

## *Standard Twinning Light Project fiche*

### **1. Basic Information**

1.1. Publication notice reference: EuropeAid/138-962/DD/ACT/XK

1.2. Programme: Annual Action Programme for Kosovo<sup>1</sup> 2014/032 353, BL 01.04 EU Legal Approximation Facility

1.3. Twinning Number: KS 14 IPA FI 02 17 TWL

1.4. Title: **Developing Professional Capacity of the Kosovo National Audit Office (KNAO) regarding audit of Publicly Owned Enterprises (POEs)**

1.5. Sector: External Audit - Publicly Owned Enterprises

1.6. Beneficiary: Kosovo

### **2. Objectives**

#### **2.1 Overall Objective:**

The overall objective of this project is to further contribute to improved public financial management in Kosovo through supporting enhanced transparency and accountability in public institutions.

#### **2.2 Project Purpose:**

Develop an overall audit approach regarding accrual based accounting and develop relevant documents related to audit of POEs, thus enhancing audit skills and capacities of KNAO in auditing Kosovo POEs.

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

The European Partnership Action Plan

The IPA Multi Country Strategy Paper 2014-2020 sets out the priorities for EU horizontal and regional financial assistance for the period 2014-2020 to support Kosovo and its neighbours. Within this framework public financial management systems needs to be significantly strengthened to reduce the

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<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

risk of fraud and corruption and there is a need to enhance governance and the institutional capacities of the governments in areas such as the management of public funds. These are areas that can be supported by an effective SAI and the KNAO's role is reinforced through references in the 'National Strategy for European Integration - Kosovo 2020' and particularly in the 'Thematic Round Table – Economy, Finance and Statistics – Kosovo 2020'. The latter restates the key challenges facing the KNAO and mechanisms to address these.

### **The Stabilization and Association Agreement (Article 97 - Public internal financial control and external audit)**

In the area of External Audit, the Parties shall in particular cooperate with the aim of further developing an independent external audit function in Kosovo consistent with internationally accepted standards and EU good practice. Cooperation shall also focus on capacity building of the National Audit Office (former Office of Auditor General).

This Twinning light project will directly contribute to the objectives mentioned above through increased quality of audits undertaken and the support this provides to stakeholders' scrutiny. Continuous quality improvements need to be embedded and implemented across the KNAO and the importance of POE audit needs to be reflected in a broader audit programme.

## **3. Description**

### **3.1 Background and Justification:**

The Kosovo National Audit Office continues to focus on promoting sound financial management in public administration and accountability across government, including POEs. It is an independent institution that plays an important role in holding to account and promoting change in public finance.

In April 2016 a new Auditor General (for the first time, local) was appointed by the Assembly of Kosovo. The KNAO now has 152 staff. In the audit season 2016/17, 115 audit reports are planned. In the next years emphasis is being placed on consolidating the quality of financial audit, improving performance audits and increasing gradually number of POEs to be audited. Budgetary organizations in Kosovo use cash based accounting, while POEs use accrual based accounting.

In June 2016, a new law on KNAO was promulgated that strengthens further the independence of KNAO, changes the status of auditors into public employees and clarifies the mandate of KNAO over audit of POEs. The Law stipulates that KNAO may carry out statutory regularity audits in POEs. The Auditor General shall inform the shareholder at the latest on the 30 September of the current year about which of these audits will be carried out. The amended POE's Law also defines that Auditing of Financial Statements should be carried out by the Office of Auditor General. Alternatively, if the National Audit Office does not include a POE in its annual audit plan, then POEs' management can procure the services of an auditor to conduct such external audit. Considering human resource constrains, KNAO was able to conduct financial audit only in four (4) POEs during the audit season 2016/17. However, KNAO's objective is to double the number of POEs in the coming audit season and then increase the coverage in accordance with its human resource capacities.

Majority of KNAO auditors have been attending certification schemes for certified auditors for both accrual and cash based accounting. A good number of them have successfully completed these schemes and have an extensive experience with auditing institutions that use cash based accounting. Since, POEs use accrual based accounting, KNAO auditors need further support to develop capacities to conduct audit in this type of system.

In the period of the proposed Twinning Light a number of initiatives will have to be developed, implemented and embedded further, including:

- Establishment of a POE's Audit Strategy aligned to the KNAO's overall strategy;
- An updated component related to POEs audit within Regularity Audit manual and associated working papers package and reporting template;
- An updated Quality Management Framework.

These developments will occur against a background of the EU Integration Strategy/the Stabilisation and Association Agreement and direct budget support in the PFM field. This embeds higher expectations on financial, statistical and result reporting and development of structures securing the financial interest of the EU.

The previous Twinning Projects have demonstrated tangible improvements in the work undertaken but these projects' scope did not cover audit of POEs, since their audit has only started with 2016/17 audit season. Hence this field requires further quality thresholds including improved:

1. Contextual understanding – using a better understanding of auditees to drive an improved audit focus and a better understanding of the KNAO's role related to POEs' function;
2. Quality, timing and relevance of POEs audit outputs;
3. Clarity between audit opinion, compliance and good governance work in POEs' audits;
4. Internal regulations and processes to support these requirements; and
5. Sustainability.

Kosovo is a potential European Union candidate country, currently in the initial phase of implementation of the Stabilisation and Association Agreement. Kosovo is undergoing the process of harmonisation of its legislation with the EU *acquis*. These procedures also require a strong modern Supreme Audit Institution. The relevant chapters of the EU *acquis* are chapters 32 (Financial Control) and 33 (Financial and Budgetary Provisions).

### 3.2 Linked Activities:

1. The National Audit Office of Kosovo (KNAO) and Swedish National Audit Office (SNAO) have been engaged in a mutual development cooperation project since 2011. In its current form this project has been ongoing since 2013. The Memorandum of Understanding between KNAO and SNAO is valid until 30 June 2017. The overall objective of the project is to strengthen the capacity of the National Audit Office of Kosovo to perform audits in accordance with international auditing standards (ISSAI), i.e. effective audit processes are in place, high quality user-friendly reports are produced and effective stakeholder relations are established and maintained. The existing bi-lateral cooperation agreement mainly supports development of Performance Audit (PA) within KNAO. However KNAO and SNAO are jointly preparing a new long term project which is foreseen to have a duration July 2017-June 2021, which will cover other fields besides PA, such as compliance audit, strategic planning as well as management and leadership trainings.
2. World Bank Project “Strengthening KNAO capacity in procurement audits” will provide support and contribute to strengthen KNAO capacity on the value for money (VfM) and compliance audit in the field of procurement. The Project aims to enhance public procurement process through value added insights and recommendations; use the compliance audit focus in procurement to more widely develop compliance audit activity across KNAO, consolidating this work in the introduction of separate compliance audit opinion; conduct procurement post review for World Bank financed projects or other multilateral donors. The project is foreseen to start in spring 2017 and will have an 18 months duration.
3. GIZ Project „Reform of Public Finance in Kosovo“, is in its third phase of technical support to the Assembly and the Government of Kosovo. The Project will be focus in three main pillars: Parliament of Kosovo, which includes the Budget and Finance Committee, Committee for Oversight of Public Finance and the secretariat of the Assembly; Ministry of Finance and the Tax Administration of Kosovo. During the third phase the Project will have the following interventions: (1) the Budget and Finance Committee and the Committee for Oversight of Public Finance fulfil their mandate more strongly; (2) comprehensive gender sensitive and target group specific information on the budget plan and its execution are available to the Parliament and citizen; and (3) prerequisites for the uniform and rule-based application of tax laws are established.
4. SDC (Switzerland) Project “Decentralisation and Municipal Support” (DEMOS) - aims to support municipalities to achieve visible and tangible improvements in the delivery of their services to their citizens through the following intervention lines: (a) improving public service delivery in public space, municipal traffic and waste management; (b) improving financial administration and transparency; (c) improving the democratization of local governments and the participation of citizens in decision making; and (d) contributing to an improved and more harmonized policy framework for local governance. DEMOS works with 17 partner

municipalities that are clustered in three regions: Western, Central and in the Eastern part of Kosovo.

### **3.3 Results:**

The Twinning light project will carry out the activities in order to achieve the following results:

#### **Component 1: POEs' Audit approach and methodology developed**

- Result 1.1: Existing laws and regulations and overall political environment impacting audit of POEs assessed and reviewed ( see Annex 2 with website link);
- Result 1.2: Updated "Regularity Audit Manual" including working documents related to POEs' audit;
- Result 1.3: Updated "Quality Control Guidance" to cover POEs' audits;
- Result 1.4: Training programme developed for AQMD(Audit Quality Management Division) and POEs' Audit Department staff.

#### **Component 2: Support to Audit Quality Management Division (AQMD) and POEs Audit Department**

- Result 2.1: AQMD and POEs' Audit Department staff trained to using updated manuals and working papers related to audit of POEs;
- Result 2.2: Staff uses recommendations given by Member State experts in conducting POEs' audits;
- Result 2.3: Staff exposed to Member State's experience and practices.

### **3.4 Activities:**

**The activities listed below represent the minimum activities to be implemented in the course of the Twinning project. Member State may propose additional activities in line with the methodology elaborated in its proposal.**

KNAO started with regularity audits of POE in 2016. Audits were carried out based on current regularity audit manual and working papers designed for audit of budgetary organisations. The current manual and working papers require update to meet specific needs of POEs' audit.

#### **Component 1: POEs' Audit approach and methodology developed**

- Activity 1.1:** Review existing laws and regulations that impact audit of POEs and draft an assessment report;

**Activity 1.2:** Review current regularity audit manual, analyse gaps and propose necessary changes to cover POEs' audit; update and improve working documents related to POEs' audit;

**Activity 1.3:** Review and update the existing "Quality Control Guidance" to cover POEs' audits; and

**Activity 1.4:** Develop adequate training programme and relevant training materials for AQMD and POEs' Audit Department staff.

**Component 2: Support to Audit Quality Management Division and POEs Audit Department**

**Activity 2.1:** Provide relevant training to six-eight (6-8) staff at AQMD and eight (8) at POEs' Audit Department on using updated manuals and working papers related to audit of POEs;

**Activity 2.2:** Four audits of POEs including field audit work to be mentored by Member State's experts;

**Activity 2.3:** Study visits of eight (8) staff to MS to further develop skills and knowledge to ensure sustainability and ownership of project results.

The table below provides an indicative work schedule regarding the aforementioned activities:

<b>Date Duration</b>	<b>Activity</b>	<b>Output</b>	<b>Output (working days)</b>
Month 1	Activity 1.1	Assessment Report - Understanding the environment (legal and political)	MS expert(s) 6 working days
	Activity 1.2	Report on identified gaps in the Audit Manual and working documents	MS expert(s) 7 working days
	Activity 2.2	Four POEs to be mentored identified and first field visits conducted during Pre-Planning Stage – MR	MS expert(s) 8 working days
Month 2	Activity 2.2	Mentoring during the Planning Stage – MR	MS expert(s) 12 working days
	Activity 1.2	Propose necessary changes to Audit manual and working documents - MR	MS expert(s) 10 working days
	Activity 1.3	Propose necessary changes to Audit Quality Control Guidance - MR	MS expert(s) 4 working days
Month 3	Activity 2.2	Mentoring during the Interim Audit phase, including field visits - MR	MS expert(s) 8 working days
	Activity 2.2	Mentoring during the Interim Audit phase – reviewing and commenting the Audit Memorandums of four POEs	MS expert(s) 9 working days

Month 4	Activity 1.2	Final drafts of updated manuals and working documents	MS expert(s) working days	8
	Activity 1.4	Preparation of training materials	MS expert(s) working days	5
	Activity 2.1	Training to AQMD on using updated manuals and working papers related to audit of POEs	MS expert(s) working days	3
Month 5	Activity 2.3	Study visit to MS	MS expert(s) working days	5
	Activity 2.1	Training to POEs audit staff on using updated manuals and working papers related to audit of POEs	MS expert(s) working days	5
Month 6	Activity 2.2	Mentoring planning of final audit phase	MS expert(s) working days	8
	Activity 2.1	Summary workshop with AQMD and POEs audit staff	MS expert(s) working days	2
<b>Total</b>				<b>100 working days</b>

Two visibility events will be organised in the course of the implementation of the project; Kick-off meeting at the start of the implementation and a Final meeting at the end of the project activities.

Two Steering Committee meetings will be held for the purpose of reviewing the progress made under the project as well as to discuss results achieved and/or problems occurring. The first Steering Committee meeting will be held during the second month of project activities implementation in order to discuss and comment on the draft start-up report. The second Steering Committee meeting will be organised during the last month of the implementation period to discuss the draft final report.

It should be noted that the participation of the Member State Project Leader in Steering Committees meetings have to be combined with expert missions, in case the Member State Project Leader is also a short-term expert in the Twinning light project. If the Member State Project Leader is not a short-term expert in the Twinning light project then his/her visits (one visit every three months) as part of his overall task to ensure coordination and political steering of the project, should be organised at the same time as the two Steering Committee meetings of the project.

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

- Beneficiary Country Project Leader;
- Member State Project Leader;
- Representative of the Office of European Union in Kosovo; and
- Representative of the Ministry of European Integration.

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

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

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

One of the experts may act as a Project Leader responsible for general co-ordination of the project.

##### *Profile of the Project Leader*

Requirements:

- University degree in economics, MBA or similar discipline relevant to the project;
- Minimum 10 years of experience in a managerial position within an EU MS;
- Considerable relevant experience in POEs audit;
- Minimum 5 years of experience in capacity building activities;
- Experience in project management;
- Fluency in written and spoken English;
- Computer literacy;
- Proven contractual relationship to public administration or mandated body as defined in Twinning Manual;
- Previous experience in at least one EU funded project having as a beneficiary a State Audit Institution;

##### *Tasks of the Project Leader*

- General overall co-ordination of the project;
- Mobilisation of the short term experts;
- Ensuring backstopping and financial management of the project in the MS;
- Permanent contacts with the main counterpart in the BC; and
- Undertaking all activities specified in the project and achieving the mandatory results.

#### **3.5.2 Profile and tasks of the Short term Experts**

##### *Profile of the short term experts*

Requirements:

- University degree in law, political science, economics, MBA or similar discipline relevant to the project;

- Minimum 5 years of experience in a State Audit Institution;
- Considerable experience in POEs audit;
- Fluency in written and spoken English;
- Computer literacy;
- Proven contractual relationship to public administration or mandated body as defined in Twinning Manual;

*Tasks of the short term experts*

- Undertaking all activities and achieving mandatory results;
- Conducting analysis on the area of the project components;
- Preparing and conducting training programs; and
- Elaboration and presentation of proposals on the area of the project components.

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

The main Beneficiary of this Twinning Light project is the Kosovo National Audit Office.

The KNAO is an independent institution funded by the Kosovo budget carrying out annual statutory regularity audit of virtually all public sector bodies. KNAO produces individual audit reports for each budgetary organization.

The POEs fall under KNAO's audit mandate, though Auditor General decides each year which POEs are to be included into the annual audit plan, based on human resource capacities. However, the intention of the Auditor General is to increase the number of POEs' audits gradually every year thus cover all POEs in a foreseeable future.

The organisational structure of KNAO provides for an Auditor General, a Deputy Auditor General, four Assistants Auditor General and a Director General (covering corporate services). One of the Assistants Auditor General is responsible for POEs.

#### **5. Budget**

The maximum total budget for the project is EUR 200.000,00.

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

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

#### **6. Implementation Arrangements**

##### **6.1. Implementing Agency:**

EU Office in Kosovo acts as a contracting authority and takes decisions for and on behalf of the beneficiary country.

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### **6.3. Contracts:**

It is envisaged that the Project will be implemented through one Twinning Light Contract with an indicative amount of 200.000,00 EUR.

### **6.4. Reporting:**

The Start-up Report will cover the first month of the contract and will be submitted in the beginning of the second month. The Start-up Report will:

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

The Final Report shall be submitted within one month upon completion of the project activities and in any case within the legal duration of the project. It shall contain the following:

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

Reports shall be submitted to the KNAO, Ministry of European Integration and European Union Office in Kosovo in the form of 2 hard copies and an electronic version on CD each. All reports shall be written in English and Albanian, if requested by Contracting Authority and Beneficiary, in Serbian as well.

#### **6.5. Working Language:**

The working language is English. However, for the interviews, workshops and seminars, interpretation will be provided.

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

**Launching of the Call for Proposals:** May 2017

**Start of project activities:** September 2017

**Project completion:** February 2018

**Duration of the execution period:** 6 months.

Implementation period of the Action will last 6 months.

#### **8. Sustainability**

Sustainability of the project will be ensured by the senior management team of the KNAO. The proposals to be elaborated in order to: develop capacities of KNAO and provide effective guidance on POEs audit; and enable KNAO to further develop the quality of its outputs, therefore provide effective support to public financial management developments.

#### **9. Crosscutting Issues**

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

#### **10. Conditionality and Sequencing**

Not applicable.

ANNEX 1: Logical framework matrix in standard format

Overall objective	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p>The overall objective of this project is to further contribute to improved public financial management in Kosovo through supporting enhanced transparency and accountability in public institutions, with a specific focus on Publicly Owned Enterprises</p>	<p>Measuring KNAO performance against International Organisation of Supreme Audit Institutions (INTOSAI) Auditing standards and good practice at mature MS SAIs. Increased number of POE's audit from four (4) on 2016, nine (9) 2017, 16 on 2018 and 22 on 2019.</p>	<p>KNAO's annual reports – namely the Annual Performance Report and Annual Audit Report Individual KNAO Audit Reports SIGMA assessments EU's Progress Reports OECD Reports POE's Audit Reports</p>	<p>Commitment of the BC to ensure the necessary support at political level and also sufficient human resources, data and the documents. Continued KNAO commitment to its Corporate Development Strategy and to developmental progress in general.</p>
<p><b>Project Purpose</b></p>	<p><b>Objectively Verifiable Indicators</b></p>	<p><b>Sources of Verification</b></p>	<p><b>Assumptions</b></p>
<ol style="list-style-type: none"> <li>1. Develop an overall audit approach regarding accrual based accounting and develop relevant papers related to audit of POEs;</li> <li>2. Enhance audit skills and capacities in auditing Kosovo POEs; and</li> <li>3. Exchange audit experiences and approaches with MS, including study-visits.</li> </ol>	<p>Number of POE's audit programs and audit approach templates developed. Number of trained auditors on accrual basis accounting. Further on, a number of auditors trained through direct mentored experience of MS expert-guided good practice. KNAO audit staff confident in carrying out the full range of POEs audits to MS level of good practice. AQMD further strengthened as demonstrated by enhanced QA process and associated initiatives. Quality gaps reduced. A skilful audit staff capable to carry out POEs audit regarding "accrual base" accounting comparable to MS visited SAI</p>	<p>KNAO Audit Reports – the clients' reaction to these reports in terms of recommendations accepted and specific impacts of these reports. Training records regarding trained audit staff for POE's accrual accounting. References by the Auditor General in his annual reports regarding the state of POEs. Relevant bodies' assessments (SIGMA) Positive and constructive media and other stakeholders' reaction to the outputs of the KNAO in POEs audit.</p>	<p>Absorption capacity of the KNAO is not a constraint and the KNAO takes ownership of cascading what is learned during the Project to the whole office.</p>

Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<p><b>Component 1: POEs' Audit approach and methodology developed</b></p> <p>1.1: Existing laws and regulations and overall political environment impacting audit of POEs assessed and reviewed;</p> <p>1.2: Update "Regularity Audit Manual" including working documents related to POEs' audit</p> <p>1.3: Update "Quality Control Guidance" to cover POEs' audits</p> <p>1.4: Training programme developed for AQMD(Audit Quality Management Division) and POEs' Audit Department staff</p>	<p>Assessment Report</p> <p>Mission Report – Pre Planning Stage/Interim Stage</p> <p>Mission Report for each audit monitored, produced – each stage</p> <p>Analysis</p> <p>Consultation</p> <p>Regularity Audit Manual updated</p> <p>Updated Quality Control</p> <p>Guidance to cover POE's audits</p> <p>Preparation of Documentation</p> <p>Adopted approach</p> <p>Trainings identified, organised and delivered.</p>	<p>Improved audit files</p> <p>Final report</p> <p>Mission Reports</p> <p>AQMD Reports and Workshops</p> <p>Proposals for updates to manuals/guidelines/WP.</p> <p>Workshop/Training materials</p> <p>Records on the staff training attendance</p> <p>Relevant bodies assessments</p>	<p>Necessary support from the KNAO Senior Management Team (SMT). Low turnover of key staff</p> <p>Availability of the committed and enthusiastic staff members for Pilot Audit/ Workshops etc.</p> <p>KNAO staff respond positively to STE approach of mentoring and challenging</p> <p>Timely and adequate availability of pilot audit documentation in advance of STE visits</p> <p>All involved proactively share experiences with colleagues</p>
<p><b>Component 2: Support to Audit Quality Management Division and POEs Audit Department</b></p> <p>2.1: Trainings for AQMD and POEs' Audit Department staff on using updated manuals and working papers related to audit of POEs</p> <p>2.2: Staff uses recommendations given by Member State experts in conducting POEs' audits</p> <p>2.3: Staff exposed to MS's experience and practices</p>	<p>Number of POE's audit staff and AQMD staff trained</p> <p>Analysis</p> <p>Consultation</p> <p>Preparation of Documentation</p> <p>Adopted approach</p> <p>Workshop with AQMD plus updated guideline proposals on implementation of QA process</p> <p>Specific approach, skills and knowledge gained from study-visits.</p>		
<b>Activities</b>	<b>Means</b>	<b>Specification of costs</b>	<b>Assumptions</b>

<p><b>Component 1: POEs' Audit approach and methodology developed</b></p> <p>Activity 1.1: Review existing laws and regulations that impact audit of POEs and draft an assessment report</p> <p><i>The focus of the review should be on the key valid laws and regulations to identify the scope of their impact and provide instruction to POEs audit teams to properly analyse and consider what is most affective to their POEs audit tasks before audit work commences.</i></p> <p>Activity 1.2: Review current regularity audit manual, analyse gaps and propose necessary changes to cover POEs' audit; update and improve working papers related to POEs' audit.</p> <p><i>The focus of the support should be on review of current audit manual and working papers, identification of gaps regarding accrual-based POEs audits and proposal of needed changes or/and improvements..</i></p> <p>Activity 1.3: Review and update the existing Quality Control Guidance to cover POEs' audits</p> <p><i>The quality review process by Audit Director needs to be reassessed and strengthened in line of updated guidance and further work is required to ensure consistent application of the review/quality control throughout all audit assignments.</i></p> <p>Activity 1.4: Develop adequate training programme and relevant training materials for AQMD and POEs' Audit Department staff</p>	<p>One twinning light project</p>	<p>€ 200.000</p>	<p>Necessary support from the KNAO SMT. Low turnover of key staff</p> <p>Availability of the committed and enthusiastic staff members for Pilot Audit/ Workshops etc.</p> <p>KNAO staff respond positively to STE approach of mentoring and challenging</p> <p>Timely and adequate availability of pilot audit documentation in advance of STE visits</p> <p>Availability and commitment of KNAO certain staff to travel and benefit from study-visits in MS</p> <p>All involved proactively share experiences with colleagues</p>
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*Support is required to help AQMD and POEs Audit Department to implement new approaches and methodology in order to develop and deliver a qualitative, effective and efficient audit assignment.*

**Component 2: Support to Audit Quality Management Division and POEs Audit Department**

Activity 2.1: Provide relevant training to six-eight (6-8) staff at AQMD and eight (8) at POEs' Audit Department on using updated manuals and working papers related to audit of POEs

Activity 2.2: Four audits of POEs including field audit work to be mentored by Member State's experts.

*The support is to provide tangible trainings/instructions toward using updated manual and working-papers. Also it shall emphasise the need to minimise the 'opinion work' and more clearly assess and implement compliance and good governance activity. Challenge is required on actual 'job budgets'. Mentoring of four POEs audits is required to ensure that lessons learned get full implementation.*

Activity 2.3: Study visits of eight (8) staff to MS to further develop skills and knowledge to ensure sustainability and ownership of project results

*The proposals should focus on sustainability of POEs audit developments. Audit documentation should also be the focus of work undertaken*

*meanwhile skills of audit teams developed in line with good MS practice.*

ANNEX 2: Legal framework that regulates the area of POE-s in Kosovo, but not limited only to the followings:

- Law No. 03/L-048 for Management of Public Finances and Accountabilities (with amendments and supplements) Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2524>
- Law No. 05/L-055 on the Auditor General and Kosovo National Audit Office. Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=12517>
- Law No. 04/L-087 for Publicly Owned Enterprises Accountabilities (with amendments and supplements). Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2547>
- Law No. nr. 02/L-123 for Business Organizations. Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2585>
- Law No. 04/L-014 for Accounting, Financial Reporting and Auditing. Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2755>
- Law on Public Procurement (with amendments and supplements). Link: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2772>

All Administrative Instructions, guidance's and regulations deriving from above mentioned Laws, for e.g Guidance No. 2/2013/Ministry of Finance for the Structure and Contain of Financial Annual Reporting. Link: <http://mf.rks-gov.net/desk/inc/media/E2D3A404-79CA-4397-823B-B0E8AC73B083.pdf>

