

Project Fiche – IPA Annual Action Programme 2007 for Bosnia and Herzegovina
Development and Implementation of a BiH wide PIFC Strategy

1. Basic information

1.1 CRIS Number: 2007/019-352

1.2 Title: Development and Implementation of an integral BiH wide PIFC Strategy

1.3 ELARG Statistical Code: 01.32 – Political Criteria/Financial Control

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: EC Delegation in Bosnia and Herzegovina

1.6 Implementing Agency: EC Delegation in Bosnia and Herzegovina

1.7 Beneficiary:

BiH Ministry of Finance, RS Ministry of Finance, FBiH Ministry of Finance, Brcko District Government (sector responsible for finance).

Secondary Beneficiary: PARCO, public administration institutions

Project manager in the Ministry of Finance and Treasury:

Mr. Ranko Šakota,

Assistant Minister in the Department for Treasury Operations

Address: Trg Bosne i Hercegovine

Phone: ++387 33 219 414

Financing:

1.8 Overall cost: 654,600 EURO

1.9 EU contribution: 654,600 EURO

1.10 Final date for contracting: N+2

1.11 Final date for execution of contracts: N +4

1.12 Final date for disbursements: N + 5

2. Overall Objective and Project Purpose

2.1 Overall objective:

To obtain a reformed, streamlined, harmonised, effective, transparent and service oriented public administration, capable of leading Bosnia and Herzegovina through the Stabilisation and Association Process and EU accession.

2.2 Project purpose:

To strengthen the financial control environment of the public administration.

2.3 Link with the AP/NPAA/EP/SAA

Link with European Partnership of Bosnia and Herzegovina

European Partnership with Bosnia and Herzegovina adopted by Decision of Council of EU 2006/55/C on January 30, 2006, in the Program of realisation of priorities, stipulated two priorities addressed to the Ministry of finance and Treasury, entity Ministries of Finance and Brčko District Government. The priorities of Financial control are mentioned in the Sector policies under European standards:

- *Priority 47a : Developing PIFC Strategy;*
- *Priority 47b: Introducing and implementing the principles of decentralised accountability of managers and functional independent audit in accordance with international accepted standards and the best practice in EU.*

Link with Stabilization and Association Agreement (SAA)

By implementing the project BiH will contribute to creating an internal control environment in line with European Standards and be in a better position to fulfil Article 91 of the draft SAA which states: “*Cooperation between the Parties shall focus on priority areas related to the Community acquis in the field of public internal financial control (PIFC) and external audit. The Parties will, in particular, co-operate with the aim of developing an efficient PIFC and external audit system in Bosnia and Herzegovina, in accordance with internationally accepted standards and methodologies and EU best practice.*”

Link with Strategy of Integration of Bosnia and Herzegovina in European Union

The European Integration Strategy is adopted by Council of Ministries of Bosnia and Herzegovina in 2006. In part 3 of the document which relates to strengthening of administrative capacity, it is stated that BiH should have all necessary administrative structures to assume responsibility as partner to the relevant institutions in EU. In order to ensure transparent public financial management, the Law on financing BiH Institutions has been adopted. This Law defines the procedure of annual budget planning and introduces the mandatory internal control and internal audit of public funds.

Link with BiH Medium term Development Strategy – PRSP (2004-2007)

BiH Medium term Development Strategy in the Chapter III 7, stipulates several goals relating the Public Administration Reform:

- *Establish functioning system of public administration at all levels;*
- *Established a civil service modelled after the EU practice;*

In order to fulfil these aims conducting the functional reviews and adoption and implementation of PAR Strategy is necessity. The Strategy sets the following priorities:

- *establish a more efficient and better organized public administration;*
- *ensure conditions for spending tax revenues in an economical and transparent fashion*
- *establish a professional civil service, composed on the basis of the principle of equal representation;*
- *Ensure that public services are of high quality and adapted to the needs of citizens.*

Link with Public Administration Reform Strategy

Introducing PIFC in accordance the relevant EU standards is one of key components of the Public Administration Reform Strategy, which states the following “*Public Internal Financial Control (PIFC) systems, and their implementation, have become a main requirement for EU candidate countries (Chapter 32 negotiations)*”. Within this framework, BiH – due to its particular constitutional structure – needs to make additional efforts to ensure the introduction of a PIFC system that will harmoniously function across different levels of Government. The first element, the development of a policy paper on PIFC introduction, shall be jointly drafted by representatives of different governments in BiH. The policy paper needs to outline the components of the PIFC system, and timelines for their introduction. It also needs to address the question of system structure, bearing in mind BiH governance structures. Other steps in the process of PIFC introduction will follow the above outlined requirements – the establishment of CHU, and the actual introduction of internal audit and internal control. As a result, BiH will have a PIFC system able to monitor the efficiency & effectiveness of public administration operations, and ensure transparent use of public funds.

Link with the Decentralised Implementation Strategy - DIS

Implementation of the Decentralised Implementation System (DIS) involves the transfer of part of the responsibility for managing the Pre-Accession Assistance from the Commission to the recipient country, meaning:

- Public procurement/tendering, contracting, budgeting and disbursement of community fund is carried out by a institutions established for the purpose: a Central Financing and Contracting Unit (CFCU);
- Request and management of funds from the Commission and financial reporting is carried out by a institution established for the purpose: a National Fund (NF)

The purpose of going from centralised to a decentralised implementation system is gradually to prepare BiH to take over all responsibilities for managing the EU Community Assistance from the Commission when entering the European Union. By implementing part of the Commission responsibilities on management of pre-accession funds BiH is given the opportunity to practise and develop the internal procedures and structures necessary.

The decision of the European Commission to allow a recipient country to implement the Decentralised Implementation System (DIS) is based on Council Regulation (EC, Euratom) No. 1605/2002. The requirements to be met by the recipient country in order to be granted a decentralised management arrangement are specified in **Article 164 (1), as follows:**

- (a) *effective segregation of the duties of authorising officer and accounting officer;*
- (b) *existence of an effective system for the internal control of management operations;*
- (c) *for project support, procedures for the presentation of separate accounts showing the use made of Community funds; and for other forms of support, an officially certified*

annual statement for the area of expenditure concerned to be made available to the Community;

(d) existence of a national institution for independent external auditing;

(e) transparent, non-discriminatory procurement procedures ruling out all conflicts of interest.

An accreditation of DIS will be decided on the basis of an analysis of the management capacity of the National Fund and the CFCU, financial management and control procedures. The EC will examine assessing the fulfilment of these criteria the following areas of an institution:

- 1) control environment (staff/organisation matters: ethics, mission, role and legal basis, training etc.)
- 2) performance and risk management (objectives setting: risk assessments, indicators etc.)
- 3) information and communications (reporting, filing systems etc.)
- 4) control activities (transaction control: documentation of procedures, segregation of duties, ex-ante and ex-post control activities, supervision, information systems and computer security)
- 5) audit and evaluation (monitoring and performance)

Existence of control activities and control environment are decisive for efficient managing of Pre-accession fund – IPA. As a part of Ministry of Finance and Treasury two main units National fund and CFCU unit are newly established.

A technical assistance project, funded by the European Union, to support the development of DIS systems in Bosnia-Herzegovina has started in February 2007. It will be important that efforts in PIFC and DIS will be – as much as possible – synchronised.

EU 2006/55/C on January 30, 2006, in the Program of realisation of priorities, stipulated two priorities addressed to the Ministry of finance and Treasury, entity Ministries of Finance and Brčko District Government. The priorities of Financial control are mentioned in the Sector policies under European standards:

- *Priority 47a : Developing PIFC Strategy;*
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2.4 Link with MIPD

For 2007-2009, the main areas of intervention for IPA Component I – Transition Assistance and Institution Building, are broadly grouped under following headings:

- Political requirements
- Socio- economic requirements
- European standards

Under political requirements one MIPD key objective refers to the need to support the reform of the public administration, including the institutions responsible for EU integration policies, in order to obtain a reformed, streamlined, harmonised, effective, transparent and service oriented public administration, capable of leading Bosnia and Herzegovina through the

Stabilisation and Association Process. This presupposes the timely and full implementation of the PAR Strategy and Action Plan. A key area of the PAR Strategy concerns the development of a public internal financial control system a (see 2.8).

3. Description of project

3.1 Background and justification:

Most reviews, surveys and assessments of the public administration in Bosnia-Herzegovina recognise that the establishment and strengthening of Public internal financial control systems and procedure is a priority, and so did numerous strategic documents such as:

- The European Partnership as of November 2005 under the subheading financial control states as a priority: "to develop and implement the principles of decentralized managerial accountability and functionally independent internal audit in accordance with the internationally accepted standards and EU best practice".
- Under the new financial instrument of the EU IPA 2007 – 2009 and in accordance with the priorities spelled out in the strategic Multi Annual Planning document MIPD 2007 – 2009 under the subheading Political requirements "Support to the development of a public internal financial control system" is explicitly mentioned.
- Internal control and audit system is built as Article 91. of Stabilisation and Association Agreement in the process of pre-accession indicate PIFC as high priority
- National strategies in different field of Public Administration Reform and Mid-term developing strategy highlighted as priority sector. The same situation is with Strategy of integration on BiH in the EU
- The functioned PIFC system is one of conditions subject of accreditation of BiH for decentralised management of pre-accession fund IPA.

There is a large amount of evidence from e.g. external audit reports that internal control systems and procedures across Bosnia-Herzegovina are either not in place or do not operate efficiently.

The authorities of Bosnia-Herzegovina have taken at the different levels of government, often with international support, various initiatives and measures to address these important shortcomings. The system of public internal financial control (PIFC) in Bosnia and Herzegovina, including internal audit, is covered in all three organic budget laws, but in a very inconsistent manner as the related provisions of each text seem to cover different issues and are generally not comparable. There is no reason why different systems should apply here, as the foundations and challenges are similar.

At the state level as well as for the two entities, the Ministries of Finance have central responsibility for further defining applicable PIFC systems and procedures. The establishment and regulation of internal audit functions throughout the whole BiH public administration commenced in 2003 with the drafting of specific acts at state and entities level, but the process has been interrupted and the setting up of the internal audit functions has been made in a piecemeal and uncoordinated manner so that cost-effectiveness and potential for synergies were neglected. The extent to which the existing internal audit units in place actually deliver effective internal audit work is hampered by the lack of overall consistency of the system, the

uncoordinated approach across levels of government, the general lack of training and resources as well as the missing awareness amongst public managers.

This prompted notably the World Bank to initiate the production of a draft framework law on internal audit. This has been the responsibility of a joint (state, entities, international donors) drafting group under the responsibility of the State secretary for treasury in the BiH Ministry of Finance. The group agreed upon a common legal document by the end of 2006 which should be adopted in the course of 2007 at the appropriate levels of government. This would thus give a sign of the relevance and efficiency of a common approach to PIFC issues. The implementation of these laws on internal audit under common standards and rules will justify technical and intellectual support from the international community, starting with the European Union and this project is partly concerned with this issue.

It has however been stressed that the drafting and the possible adoption of these texts, irrespective of their intrinsic merits, could be made more difficult than expected in the absence of an overall PIFC strategy for the whole of Bosnia-Herzegovina, covering both the internal control systems still needed in the country and the internal audit component, tasked with a role of assurance to public managers about the relevance and robustness of these very control arrangements. Indeed internal audit can only reach a significant degree of efficiency once a decent level of formalised internal control is in place, which does not seem to be the case in BiH at the moment.

Very few institutions have written rules and regulations on internal controls. Ministries of Finance developed rulebooks in early 2005 and distributed them to budget-users as guidelines for the introduction of internal control. The system review conducted in 2004 attempted to compare the existence and degree of efficiency and effectiveness of the internal control systems in place at the various levels of government and has found significant gaps and discrepancies amongst the various institutions. This led, in accordance with the above mentioned conclusions of the Public Administration Reform strategy and in agreement between the authorities of Bosnia-Herzegovina and the European Commission, to set up in 2007 a technical working group to draft a PIFC strategy for Bosnia-Herzegovina as a whole. This group is to be established along the general lines defined by the Public administration reform strategy, composed of expert representatives of the different levels of Government, and modelled on the comparable group responsible for the production of a draft framework law on internal audit. This group will be technically supported by Sigma in order to produce a PIFC Policy Paper/Strategy due to be adopted at the political level (councils of ministries) by the end of 2007.

It is assumed that the condition for the start of the project is that the above mentioned working group will be able to reach a consensus on BiH PIFC policy paper. The project described by this fiche aims at supporting the implementation of the PIFC strategy (including the development of new legislation), its action plan and the related legal framework (internal audit laws).

3.2 Assessment project impact, catalytic effect, sustainability & cross border impact

The project will have a wide impact in terms of improving the accountability and cost effectiveness of the Public by applying the main principles of managing public funds. The project will create the conditions for having a more secure and better monitored public financial management environment by effectively introducing the principle of managerial accountability in the public service.

Development and implementation of public internal financial control system will contribute to the improved efficiency in the process of Implementation of Decentralised Implementation Strategy in BiH. One of the conditions for accreditation of BiH for Implementation of Decentralised System in managing EU pre-accession funds is to strengthen the control environment and establish an efficient PIFC system. The proposed projects show a high sustainability and guarantee for further development of control environment.

3.3 Results and measurable indicators:

Under the project the following results will be achieved:

1. Central harmonisation units for internal audit and financial management and control in place in all relevant levels of BiH government (State and Entities), and coordinating board at BiH level in place.

The CHUs should be designed in order to be able to become quickly operational on the basis of sound regulatory framework, including adequate organisational set-up and communication and reporting lines. Through CHUs' activities and set of relevant policy documents in various areas of PIFC produced by CHU a roadmap or further development of PIFC will be provided.

2. Relevant legal framework as foreseen by the overall PIFC strategy drafted and agreed, covering

- amendments to organic budget or other laws of BiH;
- as appropriate suggestions of change to the internal audit law;
- draft secondary legislation related to financial management and control and internal audit, as far as institution-building, procedures and methodologies are concerned. Rulebooks accordingly amended or created in the Ministries of Finance and other relevant budget users.

3. Managers of public institutions aware of their responsibilities in the area of PIFC through targeted awareness raising, information and training activities

4. A first series of internal auditors trained and supported through:

- The development internal audit basic documentation like template for internal audit charter, code of ethics and internal audit manuals;
- The development internal audit tools like risk assessment models, checklists, analytical reviews, sampling;
- The initiation of the implementation of human resources policy for internal audit, including definition of certification schemes, curricula for internal auditors;
- Pilot audits activities.
- Strategic and annual audit plans are in place in budget users.

5. Financial management and control activities supported through :

- Development of internal control standards taking into account the BiH context of operations;
- Development of internal control tools/measures: manuals and written procedures, risk assessment and management instruments, control self-assessments as

appropriate, checklists, delegation & supervision tools, information & communication.

3.4 Activities:

Component 1- Establishment of Central Harmonisation Units for PIFC

- Definition of needs for institutional & capacity building of CHUs and coordinating board;
- Assistance to the production of specific strategic development documents and action plans for the various bodies involved in PIFC activities;
- Assistance to the drafting of policy documents for CHUs' activities, audit needs assessment and corresponding plans to set up internal audit units, internal audit coverage by central service, relations with external audit, quality control and assurance and IT;
- Initiate legislation/regulation/guidelines on internal audit/financial management/control;
- Assess and monitor the quality of internal audit and financial management and control and activities in the public institutions concerned;
- Support internal audit and internal control activities and institutions and provide networking as appropriate, as well as contribute to the coordination of the related activities at the level of Bosnia and Herzegovina as a whole;
- Coordination of the CHUs' activities at the level of the whole of BiH in accordance with the adopted internal audit law and other legal provisions related;
- Definition of the criteria to establish internal audit units in the public sector in accordance with the adopted internal audit law;
- Provision of internal audit service for public institutions deprived of internal audit units relations between internal and external audit;
- Training and Human Resources management;
- Quality control and assurance for internal audit;
- IT strategy as appropriate, including the use of IT assisted audit techniques;

Component 2- Legal framework

- Review of existing and planned legal framework in accordance with the PIFC strategy document. Review of existing foreign PIFC legislation of comparable countries;
- Assistance to law drafting process for primary and secondary legislation to introduce & strengthen PIFC principles supported by relevant FMC system.

Component 3 - Public institutions managers awareness raising

- Organisation of round table meetings with managers, internal auditors and as appropriate international donors and institutions to introduce to PIFC concept and to market/lobby the PIFC strategy and the related legal and organisational changes, using pilot cases and success stories;

- Set up a group of reformers/managers with a view to support and encourage networking activities in relation to the PIFC responsibilities of managers.

Component 4 - Internal audit development

- methodological and practical assistance to support the creation and development of internal audit basic documentation like internal audit standards, template for internal audit charter, code of ethics and internal audit manuals;
- assistance to the drafting and introduction of internal audit tools including audit planning tools, risk assessment models, checklists, analytical reviews, sampling;
- assistance to formulation by CHUS of a human resources policy for internal auditors, including definition of certification schemes, curricula for internal auditors;
- Support to pilot audits activities allowing initial familiarisation with modern audit approaches (financial and performance audits, system-based audits, IT audits as case may be);
- Support to the production of Strategic and annual audit plans in budget users
- Working documents and working good practices to be tested against current BiH practices in the course of pilot audits.

Component 5- FMC systems development

- Review of current internal control systems and identification of good practices;
- Support to drafting internal control standards combining international standards and existing relevant rules and good practices;
- Conduct pilot activities for improvement of internal control, including pilot risk assessments, control self-assessments, definition of key controls, writing procedures;
- Support to the development of internal control tools and measures like adequate manuals and written procedures, risk assessment and management instruments, control self-assessments as appropriate, checklists, delegation and supervision tools, information and communication;
- Training activities in internal control procedures and techniques, in development of information and communication skills

3.5 Conditionality and sequencing:

Starting the project does not require the PIFC policy paper due to be produced by the inter governmental working group (facilitated by SIGMA) to be formally endorsed by all government levels. Many preparatory activities (mainly in component 1) can be done while anticipating the formal adoption process. However, it is assumed that the project can only realistically start when consensus in the inter governmental working group on PIFC policy paper has been reached and when this agreed draft text is ready to be sent to the Governments/Council of Ministers.

3.6 Linked activities

Through the CARDS programme several projects are currently being implemented that are linked with the proposed project. Most of them are contributing in a sense of creating synergic

effect with other projects that fall under the Public Administration Reform. Realization of activities initiated by those projects adds value and leads to improvement of public administration environment and also has for a result increase in efficiency in managing public as well as other types of funds in BiH. Therefore it is important to mention following two projects:

1. Support to Capacity Building of Ministry of Finance and Treasury in Implementation of DIS. Project will help MFT to achieve standards and develop capacities that are necessary to enable it to take over responsibility in managing EU funds from the EC. Developing Internal Control procedures and assuring respect of audit standards throughout the whole public administration, would create a lot of positive effects for introduction of procurement and contracting procedures under the DIS, and would lead to smooth introduction of DIS.
2. TA to the PAR Coordinator's Office supports implementation of the PAR Strategy. The introduction and successful implementation of PIFC is of one of its strategic goals.

3.7 Lessons learned

The production of a draft framework law on internal audit has demonstrated the possibility to work in a coordinated way on these key issues of public finance and public administration reform. The experience of coordination and cooperation amongst the three external audit institutions existing in BiH also justifies the need for a common approach.

The complex political and administrative structure obliges to explore cost-efficient institutional solutions that at the same time will preserve the political nature and balance of intra- and inter institutional relationship. Special attention should be paid to a phased development of institutions and policies across entities.

4. Indicative Budget (amounts in EUR)

Contract	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
TA Contract 1	645.600	654,600	100	654,600								
TOTAL	654,600	654,600	100	654,600								

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
TA Contract	Q3 2009	Q1 2010	Q1 2011

6. Cross cutting issues

6.1 Equal opportunity

The issues of gender equality and human right will be considered very highly and therefore be respected through the project.

6.2 Environment

The project has no implication to the issues of environment.

6.3 Minorities

N/A

The project activities should contribute to creating the control financial environment together with developed mechanisms of internal control, which in turn should have for the effect improved control environment manifested by an increased accountability in managing and utilizing public funds. The final outcome would be prevention of many irregularities in spending funds collected from the tax payers.

ANNEX I: Logical framework matrix in standard format:

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number: Development and Implementation of an integral BiH wide PIFC Strategy	
	Contracting period expires	Disbursement period expires
	Total budget: 654,600 Euro	IPA budget: 654,600 Euro

Overall objective	Objectively verifiable indicators	Sources of Verification	
To obtain a reformed, streamlined , harmonized, effective, transparent and service oriented public administration ,capable of leading Bosnia and Herzegovina through the Stabilization and Association Process and EU accession.	Advancement in SAP process especially in the PIFC field according to the EU standards which provide good financial management and control of pubic funds no matter of theirs source.	Annual Progress Report in the European integration process in Bosnia and Herzegovina issued by EC.	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Strengthen the financial control environment within which the administration operates.	Existence of three elements of PIFC structure (CHU, internal audit and FMC) and standards in this area are widely used	Policy papers of different areas of PIFC Primary and secondary legislation	Willingness and readiness of all bodies of Civil Service to introduce the efficient system of internal control and internal audit.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ol style="list-style-type: none"> 1. CHU for internal audit and financial management and control in place in all relevant level of BiH Government and coordinating board at BiH level in place. 2. Relevant legal framework as foreseen by the overall PIFC strategy drafted and agreed 3. Managers of public institutions aware of their responsibilities in the area of PIFC through targeted awareness raising information and 	<p>Unique standards , methodologies , practice and monitoring of PIFC system applied in whole BiH</p> <p>Legal framework for PIFC completed</p>	<ul style="list-style-type: none"> • Policy documents and Action plans provided by CHU • Policy documents in different areas of PIFC • BiH laws related IA and FMC adopted • Manual of procedures and methodologies for IA and FMC 	The PIFC working group established from different levels of governments reach consensus on PIFC policy paper

<p>training activities</p> <p>4. A first series of internal auditors trained and supported</p> <p>5. Financial management and control activities are supported</p>	<p>Managers trained and competent to use FMC as a managerial tool.</p> <p>Number of high skilled auditors appointed</p> <p>FMC is introduced and practiced according to procedures and standards in BiH institutions</p>	<ul style="list-style-type: none"> • Rulebooks for relevant budget users • Reports of Seminars and roundtable on PIFC • Curricula for IA training • Reports on Training and criteria for certification • Procedures, manuals for FMC standards, internal control and supervision tools 	
Activities	Means	Costs	Assumptions
<p>1. For Result 1</p> <p>1.1. Definitions of the needs for institutional and capacity building for CHUs and coordinating board</p> <p>1.2. Assistance to the production of specific strategic development documents and action plans for the various bodies involved in PIFC activities.</p> <p>1.3. Assistance to the drafting of policy documents in the areas of coordination of the CHUs activities, audit needs assessment and corresponding plans to set up internal audit units, internal audit units' coverage by central service, relations with external audit, quality control and assurance and IT.</p> <p>1.4. Initiate legislation, regulation and guidelines on internal audit and financial management and control</p> <p>1.5. Assess and monitor the quality of internal audit and financial management and control and activities in the public institutions concerned</p> <p>1.6. Support internal audit and internal control activities and institutions and provide networking as appropriate, as well as contribute to the coordination of the related activities at the level of Bosnia and Herzegovina as a whole.</p> <p>1.7. Coordination of the CHUs' activities at the level of the whole of BiH in accordance with the adopted internal audit law and other legal provisions related</p> <p>1.8. Definition of the criteria to establish internal audit</p>	<p>Technical Assistance (service)</p>	<p>654,600 Euro</p>	

<p>units in the public sector in accordance with the adopted internal audit law</p> <p>1.9. Provision of internal audit service for public institutions deprived of internal audit units relations between internal and external audit</p> <p>1.10. Training and Human Resources management</p> <p>1.11. Quality control and assurance for internal audit</p> <p>1.12. IT strategy as appropriate, including the use of IT assisted audit techniques</p> <p>2. For Result 2</p> <p>2.1. Review of existing and planned legal framework in accordance with the PIFC strategy document. Review of existing foreign PIFC legislation of comparable countries.</p> <p>2.2. Assistance to law drafting process for primary and secondary legislation in order to introduce and strengthen PIFC principles such as managerial accountability supported by relevant FMC system.</p> <p>3. For Result 3</p> <p>3.1. Organisation of round table meetings with managers, internal auditors and as appropriate international donors and institutions to introduce to PIFC concept to market / lobby the PIFC strategy and the related legal and organisational changes, using pilot cases and success stories.</p> <p>3.2. Set up a group of reformers /managers with a view to support and encourage networking activities in relation to the PIFC responsibilities of managers.</p> <p>4. For Result 4</p> <p>4.1. Methodological and practical Assistance to support the creation and development of internal audit basic documentation like internal audit</p>			
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standards, template for internal audit charter, code of ethics and internal audit manuals

4.2. Assistance to the drafting and introduction of internal audit tools including audit planning tools , risk assessment models , checklist, analytical reviews , sampling

4.3. Assistance for formulation by CHUs of human recourses policy for internal auditors , including definition of certification schemes , curricula for internal auditors

4.4. Support to the pilot audits activities allowing initial familiarisation with modern audit approaches (financial and performance audits, system –based audits, IT audits as a case may be).

4.5. Support to the production of Strategic annual audit plans in budget users

4.6 . Working documents and working good practices to be tested against current BIH practices in the course of pilot audits.

5. For Result 5

5.1. Review of current internal control system and identification of good practices

5.2. Support to drafting internal control standards combining international standards and existing relevant rules and good practices

5.3. Conduct pilot activities for improvement of internal control , including pilot risk assessments, control self – assessments , definition of key controls, writing procedures

5.4. Support to the development of internal control tools and measures like adequate manuals and written procedures, risk assessment and management instruments , control self assessments as appropriate , checklist , delegation and supervision tools , information and communication

5.5. Training activities in internal control procedures and techniques , in development of information and communication skills.

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ANNEX II: amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q1/10	Q3/10	Q1/11
TA Contract	654,600		
Disbursed			
Contract 1 TA	392,760	196,380	65,460
Disbursed Cumulated	392,760	589,140	654,600

ANNEX III: Reference to laws, regulations and strategic documents:

1. Law on financing of BiH Institutions	("Official Gazette of BiH " no.61/04, page 69 to 74 Article 23.)
2. Draft Stabilisation and Association Agreement	Page 46 – Article 91
3. Instrument for Pre –accession Assistance (IPA)	MIPD 2007-2009 , pg 16,17 and 18
4. European Partnership with Bosnia and Herzegovina – Program of realisation of priorities	adopted by Decision of Council of Europe EU 2006/55/EC , pages 258 and 259
5. Strategy on integration of BiH in EU published in 2006	page 225
6. Medium –term Development Strategy – PRSP (2004-2007)	April 2004, page 158
7. PAR Strategy , Action Plan I	page 31
8. Decentralised Implementation Strategy – DIS	pages 4 and 5

ANNEX IV: Details per EU funded contract:

1. Long-term key expert should have:

a) Qualification and Skills

- University degree in economics, public administration or equivalent
- Excellent leadership, management and coordination skills
- Demonstrated analytical and planning skills
- Well developed interpersonal/mediation skills
- Ability to coordinate activities of different institutions

b) General professional experience

- Minimum ten years of professional experience.

c) Specific professional experience

Minimum 5 years of professional experience in dealing directly with establishing PIFC system in bodies of public administration (establishing CHUs, drafting key laws and regulations, training of staff).

- Work inside / for a Ministry of Finance
- Experience in the project management at senior positions in the new member states/(potential) candidate countries.

Time for engagement in the project should be 12 months (50 % of the overall project duration)

2. Pool of short term experts

The engagement of a long term project administrator (22 months over 24 months) is indispensable for successful realization of the project goals. No separate budget is foreseen for this position. The project administrator will need to be paid through the fees of the key experts and short term experts.