborated drafts) in external audit and control sector on their compliance with the ISSAIs, general principles of EU acquis, recommendations and legal drafting – primary and secondary legislation (to be done in collaboration with other STEs); conducting seminars and training	Experts in external audit and control issues with legal background and legal practices, including significant experience in developing proposals and drafting legislation, rules and procedures in public financial control and audit sector
STEs 2: Strategic planning experts in public financial control and audit sector	Recommendations on improvement of the Strategic Development Plan of the ACU, institutional strengthening, elaboration of supportive planning of operational activities according to the European practices, elaboration of rules and procedures (in collaboration with other STEs)	Experts on institutional strengthening, strategic planning and action plans development in public financial control and audit sector
STEs 3: Experts on financial, compliance, performance and IT audits issues	Recommendations on improvement of the guidelines (procedures/manuals) to conduct financial, compliance, performance and IT audits	

The broad scope of work requires a variety of expertise in the sphere which can be listed as follows (tentatively and non-exhaustive).

- Knowledge of legal issues and INTOSAI standards (Component 1);
- Knowledge of development of audit methodologies, manuals and guidelines to conduct financial, compliance and performance audits; to audit EU funds; follow up and publication of audit recommendations (Component 2).
- Knowledge of implementation of SDP for SAI, IT tools for audit work (IDEA, Teammate) and ability to carry out supporting training (Component 3);
- Organizational development
- Knowledge and experience in public finance management and INTOSAI standards
- Design of training programs

- Conducting training sessions
- Evaluation of training

The short-term experts are expected to have the following minimum qualifications, skills and experience:

- At least University degree education (where university degree has been awarded on completion of three / four years study in an internationally recognized university) in law, public administration, public finance, audit, economics or equivalent field, or at least 7 years of general professional experience referred to the below;
- Minimum of 4, preferably 6 years of professional experience in the fields of external audit or drafting of legislation, harmonization of external legislation with EU standards in a public institutional context;
- Experience in training and mentoring in the fields relevant to the project;
- Preferably a comparative knowledge of other Member States and candidate countries' systems of external audit and relevant legislation;
- Working knowledge of English, both written and spoken;
- Inter-personal communication skills.

As a general approach, the STEs will take the responsibility for the implementation of the project and the achievement of the results, each for his/her individual mission tasks. They will also prepare the required reports and the output described. They can provide long-standing experience in all relevant fields.

Interpretation costs will be included in the Budget of the Twinning project.

3.5.4. Reporting and monitoring

The Delegation of the European Union to Ukraine will manage the procurement, tendering, quality control, reporting and coordination with other donors, the financial and technical cooperation related to the actions described in this project fiche, taking remedial actions if and when needed.

Primary responsibility of the MS Project Leader shall be to ensure that the project produces the required outputs, to the required standards of quality and within the specified constraints of time and cost. PL and other project staff will also address cross-cutting issues. A detailed description of the works and duties of RTAs and other experts will be elaborated in the twinning contract (work programme), in line with this twinning project fiche. The relevant reports will be issued by the MS Project Leader and BC Project Leader on a quarterly basis.

The Delegation of the European Union to Ukraine together with the Twinning Programme Administration Office (PAO) will control the quality of all twinning documentation, check that the good financial management of the twinning project is in compliance with EC rules, receive and examine all twinning project reports, support all twinning stakeholders, including beneficiary administration and Member States.

Project's Steering Committee (PSC) will be responsible for the overall direction of the project and comprise of the representatives from the Beneficiary Administration, MS Administration, EU Delegation and PAO. At quarterly intervals the Project Leaders, the PSC will assess the project progress, verify the achievements of the outputs and mandatory results and define any actions required. On a monthly basis RTA will submit to the EUD policy notes about latest developments in the area of external audit and project deliverables as well as plans.

Monitoring will be performed by the EU Delegation to Ukraine. The official language of the project will be English. All formal communication regarding the project, including all reports will be produced in English.

4. INSTITUTIONAL FRAMEWORK

4.1. The Beneficiary Institution

The Accounting Chamber is a public collegial body which on behalf of the Parliament of Ukraine exercises the control over the revenues of the State Budget of Ukraine and the use thereof.

The Accounting Chamber is accountable to the Parliament of Ukraine and regularly informs it about the results of its work. Detailed organization is attached in the Annex II.

Main tasks of the ACU are:

1) to conduct performance audit and financial audit of:

- revenues of the state budget, including their administration by supervisory authorities;
- expenditures of the state budget, including budget funding of activities of the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Constitutional Court of Ukraine, the Supreme Court of Ukraine, supreme specialized courts, the Authorized Representative of Verkhovna Rada of Ukraine on Human Rights, the High Council of Justice, the Prosecutor General Office of Ukraine and other authorities; use of intergovernmental transfers, social and pension funds; secret expenditures of the State Budget;
- management of state property that has financial implications on the state budget, including ensuring payments to the State Budget received by the state as an owner of this property, as well as use of funds of the State Budget for maintenance of this property;
- loans from the state budget and returning such funds to the state budget;
- public internal and external loans, state guarantees, servicing and refinancing of public and state guaranteed debt;
- the use of loans accumulated by the state to the Special Fund of the State Budget from foreign states, banks and international financial organizations, the implementation of international treaties of Ukraine, which leads to financial consequences for the State Budget;
- funding public procurement from the state budget;
- implementation of state targeted programs and investment projects, public procurement, providing state aid to businesses from the state budget;
- management of the state budget funds by central executive bodies that implement state policy in the field of treasury services;
- internal control of the state budget spending units;
- other transactions related to revenues to the state budget;
- forecast of the state budget of the National Bank of Ukraine.

2) conducts the analysis of the draft State Budget law of Ukraine with annexes submitted to the Verkhovna Rada of Ukraine and prepares relevant conclusions;

3) analyzes the execution of the State Budget of Ukraine and prepares the relevant conclusions as well as proposals to eliminate abnormalities and disorders;

4) analyzes the annual report on the implementation of the Law on State Budget of Ukraine submitted by the Cabinet of Ministers of Ukraine and prepares relevant conclusions with the assessment of efficiency of state budget funds, as well as proposals to eliminate detected violations and improve the budget legislation

5) analyzes the efficiency of tax privileges for businesses, preferential tax regimes and their impact on the state budget revenues

6) conducts preliminary analysis of reports of the Antimonopoly Committee of Ukraine and the State Property Fund of Ukraine in the part that affects the execution of state budget for consideration at the meetings of the Verkhovna Rada of Ukraine and in the plenary sessions of the Verkhovna Rada of Ukraine;

7) conducts at the request of local governments audit of funds of state social and pension insurance, state-owned enterprises and other business entities in the public sector of economy measures of public external financial control (audit) on the respective local budgets and activities of appeal subjects;

8) develops decisions of the Accounting Chamber required for consideration;

9) analyzes the implementation of the recommendations (proposals) provided by the Accounting Chamber in order to assess their effectiveness;

10) applies to the court in case of violation by subjects of the control authority of the members of the Accounting Chamber and officials of the Accounting Chamber, including the removal of obstacles in the implementation of such powers;

11) informs relevant law enforcement bodies in case of detection of any criminal or administrative offense cases;

12) cooperates with Supreme Audit Institutions of other countries, international organizations, signs agreements on cooperation, carries out joint and parallel audits with SAIs of other countries;

13) conducts methodological work on public external financial control (audit);

14) provides training and professional development for officials of the Accounting Chamber;

15) executes other powers foreseen by the Law.

The Accounting Chamber audits state executive bodies, local governments, other budget entities, including foreign diplomatic institutions of Ukraine, business entities, social or other organizations, funds of obligatory state social and pension insurance, the National Bank of Ukraine and other financial institutions.

The ACU is funded from the state budget of Ukraine. The ACU submits requests for funding to the Ministry of Finance of Ukraine on annual basis. If the requested amount is not accepted and the Cabinet of Ministers can't accommodate the financial needs of the ACU in the state budget, the ACU may submit request (with justifications and calculations) to the Verkhovna Rada Budget Committee. The Budget Committee can include additional funding for the ACU during review of the draft budget law.

4.2. Legal and Regulatory Framework:

In performing its activities the ACU is guided by:

The Constitution of Ukraine (Article 98)

The Law of Ukraine "On the Accounting Chamber"

Budget Code of Ukraine

Law of Ukraine "On the Regulations of the Verkhovna Rada of Ukraine"

Law of Ukraine "On Committees of the Verkhovna Rada of Ukraine"

Law of Ukraine "On the Public Service of Ukraine"

Law of Ukraine "On Prevention of Corruption"

Law of Ukraine "On Access to Public Information"

Law of Ukraine "On Public Procurement"

5. BUDGET

The total maximum budget for this project is **1,500,000 EUR**.

6. IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency

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

The person in charge of this project at the EU Delegation is:

Natalia Starostenko

Sector Manager

Public Finance Management and Budget Transparency

Delegation of the European Union to Ukraine

Kyiv, Ukraine, 01033

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Fax: +380 (44) 390-80-15

E-mail: natalia.starostenko@eeas.europa.eu

Website address: <http://eeas.europa.eu/delegations/ukraine>

The Programme Administration Office (PAO) under the National Agency of Ukraine on Civil service is an administration responsible for coordination of the preparation of Twinning projects and support for their implementation, provision of advisory and methodological support to public authorities in preparation and implementation of Twinning projects.

The person in charge at PAO in Ukraine is:

Ms Maryna Kanavets

Director of the Centre For Adaptation of The Civil Service to the Standards of the EU,

Director of the Twinning Programme Administration Office in Ukraine

15, Prorizna str., Kyiv, 01601, Ukraine

Tel/Fax: +380 (44) 278-36-44

E-mail: pao@center.gov.ua

Website address: www.center.gov.ua

6.2 Counterparts in the Beneficiary Country (BC):

The beneficiary of the project is the Accounting Chamber of Ukraine. The persons in charge are:

6.2.1. Project Leader:

Mr Vasyl Nevidomyi

Member of the Accounting Chamber of Ukraine

7 M. Kotzyubynskogo Str., Kyiv, 01601, Ukraine

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6.2.2. RTA Counterpart

Mr Mykhailo Tolstanov

Head of International Cooperation Department

Accounting Chamber of Ukraine

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E-mail: rp25@ac-rada.gov.ua

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6.2.3. *Contact person / Focal Point*

Mr Petro Petrenko

Head of Section, International Cooperation Department

Accounting Chamber of Ukraine

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6.3 Contracts

This project will be implemented through one Twinning contract.

7. IMPLEMENTATION SCHEDULE (INDICATIVE)

7.1 Launching of the call for proposals: October 2016

7.2 Start of project activities: May 2017

7.3 Project completion: May 2019

7.4 Duration of the implementation period: 24 months

Legal duration of the project is 27 months.

8. SUSTAINABILITY

The key elements to ensure project results' sustainability are:

- full commitment of ACU staff to ensure viability and continuity of the project;
- State Budget funding ensured for ACU's continued institution building and maintaining achieved structures, capacities and newly trained staff;
- the project in the course of implementation will increase ACU independent action to further pursue its reforming path based on own (already built) capacities;
- intense cooperation with other SAIs will create synergy and accentuate the impact of project deliverables;
- efficient cooperation with line ministries (in special focus, the Ministry of Finance of Ukraine) to ensure intensive contacts with regard to approximation of Ukrainian legislation to EU norms;
- efficient cooperation with civil society associations and engaged individuals to ensure transparency and accountability of public entities will positively position ACU in relation to other donors, such as the World Bank, bilateral technical assistance programs, etc.;
- efficient cooperation with professional accounting organizations in the country, based on INTOSAI standards will enable ACU to produce financial audits at high quality and gain in image and integrity with regard to future partners and donors.

9. CROSSCUTTING ISSUES (*equal opportunity, environment, etc...*)

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.

The project has no discernible effect on the environment. Yet, improvement of audit methodology should result in better quality of ACU audits of environmental projects and in more direct and efficient recommendations.

Paperless office and IT-compatible procedures will be intensively developed in the project.

The introduction of new IT systems, communication channels and the change of methods should reduce paper consumption and energy consumption in ACU.

Equal treatment of men and women in project implementation at all levels will be one of the most important principles in project management and implementation. Great attention will be given to having equal participation within the personnel that will be trained as well. Appropriate professional qualifications and experience will be the main decisive factors in personnel recruitment and evaluation. Both women and men have identical prospects.

10. CONDITIONALITY AND SEQUENCING

Successful implementation of the project needs active support of the ACU and full support by the Government, including the readiness to create and actively participate in the Steering Committee, which will be coordinating implementation of Twinning Project. The ACU shall in particular appoint persons, responsible for the project implementation, to participate in law-making activities, capacity building activities and in training events according to approved Twinning Project, provide necessary premises and working space.

Projects to be implemented through Twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the Twinning partner with adequate resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies required to deliver the desirable results.

ANNEX I. THE ORGANIGRAMME OF THE ACCOUNTING CHAMBER

The organigramme of the Accounting Chamber was formulated according to the final and transitional provisions of the Law of Ukraine “On the Accounting Chamber”. After appointment of new Members of ACU it will be changed.

THE ORGANIZATION CHART OF THE ACCOUNTING CHAMBER OF UKRAINE (ACU)

