

## STANDARD TWINNING PROJECT FICHE

**Further improvement of administrative capacities and external audit efficiency of State  
Audit Office**

### LIST OF ABBREVIATIONS

AP	Accession Partnership
BC	Beneficiary Country
BCPL	Beneficiary Country Project Leader
CFCF	Central Financing and Contracting Department
DEU	Delegation of European Union
EC	European Community
EU	European Union
GRECO	Group of States against Corruption
IPA	Instrument for Pre-accession Assistance
MoF	Ministry of Finance
MSPL	Member State Project Leader
NPAA	National Programme for the Adoption of the Acquis
PL	Project Leader
PSC	Project Steering Committee
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
SAI	Supreme Audit Institution
SAO	State Audit Office
SEA	Secretariat for European Affairs
STE	Short term Expert
TAIB	Transition Assistance and Institution Building

## **1. Basic Information**

**1.1 Publication reference:** EuropeAid/ 138-661/IH/ACT/MK

### **1.2 Programme:**

Instrument for Pre-Accession Assistance (IPA) – National Programme for 2013, Transition Assistance and Institution Building (TAIB)

**1.3 Twinning Number:** MK 13 IPA FI 01 17 R

**1.4 Title:** Further improvement of administrative capacities and external audit efficiency of State Audit Office

**1.5 Sector:** Public Administration Reform

### **1.6 Beneficiary country:**

Beneficiary country<sup>1</sup>

## **2. Objectives**

### **2.1 Overall Objective(s):**

Further improvement of administrative capacities and external audit efficiency of State Audit Office in order to improve the effectiveness and efficiency of the institution in the course of carrying out external audit of the public funds.

### **2.2 Project purpose:**

The purpose of this project is to contribute to the overall horizontal coordination of the modernisation processes in the Public administration, to enhance public funds management and to ensure accountability and transparency in the use of public funds through improvement of the regularity (financial) and performance audit of SAO in line with ISSAI and SAO's Strategies. The project is also aimed at improvement of existing audit methodologies, establishing mechanism for pro-active role in understanding and discussion of audit reports by the Parliament and strengthening the institutional capacity for audit in areas of IT and communications.

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

This Twinning project contributes to:

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<sup>1</sup> As per Financing Agreement concerning the National Programme Transition Assistance and Institution Building – TAIB 2013 from the Instrument for Pre-Accession Assistance under the Transition Assistance and Institution Building Component –entered into force on 19 December 2014

The **Multi-annual Indicative Planning Document (MIPD)** 2011-2013, Section 3.1.3 Sector objectives for EU support over next three years, that stipulates as follows: “The main specific objective for EU assistance in forthcoming period is to implement the new and updated comprehensive PAR Strategy (2010-2015), including among others:... enhancing capacity of State Audit Office to carry out full range of government auditing.”

The **National Programme for the Adoption of the Acquis**, Chapter 3.32 Financial Control, point 1.3 External Audit, points out the following medium-term priorities for SAO: “upgrading the IT system with possibilities for audit process management and document management; trainings for different aspects of the external audit; development of the cooperation with the Parliament of the Beneficiary Country.”

The **Istanbul Agreement** adopted at the Meeting of the Heads of the Supreme Audit Institutions of the EU Candidate and Potential Candidate Countries with the support of the European Court of Auditors in March 2011, calls attention to the importance of application of professional standards (ISSAI), the independence of SAI, the relations between SAIs and Parliaments, as well as the quality of audit.

### **3. Description**

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

Performing external audit is obligatory once a year on the Budget of the country and on the budgets of the Central funds. In all other cases external audit is carried out according the Annual Programme for work of the State Audit Office. The process of audit planning is the first and foremost (out of three) fundamental processes in external audit in general, others being that of audit execution and documenting the audit work (reporting). The planning as core process is essential condition for successful audit execution and reporting by using all of SAI’s capacity and resources on the most effective and efficient manner. The improvement of the planning is a neverending process, and Beneficiary country’s SAO needs to establish itself as sustainable institution capable to apply the most modern and up to date methodologies and guidance on how to plan the process of external audit and thus deliver its core competences embedded in the provisions in the Law on state audit.

The competences of the State Audit Office were laid down for the very first time in the Law on State Audit back in 1997. Since then, the Law has been amended several times for the purpose of its harmonization with the basic principles of Lima Declaration of guidelines on auditing precepts. The new State Audit Law was adopted in May 2010 due to the necessary harmonization of the operation of the State Audit Office with the standards and criteria of the European Union in this field, and particularly with the Mexico Declaration on Independence of Supreme Audit Institutions. The State Audit Law provides for strengthened operational and financial independence of the State Audit Office, defines the auditing process, as well as the procedure for adopting final audit reports, thus contributing to greater effectiveness of the external audit.

SAO has prepared and adopted medium-term plans for the following five-year period, in relation to SAO development, human resources management and information technology. SAO has adopted several bylaws and completed the legal framework governing its operation.

- Development Strategy 2013-2017,
- Human Resources Management Strategy 2013-2017, and
- IT Strategy 2013-2017.

The SIGMA 2015 Report outlines the European Commission (EC) efforts to strengthen its focus on public administration reform (PAR) in the “Enlargement Strategy and Main Challenges 2014-2015” by outlining six key issues of reform. Based on the Enlargement Strategy, *The Principles of Public Administration* were developed by SIGMA in co-operation with the EC. With regard to **Principle 15: The independence, mandate and organisation of the Supreme Audit Institution are established and protected by the constitutional and legal framework and are respected in practice**, it is underlined that: “the independence, mandate and organisation of the SAO are not established and protected by the Constitution, but only in the State Audit Law. As the SAO does not carry out a full financial audit on the final accounts of the Government budget, it can devote the majority of its resources to audits on which it decides itself. However, at 40% the annual audit coverage is low, leaving the majority of public funds unaudited.”

With regard to **Principle 16: The Supreme Audit Institution applies standards in a neutral and objective manner to ensure high quality audits, which positively impact on the functioning of the public sector**, it is underlined that: SAO publishes audit reports that meet international standards and impact, to some extent, on the functioning of the public sector. Nevertheless, the SAO audits have limited impact as many of its recommendations are not implemented and the Assembly does not use the audit reports to their full extent in order to hold the Government to account.

The above SIGMA Report recommends short-term (1-2 years) objectives for SAO such as: the SAO should develop a multi-annual audit strategy to prioritise its work, taking into account the 1) need to maintain quality and ensure adequate audit coverage over the years and SAO should take further measures to improve the annual audit coverage. The Report also recommends medium-term (3 to 5 years) **objectives**: SAO should continue its efforts to co-operate with the Assembly in order to increase the impact of its audit work, especially with regard to raising the interest and understanding of members of Parliament concerning performance audit results and SAO should communicate more proactively with the media and the wider public in order to explain audit results and further explain its role on the basis of concrete audit examples.

The 2015 Report on Public Expenditure and Financial Accountability (PEFA) assessment for the Beneficiary country has been prepared. In its section 3.6 External scrutiny and audit, the Report rates the following dimensions:

- Dimension (i) Scope/nature of audit performed, rated as D as the Report states: “SAO does not have the resources needed to carry out a full financial and compliance audit of all its

auditees every year, and therefore aims to cover most of them in detail over a period of several years” and further summarizes that “less than 50 per cent of the expenditure of central government entities is audited each year” as reason for the rating provided, which means that SAO will have to address the issue in order to achieve better rating.

- Dimension (ii) Timeliness of submission of audit reports to the legislature, PEFA Report rates the Beneficiary country with A assessing that “Reports are submitted in June each year within 4 months of the receipt of revenue and expenditure statements from MoF” and that “Individual financial audit reports are sent to the National Assembly, and published on the SAO website ([www.dzr.gov.mk](http://www.dzr.gov.mk)) as soon as they are approved.”
- Dimension (iii) Evidence of follow up on audit recommendations, PEFA Report rates the Beneficiary country with B stating that “There is evidence of follow-up by SAO, but not all auditees respond, and a high proportion of reports give qualified or even adverse opinions”.

**EC Progress Report on the Beneficiary country for 2015** Chapter 32: Financial Control states the following: “The constitutional and legal framework is not complete, as the State Audit Office's (SAO) independence is not anchored in the Constitution. Amendments are yet to be adopted by parliament. The SAO law is largely in line with the INTOSAI standards. The SAO has sufficient institutional capacity to perform its tasks, with 70 of its 82 auditors being certified public auditors. The SAO is not required to perform a full financial audit on the final government accounts, which allows it to decide on the audits it wants to perform. The audit coverage, however, has been limited, leaving a majority of public funds unaudited. The SAO is committed to improving institutional capacity and continued to implement its 2013-2017 strategic development plan efficiently. Concerning the quality of audit work, a revised regularity audit manual, covering both financial and compliance audit, and a performance audit manual were adopted. Special attention should be paid to improving capacity to carry out performance audits. Regarding the impact of audit work, in 2014 the SAO audited 80 budget users on efficiency and effectiveness of their internal control systems, therefore proactively contributing to improvement of the public sector internal control standards. Implementation of recommendations needs to be closely monitored. The SAO’s annual audit report is discussed in parliament but its recommendations are still not followed up systematically to ensure that public funds are used more transparently and with greater accountability.”

**SAO Development Strategy 2013 – 2017** ensures continuity of previously started activities and provides for new ones for further development of SAO and its operation. By promoting and implementing the International Standards of Supreme Audit Institutions (ISSAIs) SAO will further improve the quality of audit as its second strategic objective. INTOSAI and EUROSAI with their own activities help its members, including SAO, to implement these standards. Out of the seven INTOSAI core values contained on each page of INTOSAI Strategic Plan 2011-2016, independence and integrity are recognized as pillars for achieving professionalism and credibility through cooperation, innovation and inclusion. In that spirit, SAO will undertake actions to strengthen the institutional and individual integrity control system as a preventive mechanism for identifying main weaknesses and risks to the integrity, and for enhancing the resilience of the institution to future integrity violations.

**SAO Human Resources Management Strategy 2013 – 2017** ensures development of the core elements of the system for HR management. SAO will continue building itself as a professional institution that maintains continuous high quality work and is appreciated and respected by the primary users of the results of its operation (the Parliament, the Government, the auditees and the public).

Permanent staff of the Parliament is responsible for putting together agenda related to draft legislative acts, resolutions, informations, or other proposal documents for the Parliamentary commissions and committee's meetings, gathering necessary documentation and reporting to the outcome of the debates and play vital role in the legislation process and other parliament procedures. Among these is the management of the process of reviewing the annual report and audit reports of the SAO. In order to ensure the effective and rapid deliberation of legislation, parliamentary staff, especially the staff responsible for the processing of budget and financial related acts, proposals and documents, should be provided with adequate training and access to information relevant for external audit to be able to properly manage and coordinate the preparation process and the debates by the parliamentary representatives.

Considering the information above, the Project scope shall complement SAO's efforts on achieving efficient and continuous legal and institutional capacity building process in all phases of external audit. The Project, through a process of mutual collaboration between SAO and the Twinning partner, shall detect any potential lacks, shortages, or a simple need to further update the secondary audit legal framework (rulebooks, manuals etc..) as well as any applicable softlaw (ISSAI methodologies, guidelines etc...) related to conducting of all types of external audit. Particular focus shall be put on strategic planning. Furthermore, the Project shall technically support the human resources capacity building of external auditors through a set of training and other capacity building instruments and tools in the areas such as EU funds, ICT, public financial internal control, public procurement, political parties, leading to the increase of audit coverage of the budget, but also to qualitative improvement of the audit process as such. Project shall also thoroughly focus its scope in assessment of the ongoing relation between SAO and the Parliament, delivering recommendations on the best case scenarios for improving such relationship, envisaged as a shortcoming in overall country's progress in the area of financial control.

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

The other objectives and activities of the proposed measures in this Twinning project are, to a great extent, a continuation of SAO projects for bilateral cooperation and technical assistance in the framework of the following completed projects (ongoing and completed).

**Title:** "Cooperation between SAO and the Netherlands Court of Audit for enhancement of SAO development to a competent external auditor"

**Source of Funding:** Dutch Government under MATRA Programme

**Duration:** 01 January 2009 – December 2010

The Project achieved the following results: i) improved SAO administrative capacity; ii) improved auditor's skill; iii) developed IT and IT audit., and iv) improved cooperation with the Parliament.

**Contract value:** EUR 361.011

This project was a continuation of the two previous projects, namely :

**Title:** Bilateral project between the SAO and the Netherlands Court of Audit,

**Duration:** 01 September 2005- 31 December 2008

The Project achieved the following results: i) improved SAO legal framework ; ii) strengthened SAO organizational and administrative capacity ; iii) developed auditor's skills, and iv) IT audit.

**Contract value:** EUR 931.812

**Title:** Project for strengthening of the SAO

**Source of Funding:** World Bank

**Duration:** 01 October 2003- 31 July 2005

The Project achieved the following results: i) organized and delivered training courses for the SAO staff ; ii) prepared performance audit manual ; iii) improved audit reporting iv) organized study trips to several European SAIs.

**Contract value:** USD 603.245

### **3.3 Results:**

**The Mandatory results to be achieved are:**

#### **Component 1: Further improvement of audit process as per ISSAI**

##### **Indicators:**

- Assessment Report on improvement of audit process as per ISSAI consisting of:
  - Analysis of SAO approach and audit methodology applied in practice covering the whole audit process (audit planning, implementation, reporting and follow-up), compared to ISSAI and SAI-s best practice in EU member states. The level of comparative applicability between such practices in SAI-s in EU member states and their potential applicability in SAO's audit environment should be assessed;
  - Review of quality of audit recommendations made and their level of implementation by the auditees in order to improve both audit recommendations and auditee uptake rate.
  - Special Section in the Report focusing on strategic planning of external audit with particular focus on the risk management and risk assessment in audit planning;
  - Recommendations on how to improve SAO work (also in regards to findings and recommendations of both SIGMA and PEFA where applicable - questions such as, but not limited to, the size of coverage of the annual financial audit of consolidated

- government operations, auditing expenditure transactions at the level of the budget users etc...)
- Key recommendations and conclusions including lessons learned from study visits, workshops, pilot audits conducted within the component.
- Strategic planning process developed in line with SAO priorities and resources available and tested;
  - Improved Methodology acts in line with ISSAI latest trends and developments and best practice in EU member states;
  - Pilot audits covering all phases of the audit process (audit planning, execution, reporting and follow up of recommendations), in order to explore the applicability of improved audit methodology in line with ISSAI and best practice in EU member states;
  - At least 15 SAO staff trained in strategic planning of audit and in the audit process based on new developed or improved methodology.
  - Comparative analysis of EU best practices in the field of audit of political parties, consisting of:
    - Analysis of the system approaches applied in audit of financial statements of the political parties in EU MS.
    - Analysis of EU MS SAI which are provided by legal mandatory competences to audit the financial statements of political parties, in particular to the audit methodology applied during audit planning, implementation, reporting and follow-up, review SAO's legal and institutional setup and methodological approach in this regard and deliver comments and/or recommendations on what are the best practices in EU MS SAI than can be applied in the course of SAO's audit, both extending to regular and election campaign financing;
    - Key recommendations and conclusions including lessons learned from study visits, workshops, pilot audits conducted.

## **Component 2: Strengthening of SAO audit capacities**

### **Indicators:**

- Report with recommendations on improving the institutional and human resources capacity of SAO in order to maintain high quality of audits;
- Pilot performance audits, such as, but not limited to, EU Funds, ICT, public procurement and progress in implementing public internal financial control;
- At least 15 SAO staff trained in performance audit;
- At least 15 SAO staff trained in detecting irregularities and corruption in public sector;
- Review and improvements of the tools for internal quality control and quality assurance of audits established in SAO.

## **Component 3: Sound cooperation between Parliament and State Audit Office in the anticipation of audit reports established**

### **Indicators:**



- Analysis of existing legal and institutional framework in the beneficiary country in regard to mutual cooperation between SAO and Parliament benchmarked to SAO-Parliament cooperation best practices in EU;
- Based on the analysis, development of a report with recommendations for improved transparency of the legislative scrutiny function of the Parliament based on implementation of EU best practices including options for processing and discussion of the audit reports within the parliament procedures;
- Awareness raising needs assessment carried out and Awareness raising Action plan elaborated for members of Parliament;
- Approximately 2 staff in parliament administration and 4 members of parliament trained in assessing the audit reports (findings and recommendations).

**Component 4: Improvement of the SAO IT communication and human resources management systems to better serve the process of audit**

**Indicators:**

- Report on Analysis of functionality and performance of the current SAO IT system and human resources management system with recommendations for improvement of SAO IT system;
- Improving the design and functionality of the SAO Website;
- Review and update of the present communication component within the SAO strategic documents in next strategic programming cycle 2018-2022.

**3.4 Activities:**

The Twinning project shall be implemented as a joint project in which each partner takes on its responsibilities. The selected MS shall transfer the requested hands-on public sector expertise to the Beneficiary Country, support into reinforcement of administrative capacities to meet the obligations of the EU membership by introducing and sharing EU wide best practices in connection with EU legislation and specific needs of the Beneficiary Country in the field of external audit. The proposal made by the MS should include the activities they propose to achieve the results listed in the fiche without listing necessarily all the possible activities. The proposal should be detailed enough to respond adequately to the Twinning project fiche. The set of proposed activities will be further developed with the Twinning partner when drafting the Twinning work plan, keeping in mind that the final list of activities will be decided with the Twinning partner. The components are closely interlinked and need to be sequenced accordingly.

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

1. Advice and coaching sessions: Coaching and advice activities will be the predominant type of activity.
2. Analysis and drafting of legal acts, guidelines, manuals, procedures and check-lists: The Twinning partner should review and propose revision of all relevant legal acts,

Guidelines, Manuals, procedures.

3. Assessment: Every activity within the twinning will be assessed through practical tools. The results will be compiled and presented to the Steering Committee, and integrated in the quarterly reports. When it is relevant and possible, the other activities of the twinning project will be evaluated in the most relevant way.
4. Seminars, workshops, conference: The Twinning project will include the organisation of several seminars, workshops and a conference for transfer of knowledge, using and sharing the expertise of MS experts and the experience of the BC administration. The project will include preparation of materials for the seminars, workshops and a conference related to external audit of EU funds or similar area (in both English and *македонски* language);
5. Study visit: Study visits will be organised for selected representatives of the beneficiaries for exchange of good practices and experience in the areas of (at least one per area): SAO-Parliament cooperation best practices in an EU member state, assessment of the strategic planning process of audits, assessment of the audit planning, exercise reporting and follow up of recommendations of regularity audits and performance audits (Pilot performance audits, such as, but not limited to, EU Funds, ICT, public procurement and progress in implementing public internal financial control)), development of communication system to better serve the audit process. The study visits will be useful for ensuring networking with the representatives of the national institutions of the Twining partners, building mutual trust among the administrations as well as to see how the established systems, procedures and processes work in practice.
6. Round table: A round table involving participants from both Parliamentary representatives and administration will be organized to discuss conclusions deriving of analyses and adopt recommendations for the improvement of procedures and treatment of audit reports by the Parliament.
7. Internships: Internships will be organised for selected representatives of SAO for exchange of good practices and experience in the areas related to the project. More specifically, internships for at least three auditors in EU-SAI in relation to performance audits (EU Funds, Public Procurement, PIFC, etc.), internship for at least one auditor in strategic audit planning and three auditors in IT audits shall be organized. The internships are envisaged to be for a period of two to three weeks, upon agreement with the MS twinning partner. The internship is to be focused on transfer of detailed knowledge from the MS to the participants regarding the strategic planning process, as well as on the planning, exercise, reporting and follow up of audits on the use of EU Funds and IT audits.

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

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

The interested Member State(s) shall include in their proposal the CVs of the designated PL and RTA.

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

The Project Leader from the Member State must be a high-ranking public servant or equivalent staff, but preferably the Head of a Department engaged in the issues of external audit within a Member State SAI administration, with relevant working experience of at least 3 years.

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

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

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

#### Qualifications and skills:

- Be a High ranking official as public servant or equivalent staff of an EU Member State SAI administration;
- At least a University degree<sup>2</sup> in economics, public finance or another field relevant to the project;
- At least 3 years of relevant experience in the field of external audit;
- Fluent written and spoken English;

#### Tasks:

- To conceive, supervise and coordinate the overall preparation of the project;
- Coordinate and monitor the overall implementation of the project including coordination and direction of the MS TW partner;
- Co-ordination of MS experts' work and availability;
- Communication with the beneficiary, CFCD and EUD;
- Ensuring the backstopping functions and financial management;
- Guaranteeing from the MS administration side, the successful implementation of the Project's Work Plan.

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<sup>2</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http://europa.eu/epso/doc/diplomes-fortheweb\\_en.pdf](http://europa.eu/epso/doc/diplomes-fortheweb_en.pdf))

- Co-chair the Project Steering Committee Meetings with the BC PL;
- Preparation and signing of operative side letters, interim, quarterly and final report.

### **BC Project Leader**

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

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

One Resident Twinning Adviser (RTA) will be appointed, and he/she will be located in the premises of the State Audit Office.

The secondment of the Resident Twinning Adviser will last 21 months, during which he/she will be responsible for the direct implementation of the project.

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

#### Qualifications and skills:

- National of a Member State of the European Union;
- Civil servant or equivalent staff seconded to work within SAI in a Member State;
- At least university degree<sup>3</sup> in economics, public finance or another field relevant to the project
- Excellent communication skills in both written and spoken English
- At least 3 years experience in SAI (experience in relation to preparing, monitoring or implementation measures based on ISSAI and/or national SAI strategies)

#### Tasks:

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

- Provision of technical advice and assistance to the administration in the BC in the context of a predetermined work-plan.
- Coordination of all project activities and experts' inputs in the country;
- Ensuring day-to-day implementation of the Twinning project in the BC;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- To coordinate and organize training activities;

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<sup>3</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http://europa.eu/epso/doc/diplomes-fortheweb\\_en.pdf](http://europa.eu/epso/doc/diplomes-fortheweb_en.pdf))

- To provide advice and assistance in drafting legal, application acts, instructions, manuals etc. for implementation of the new legislation and supporting documents;
- Preparation of the materials and documentation for regular monitoring and reporting;
- Preparation of side letters;
- Taking corrective actions, if necessary, inside the terms of the signed contract.

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

Other specialist staff will be made available by the Twinning Partner to support the implementation of activities. Specific and technical matters not directly covered by the RTA, can be taken over by short-term experts within the limits of the budget. The detailed expert input shall be established when drawing up the twinning workplan.

Short-term experts will cover and provide specific and technical advises in all project components areas.

#### Qualifications and skills:

Short-Term Experts will:

- have at least a University-level degree<sup>4</sup>;
- be civil servants or equivalent staff seconded to work within SAI of a Member State;
- have at least 3 years experience in implementation of the ISSAI in external audit;
- be fluent in English, both oral and written.

#### Tasks:

Short-Term Experts will:

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

#### **3.5.3.1. RTA Assistant:**

The RTA will be provided with a full-time RTA assistant acting as an assistant for technical and organizational support. The assistant will be contracted according to Twinning rules and paid from the Twinning budget. The assistant will be selected through an open call. The role of RTA Assistant is to support the RTA in the project management. In addition, the assistant will be

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<sup>4</sup> For reference on equivalent qualification see: EPSO website-Annex 1 ([http:// europa.eu/epso/doc/diplomes-fortheweb\\_en.pdf](http://europa.eu/epso/doc/diplomes-fortheweb_en.pdf))

responsible for organisation of meetings, seminars etc. and their logistics, as well as interpretation and translation.

### **3.5.3.2. Full time translator/interpreter:**

A full-time translator / interpreter will be selected through an open call and will be contracted according to the Twinning rules and paid from the Twinning budget. The full-time translator / interpreter will be involved in all necessary project activities (training sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator/ interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

## **4. Institutional Framework**

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

### **4.1 Beneficiary institution**

The beneficiary institution of this project is the State Audit Office (SAO). It will be directly responsible for co-ordination and management of the project and will support the project team in organizational and technical matters.

The function of SAO as a Supreme audit institution is regulated by the Law on State audit and other laws and acts.

SAO is the country's central external audit institution in charge of auditing expenditures at all government levels. The head of the SAO, who has essential decision-making powers, is the General State Auditor. The General State Auditor is assisted by a Deputy State Auditor. The SAO has six departments and two independent units led by Assistant General State Auditors and respective Head of non-audit departments. The State Audit Law (SAL) defines the SAO functions and the scope of its audit work. According to its legal mandate, the SAO shall carry out audit work independently and at its own discretion.

The Parliament of the Beneficiary Country adopts and alters the Constitution, adopts laws and gives authentic interpretations of laws, adopts the Republic budget and the budget annual accounts, ratifies international agreements, elects the Government, appoints and dismisses other holders of public and other offices determined by the Constitution and law, exercises political control and supervision over the Government and other holders of public office responsible to the Assembly, exercises other activities stipulated by the Constitution. In order to exercise the duties within its sphere of competence, the Assembly adopts decisions, declarations, resolutions, recommendations and conclusions.

### **4.2 Project Steering Committee**

A Project Steering Committee (PSC) will be established to monitor the implementation of the project. The PSC shall be composed of representatives of the Beneficiary Institution, the Beneficiary Country Parliament representative, Beneficiary Country Project Leader, the Member

State Project Leader, the Resident Twinning Adviser, the RTA counterpart, representatives from the Delegation of the European Union and CFCD.

The Steering Committee meetings are called and chaired by the Project leaders quarterly or more frequently, if required. The PSC will monitor, supervise and co-ordinate the overall progress and implementation of the project, provide guidance for the different components of the project, will define priorities, approve and monitor budgets and approve the results. Additionally, Project Steering Committee will meet to discuss and approve the Interim Quarterly Reports and Final Report within the last month of the project's legal duration.

The role and the way of work of the PSC will be organised in line with the requirements in the Common Twinning Manual. .

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

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

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

Central Financing and Contracting Department

Ministry of Finance

“Dame Gruev” 12, 1000 Skopje

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

## **5. Budget**

The project will be implemented through a Twinning Contract estimated at a maximum of EUR 1.400.000 (out of which 95% IPA funds and 5% National co-financing).

Twinning Contract	Total (EUR)	IPA Community contribution		National Public contribution	
		EUR	%	EUR	%
	1.400,000	1.330,000	95	70.000	5

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

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

- direct and indirect cost of the Beneficiary administration and public servants working for the project;
- Travel by the beneficiary officials from their capitals to a MS or between MS.
- Organisation of seminars (incl. hall rental, provision of refreshments, printing seminar materials, transport of employees and other logistical support);
- Facilities for the Member State experts: adequately equipped office space, telephone, e-mail services, fax, photocopiers, computer, internet access, secretarial support and access to information.

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

- Visibility Cost;
- Audit certificate cost.

The project will be located in the premises of the SAO.

## **6. Implementation Arrangements**

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

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

Ms. Radica Koceva

Head of the Operating Structure for the first four IPA Components

Ministry of Finance / Central Financing and Contracting Department

“Dame Gruev” 12, 1000 Skopje,

### **6.2 Main counterparts in the BC, including contact person and contact details**

The BC Project Leader is:

Ms. Tanja Janevska

Head of Department

Website of SAO: <http://dzt.mk>

The RTA counterpart is:

Aleksandar Popovski

Secretary General

Website of SAO: <http://dzt.mk/>

### **6.3 Contracts**

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

## **7. Implementation Schedule (indicative)**

### **7.1 Launching of the call for proposals (Date)**

The date for the launching of the call for proposals is: January 2017



## **7.2 Start of project activities (Date)**

The start of project activities is tentatively scheduled for September 2017.

## **7.3 Project completion (Date)**

The project implementation period (duration of the work plan) will be completed 21 months after the commencement date of the Project.

## **7.4 Duration of the execution period (number of months)**

The overall execution period of the Twinning project is 24 months with an implementation period of 21 months. (The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action).

## **8. Sustainability**

The sustainable perspective and benefits of the project will be reflected through strengthening of institutional capacities of SAO by the envisaged trainings and enhancing the processes related to the capacity for conducting external audit, which are both necessary for successful implementation of the external audit in the country. This project will also develop cooperation between the SAO and the Parliament, thus ensuring a long-term impact on the external audit functioning.

## **9. Crosscutting issues**

The cross-cutting issues will be addressed throughout the project. The mainstreaming of the cross cutting issues is regarded on two different levels:

- Ensuring that the internal policies, structure or operating procedures of the beneficiary institution will conform to and promote the relevant principles outlined per section below.
- Ensuring that the products, outputs produced within the project by the beneficiaries (primary and secondary legislation, analysis, plans and programmes) will conform to and promote the relevant principles outlined per section below.

### **9.1 Civil society**

The civil society will not be involved in the project implementation.

### **9.2 Environmental considerations**

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

### **9.3 Equal opportunities**

Equal opportunity principles and practices in ensuring equal gender participation in the Project will be guaranteed. The competent institutions involved in the project execution will observe equal opportunity of women and men in the human resources development and capacity building activities. The beneficiary will ensure equal access of men and women to the project activities and results and all other forms of discrimination will be eliminated.

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

The project is not relevant on the question of increase the capacity for integration of the ethnic minorities' issue in relation to external audit.

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

All relevant requirements to insure a sound financial management of the project will be fulfilled in accordance with the principle of good governance.

The Government is strongly determined to fulfil all the criteria needed for EU accession and membership, and all the necessary actions are being taken to reach the aim. Through transparent policies and involvement of different stakeholders in the process of policy design the accountability and responsiveness vis-a-vis the citizens will be being strengthened.

### **9.5 Communication and publicity**

All requirements to ensure the visibility of EU financing will be fulfilled in accordance with R. (EC). N. 718/2007<sup>5</sup>.

## **10. Conditionality and sequencing**

### **10.1 Conditionality**

The project includes the following conditions:

- Appointment of counterpart personnel by the beneficiaries before contract signature;
- Allocation of working space and facilities within the premises of the beneficiaries before contract signatory;
- Organisation, selection, appointment and participation of members of working groups, steering and coordination committees, seminars by the beneficiaries/stakeholders as per work plan of the project.

### **10.2 Sequencing**

Keys milestones will be:

- Approval of the Twinning project fiche;
- Successful selection of a twinning partner;
- Signature of the Twinning contract, including the Twinning Workplan;
- Commencement of the twinning partnership (inter alia, the arrival in the country of the Resident Twinning Advisor);
- End of the implementation period;
- Submission of the final report.

## **ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format (compulsory)

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<sup>5</sup> See Article 62 and 63 of R (EC) N. 718/2007

**ANNEX 1: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX	<b>Further improvement of administrative capacities and external audit efficiency of State Audit Office</b>	
		Total budget: € 1 400 000
		IPA budget: € 1.330.000

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>
Further improvement of administrative capacities and external audit efficiency of State Audit Office in order to improve the effectiveness and efficiency of the institution in the course of carrying out external audit of the public funds.	<ul style="list-style-type: none"> <li>- Efficient and practical implementation of the ISSAI in external audit in all of its phases;</li> <li>- Enhanced capacities of external auditors in exercise of performance audit;</li> <li>- Enhanced capacities of the Parliamentary administration, parliamentary members and SAO officials in mutual cooperation considering SAO's audit reports;</li> <li>- SAO IT and communication system further upgraded and functionally improved</li> </ul>	<p>EC Progress report Project Final Report SAO Annual Report</p>

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>The purpose of this project is to contribute to the overall horizontal coordination of the modernisation processes in the Public administration, to enhance public funds management and to ensure accountability and transparency in the use of public funds through improvement of the regularity (financial) and performance audit of SAO in line with ISSAI and SAO's Strategies. The project is also aimed at improvement of existing audit methodologies, establishing mechanism for pro-active role in understanding and discussion of audit reports by the Parliament and strengthening the institutional capacity for audit in areas of IT and communications.</p>	<ul style="list-style-type: none"> <li>- Improved regularity (financial) audit of SAO in line with ISSAI.</li> <li>- Strengthened capacity of SAO to deliver efficient performance audits, especially in IT, EU funds, public procurement, PIFC</li> <li>- Improved institutional and/or legal mechanism for anticipation of audit reports by the Parliament</li> </ul>	<ul style="list-style-type: none"> <li>- EC Progress Report</li> <li>- Project Final Report</li> <li>- SAO Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Strong commitment by the highest ranked SAO management</li> <li>- Good cooperation and commitment of auditors for participating to the project.</li> </ul>

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p><b>Component 1</b></p> <p><b>Further improvement of audit process as per ISSAI</b></p>	<ul style="list-style-type: none"> <li>• Assessment Report on improvement of audit process as per ISSAI consisting of: <ul style="list-style-type: none"> <li>- Analysis of SAO approach and audit methodology applied in practice covering the whole audit process (audit planning, implementation, reporting and follow-up), compared to ISSAI and SAI-s best practice in EU member states. The level of comparative applicability between such practices in SAI-s in EU member states and their potential applicability in SAO's audit environment should be assessed.</li> <li>- Review of quality of audit recommendations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Guidelines for strategic planning.</li> <li>- Multi-annual Audit Plan</li> <li>- Lists of participants and seminar/workshop evaluation reports availabl.</li> <li>- Audit Methodology Acts;</li> <li>- Reports from Study visits</li> <li>- Reports from Internships</li> <li>- Report on analyses of SAO-Parliament cooperation in anticipation of audit reports vis-avis- EU Members States Supreme audit Institutions cooperation practices</li> <li>- Audit Reports on IT audit, EU Funds and other relevant performance audots</li> </ul>	<ul style="list-style-type: none"> <li>- Strong commitment by the highest ranked SAO management;</li> <li>- Good cooperation and commitment of auditors for participating to the project.</li> </ul>

	<p>made and their level of implementation by the auditees in order to improve both audit recommendations and auditee uptake rate.</p> <ul style="list-style-type: none"> <li>- Special Section in the Report focusing on strategic planning of external audit with particular focus on the risk management and risk assessment in audit planning;</li> <li>- Recommendations on how to improve SAO work (also in regards to findings and recommendations of both SIGMA and PEFA where applicable - questions such as, but not limited to, the size of coverage of the annual financial audit of consolidated government operations, auditing expenditure transactions at the level of the budget</li> </ul>		
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	<p>users etc...)</p> <ul style="list-style-type: none"> <li>- Key recommendations and conclusions including lessons learned from study visits, workshops, pilot audits conducted within the component.</li> <li>• Strategic planning process developed in line with SAO priorities and resources available and tested;</li> <li>• Improved Methodology acts in line with ISSAI latest trends and developments and best practice in EU member states;</li> <li>• Pilot audits covering all phases of the audit process (audit planning, execution, reporting and follow up of recommendations), in order to explore the applicability of improved audit methodology in line</li> </ul>		
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	<p>with ISSAI and best practice in EU member states;</p> <ul style="list-style-type: none"> <li>• At least 15 SAO staff trained in strategic planning of audit and in the audit process based on new developed or improved methodology.</li> <li>• Comparative analysis of EU best practices in the field of audit of political parties, consisting of: <ul style="list-style-type: none"> <li>- Analysis of the system approaches applied in audit of financial statements of the political parties in EU MS.</li> <li>- Analysis of EU MS SAI which are provided by legal mandatory competences to audit the financial statements of political parties, in particular to the audit methodology applied during audit planning, implementation, reporting and follow-up, review SAO's legal and institutional setup and methodological approach</li> </ul> </li> </ul>		
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<p><b>Component 2</b></p> <p><b>Strengthening of SAO audit capacities</b></p>	<p>in this regard and deliver comments and/or recommendations on what are the best practices in EU MS SAI than can be applied in the course of SAO's audit, both extending to regular and election campaign financing;</p> <p>- Key recommendations and conclusions including lessons learned from study visits, workshops, pilot audits conducted.</p> <ul style="list-style-type: none"> <li>• Report with recommendations on improving the institutional and human resources capacity of SAO in order to maintain high quality of audits;</li> <li>• Pilot performance audits, such as, but not limited to, EU Funds, ICT, public procurement and progress in implementing public internal financial control;</li> <li>• At least 15 SAO staff</li> </ul>		
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<p><b>Component 3: Sound cooperation between Parliament and State Audit Office in the anticipation of audit reports established</b></p>	<p>trained in performance audit;</p> <ul style="list-style-type: none"> <li>• At least 15 SAO staff trained in detecting irregularities and corruption in public sector;</li> <li>• Review and improvements of the tools for internal quality control and quality assurance of audits established in SAO.</li> <li>• Analysis of existing legal and institutional framework in the beneficiary country in regard to mutual cooperation between SAO and Parliament benchmarked to SAO-Parliament cooperation best practices in EU;</li> <li>• Based on the analysis, development of a report with recommendations for improved transparency of the</li> </ul>		
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<p><b>Component 4: Improvement of the SAO IT communication and human resources management systems to better</b></p>	<p>legislative scrutiny function of the Parliament based on implementation of EU best practices including options for processing and discussion of the audit reports within the parliament procedures;</p> <ul style="list-style-type: none"> <li>• Awareness raising needs assessment (TNA) carried out and Awareness raising plan elaborated for members of Parliament.</li> <li>• Approximately 2 staff in parliament administration and 4 members of parliament trained in assessing the audit reports (findings and recommendations).</li> <li>• Report on Analysis of functionality and performance of the current SAO IT system and human resources</li> </ul>		
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<b>serve the process of audit</b>	management system with recommendations for improvement of SAO IT system; <ul style="list-style-type: none"><li>• Improving the design and functionality of the SAO Website;</li><li>• Review and update of the present communication component within the SAO strategic documents in next strategic programming cycle 2018-2022.</li></ul>		
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Activities	Means	Specification of costs	Assumptions
<p>The Twinning assistance will be provided in the form of know-how transfer, and will be delivered through:</p> <ol style="list-style-type: none"> <li>1. <u>Advice and coaching sessions:</u> Coaching and advice activities will be the predominant type of activity.</li> <li>2. <u>Analysis and drafting of legal acts, guidelines, manuals, procedures and check-lists:</u> The Twinning partner should review and propose revision of all relevant legal acts, Guidelines, Manuals, procedures.</li> <li>3. <u>Assessment:</u> Every activity within the twinning will be assessed through practical tools. The results will be compiled and presented to the Steering Committee, and integrated in the quarterly reports. When it is relevant and possible, the other activities of the twinning project will be evaluated in the most relevant way.</li> <li>4. <u>Seminars, workshops, conference:</u> The Twinning project will include</li> </ol>	<ul style="list-style-type: none"> <li>- Twinning contract</li> </ul>	<ul style="list-style-type: none"> <li>- The budget for the project is 1 400 000 EUR( 1.330.000 EUR IPA) .</li> </ul>	<ul style="list-style-type: none"> <li>- Input from EU MS partner-</li> <li>- Continuing commitment of staff and management</li> </ul>

<p>the organisation of several seminars, workshops and a conference for transfer of knowledge, using and sharing the expertise of MS experts and the experience of the BC administration. The project will include preparation of materials for the seminars, workshops and a conference related to audit (in both English and <i>македонски</i> language);</p> <ul style="list-style-type: none"> <li>• <i>Study visit:</i> Study visits will be organised for selected representatives of the beneficiaries for exchange of good practices and experience in the areas of (at least one per area): SAO-Parliament cooperation best practices in an EU member state, assessment of the strategic planning process of audits, assessment of the audit planning, exercise reporting and follow up of recommendations of regularity audits and performance audits (Pilot performance audits, such as, but not limited to, EU Funds, ICT, public procurement and progress in implementing public internal financial control);</li> </ul> <p>5. ), development of communication system to better serve the audit</p>			
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<p>process. The study visits will be useful for ensuring networking with the representatives of the national institutions of the Twinning partners, building mutual trust among the administrations as well as to see how the established systems, procedures and processes work in practice.</p> <p>6. <u>Round table:</u> A round table involving participants from both Parliamentary representatives and administration will be organized to discuss conclusions deriving of analyses and adopt recommendations for the improvement of procedures and treatment of audit reports by the Parliament.</p> <p>7. <u>Internships:</u> Internships will be organised for selected representatives of SAO for exchange of good practices and experience in the areas related to the project. More specifically, internships for at least three auditors in EU-SAI in relation to performance audits (EU Funds, Public Procurement, PIFC, etc.), internship for at least one auditor in strategic audit planning and three auditors in IT audits shall be</p>			
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<p>organized. The internships are envisaged to be for a period of two to three weeks, upon agreement with the MS twinning partner. The internship is to be focused on transfer of detailed knowledge from the MS to the participants regarding the strategic planning process, as well as on the planning, exercise, reporting and follow up of audits on the use of EU Funds and IT audits.</p>			
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