

Standard Summary Project Fiche – IPA centralised programmes

Project Number 06: Strengthening Capacities of the State Audit Institution and the Audit Authority

BASIC INFORMATION

- 1.1 CRIS Number:** 2011/022-585
- 1.2 Title:** Strengthening Capacities of the State Audit Institution and the Audit Authority
- 1.3 ELARG Statistical code:** 01.32 Political criteria. Financial control.
- 1.4 Location:** Republic of Serbia

Implementing arrangements:

- 1.5 Contracting Authority:** EU Delegation to the Republic of Serbia
- 1.6 Implementing Agency:** EU Delegation to the Republic of Serbia
- 1.7 Beneficiary (including details of project manager)**
Ministry/Institution: State Audit Institution (SAI) and the Audit Authority (AA) of the Republic of Serbia.

For the SAI component

Name: Mr. Radoslav Sretenovic
General State Auditor/President of the SAI

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For the Audit authority component

Name: Head of the Audit Authority

Support to the SAI: an appropriate Project Implementation Unit will be established to assist the Twinning Team in logistics, accounting and administrative tasks. Members of the PIU, as well as the broader range of relevant SAI staff, will interact closely with the members of the Twinning team in order to ensure the smooth implementation of the activities as well as sharing of all the necessary information. Apart from the MS Project Leader and BC Project Leader, there will be at least 3 Long-Term Key Experts, one of which will be designated as the Resident Twinning Advisor (RTA), seconded to work on a day-to-day basis with counterparts from all 6 Sectors in the basic structure of the SAI

Project Steering Committee (PSC) will be established to provide strategic guidance and will encompass the Project Leader, RTA and the Long-Term Key Experts, as well as their respective BC counterparts, representatives of the EU Delegation and the representatives of other key partners from State Bodies or professional organisations. The latter will be invited as per need to participate at the SC meetings in the capacity of associated members, if so agreed between the PSC members. It is expected from the EU representatives to provide guidance on procurement and monitoring issues. In order to ensure sound roll-out of the planned activities, the PSC will meet quarterly and ad hoc as required, to discuss and endorse key decisions, such as annual work plans and semi-annual and annual progress reports.

The PIU will be based in SAI, and will also act as technical secretariat of the PSC.

BC Project Team Leader will be the President of State Audit Institution of the Republic of Serbia and of SAI Council, Mr. Radoslav Sretenovic.

SAI Counterparts for the RTA and for other Key Experts will be Supreme State Auditors as Heads of principal Sectors in the overall structure of the SAI.

Short and medium-term experts will join the Project team depending on the needs assessment and twinning work plans.

The essential selection and award criteria for the award of twinning contract are laid down in the Twinning Manual and its annexes.

Support to the AA: the Head of the Audit Authority shall be representing the AA for all matters and interactions with the Contracting Authority and the Consultant. If the project is implemented under a decentralised system¹, the Head of the Authority shall be appointed Senior Programme Officer.

Financing:

1.8	Overall cost (VAT excluded):	EUR 2.3 million
1.9	EU contribution:	EUR 2.3 million
1.10	Final date for contracting:	2 years after the signature of the Financing Agreement (FA).
1.11	Final date for execution of contracts:	4 years after the signature of the FA.
1.12	Final date for disbursements:	5 years after the signature of the FA

2. OVERALL OBJECTIVE AND PROJECT PURPOSE

2.1 Overall Objective:

To contribute to accountability and effective management of public and EU funds in Serbia via the strengthening of capacities of the State Audit institution and of the Audit Authority.

2.2 Project purpose:

Component 1 – Strengthening Capacities of the State Audit Institution of Serbia

To provide further support to SAI in aligning its organizational and managerial structure, procedures, practice and the overall performance with internationally accepted standards and EU best practice

Component 2 –Strengthening Capacities of the Audit Authority

To strengthen the operational capacities of the Audit Authority to implement its audit and reporting activities in accordance with the requirements of the Framework, Sectoral and Financing agreements and in line with internationally accepted audit standards, and more particularly International Standards of Supreme Audit Institutions (ISSAI) as endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI).

The present Project addresses two important aspects of the regulatory framework for public financial control in Serbia. The support programmed for SAI on one hand and for the AA on the other hand, is however **structured separately**, which reflects the current state of interpretation of roles and responsibilities of those two bodies agreed between the relevant decision makers². At any time, external audit embodied in the SAI will refer to all public and statutory funds and resources, bodies and entities, including EU resources. While the SAI is supposed to perform audit of EU funds as part of any other public funds, the Audit Authority is to address the specific requirements of the EU regarding the verification of the effective and sound functioning of the management and control systems set up in Serbia for all components of IPA under a decentralised implementation system (DIS). Thus, there is a clear distinction between the concepts of the financial control assigned to SAI and to the AA. As the preparations for the introduction of DIS in Serbia are advancing, the location of the AA is, for the start settled as the independent body in the Ministry of Finance³. According to the plan of the CAO, the first audit staff (the head of AA and two other auditors) are supposed to be recruited by the end of 2010, so the additional beneficiary details for the AA can only be specified subsequently.

² The prevailing understanding between the national and EU authorities at the time of drafting of the Project proposal is that AA shall not be conceived as the institutional part of neither SAI nor the Ministry of Finance and the solution is still being negotiated.

³ According to the newly adopted Act on Systematization of the Ministry of Finance (Act 08 No: 112-01-2/228-2010, dated July 5, 2010), adopted by the Government Conclusion 05 No: 110-6580/2010, dated September 16, 2010

2.3 Link with / EP/ SAA / NPI

The following comments concerning both components of this project may be pointed out in the Serbia 2010 Progress Report⁴ as follows: “Ministries abided to a varying degree by the opinions and recommendations of independent regulatory bodies, including the State Audit Institution” (page 9. of the Progress Report). “(...) the State Audit Institution has expanded in terms of both staff and office space. However, it has only performed a partial audit of the 2008 state accounts. The setting up of the State Audit Institution remains slow and the first audit report produced covered only a small part of the state budget.” (page 12. of Progress Report). “With regard to external audit, in May 2010 the Law on the State Audit Institution (SAI) was amended primarily to allow easier recruitment of audit staff and better salary conditions. The SAI performed a partial audit of the 2008 state accounts and reported to Parliament in November 2009. However, the SAI is not yet fully operational and further audit staff needs to be recruited” (page 49. of Progress Report).

“Overall, the capacity of the public administration is good but reform in this area is advancing at a slow and uneven pace. Further improvement of the legislative framework and a stronger commitment to respect the mandate of independent regulatory bodies and provide them with adequate resources are needed.” (page 10. of Progress Report).

Component 1 - Strengthening Capacities of the State Audit Institution of Serbia 2008/213/EC: *Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the **European Partnership** with Serbia including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2006/56/EC (Official Journal L 080 , 19/03/2008 P. 0046 – 0070).*

In Annex 2, Priorities for Serbia, Short Term Priorities of the above mentioned document, it is stated that one of the key priorities is to “step up the fight against corruption at all levels and develop a comprehensive public system of financial control to increase transparency and accountability in use of public finances”, whereas under economic criteria the necessity to “continue reforms of public finance management in order to strengthen control, transparency, accountability and efficiency” is mentioned.

In accordance with Annex 2, Priorities for Serbia, Medium-term Priorities, Political criteria, Democracy and the rule of law, Anticorruption Policy, it is necessary to “ensure full compliance with the international conventions on the fight against corruption, as well as to further strengthen the capacity of anti-corruption bodies.”

The positive effects of the project will have a direct bearing on the efficiency of the public sector and on the economy at large, thereby contributing toward ensuring the country's financial sustainability. The SAI plays one of key roles contributing toward ensuring transparency and improving the performance of the public administration and the allocation of public resources.

SAI Serbia should meet the requirements for greater transparency, ethics, professionalism, and speed in the public administration.

The Project will facilitate the improvement of capacities of SAI staff for the overall field of competences the SAI is assigned with,⁵ awarding particular attention to ensure balanced quality performance between the already advanced audits of financial statements’ of the budget of the Republic and of budget funds and the more specialized fields of audit which refer to: financial statements of territorial autonomies and local self-governments, organisations of mandatory social insurance and public enterprises and other legal entities

⁴ Serbia 2010 Progress Report, SEC (2010) 1330, published in Brussels, 9 November 2010.

⁵ In accordance with the Law on SAI

established by direct or indirect budget beneficiaries, financial statements of the National Bank of Serbia in the part related to the use of public funds and operations with the state budget, EU funds beneficiaries, entities using donations and assistance of international organizations, foreign governments and non-governmental organizations; political parties, in line with the Law governing financing of political parties

Stabilisation and Association Agreement between the European Communities and their member states of the one part, and the Republic of Serbia, of the other part

In Article 1, it is stated that Association is aimed at supporting the efforts of Serbia to strengthen democracy and the rule of law, and contributing to political and economic and institutional stability in Serbia.

Article 92 of the SAA envisages cooperation between internal control and external audit whereas “the Parties shall focus on priority areas related to the EU *acquis* in the fields of public internal financial control (PIFC) and external audit. The Parties shall, in particular, cooperate - through elaborating and adopting relevant regulation - with the aim of developing transparent, efficient and economic PIFC (including financial management and control and functionally independent internal audit) and independent external audit systems in Serbia, in accordance with internationally accepted standards and methodologies and EU best practices. Cooperation shall also focus on capacity building of the Supreme Audit Institution in Serbia.”

Amended National Programme for Integration of the Republic of Serbia into the European Union (NPI), Belgrade, December 2009

Under the chapter 1 Political criteria, 1.1 Democracy and the rule of law, 1.1.7 Anti-corruption policy, institutional framework for fight against corruption is given into details under 1.1.7.1.2 Institutional framework, the State Audit Institution is recognised as one of the state authorities involved in preventing and combating corruption.

Under the chapter 3.32 Financial control, 3.32.1 External (state) audit, priorities for the SAI institutional development for the years 2010, 2011 and 2012 are specified. These include amendments to the law in order to harmonise it further with *acquis*, primarily in relation to financial independence; enactment of relevant rulebooks and guidelines; continue with recruitment and training of auditing staff; development of the strategic plan of the Institution for the period 2009-2014; development of the financial audit methodology and manual; establishment of the Sector for auditing financial statements of territorial autonomies and local self-governments, Sector for auditing financial statements of organisations of mandatory social insurance and Sector for auditing financial statements of public enterprises and other legal entities established by direct or indirect budget beneficiaries; establishment of SAI branch offices in 3 regional centres; continuation of cooperation with the EUROSAI and the European Court of Audit; establishment of the Sector for performance audit within the SAI.

Accountability is a key requirement for solving problems faced by contemporary society in all areas, including economic and financial issues, as they depend not only on technical decisions, but also on the political-institutional design of the state. This term implies transparency for governmental acts as well as to controlling acts of leaders in relation to state-level policies, programs, and activities. Finally, it leads to improvements in the performance of governmental programs and to the need for greater transparency of public authorities before society, ultimately ensuring the financial sustainability of the state.

SAI Serbia seeks to ensure the efficiency and effectiveness of public policies, using tools designed to evaluate governmental operations and carrying out accounting, financial, budget, and property oversight. The development of SAI capacities will contribute directly to the implementation of priorities set in the NPI.

Component 2 – Strengthening Capacities of the Audit Authority

Regarding EU funds, it must be reemphasised that one of the main objectives of the Instrument for pre-accession is the progressive alignment of the beneficiary countries with the standards and policies of the EU. The IPA shall help Serbia facing the challenges of the European integration, to implement the reforms to fulfil EU requirements and make progress in the Stabilisation and Association Process, focusing on the priorities identified in the Accession Partnership and European Partnerships.

While being responsible for the verification of the effective and sound functioning of the management and control systems for IPA, the AA contributes to the development of an efficient and accountable public administration, notably to support the proper functioning of the state institutions involved in the implementation of the IPA Programme in Serbia.

2.4 Link with MIPD⁶

Strengthening the capacity of the State Audit Institution and the Audit Authority falls under the Public Administration sector and its objective to improve the efficiency and effectiveness both at central and local level.

The main goal is to support policy reforms for EU integration. Focus will be on capacity building for policy reforms, and implementation of the existing legal and strategic framework. Particular attention will be paid to the administrative capacities in the European integration process. There is a need to strengthen capacities in all line Ministries dealing with EU *acquis*; to enhance policy coordination and enable the country to align and implement the EU *acquis* effectively, as well as to meet the requirements for the implementation of IPA assistance under the Decentralised Management System (DIS).

2.5 Link with national / sectoral plans

National Anti-corruption Strategy as of December 8, 2005

Within the Public Finance System in Serbia, it is identified that „Public finance control is exposed to high risk of corruption with serious consequences. Lacks in legal framework and delays in implementation of certain acts represent additional problem. Lack of appropriate control mechanisms is also visible“.

The role of SAI as recognised in the Action Plan for Implementation of the National Anti-corruption Strategy as of 2006 is covered in the area of Political system and Public Finance System. Participation of SAI in implementation of anti-corruption recommendations, as specified in the items 101, 106, 127, and 165 will contribute to general prevention of corruption, to separation of operational and oversight function, to strengthening control mechanisms in public spending and minimisation of risk of illegal actions of state bodies.

The positive effects of the Project will have a direct bearing on the efficiency of the public sector and on the economy at large, thereby contributing toward ensuring financial stability in the Republic of Serbia.

As far as the Audit Authority is concerned by assessing and reporting on weaknesses which may be found in the management and control system it contributes to the protection of the EU and national financial interest and contribute to fighting fraud and corruption.

⁶ Multi-Annual Indicative Planning Document

Action Plan for Serbian Public Administration Reform Implementation 2009-2012 adopted by the Government in July 2009

PAR Action Plan sees the role of SAI in the reform of control mechanisms through two aspects: improvement of public administration bodies' performance mechanisms and strengthening public administration bodies' capacities. Expected impact is to ensure conditions for increased efficiency of the public administration bodies through provision of support to the development of inspection supervision, development of internal financial control system for the public sector and other forms of supervision of the operations of the public administration bodies. It is also expected to ensure conditions for increasing transparency and accountability of the public administration bodies' operations through provision of support for the development of external control mechanisms of the public administration bodies' operations.

The SAI staff will be capacitated to perform audit of public funds beneficiaries in line with generally accepted international standards thus improving financial control mechanisms in Serbia. Institutional capacity will contribute to achieving positive results in terms of fiscal discipline as a result of culture of compliance with rules and standards.

The Council of the European Union, Council Decision of 25 September 2008 on the conclusion, on behalf of the European Union, of the United Nations Convention against Corruption (2008/801/EC)

DIS Strategy and DIS Roadmaps of Serbia

In accordance with the DIS Strategy adopted by the Serbian government on 24 April, 2008, the AA is appointed to operate under internationally accepted standards and is responsible for verifying the effective functioning of the management and control systems for pre-accession funds. The AA is a requirement linked to DIS only.

3. DESCRIPTION OF PROJECT

3.1 Background and justification:

Component 1– Strengthening Capacities of the State Audit Institution of Serbia

Background

Control and oversight are a sine qua non for a well-functioning democracy and a sound political system. The fight against corruption is of particular relevance since corruption poses a major threat to the rule of law, the fundamental principle of democracy as well as to economic stability. Accountability, transparency and value for money, in the use of public funds, are essential elements of democratic government. Over the last decade, the development community has come to understand the importance of sound public financial management and accountability as key factors for good governance and achieving development objectives. Effective SAIs are an important element of such systems. SAIs' overall objective is the proper and effective use of public funds; the development of sound financial management; the proper execution of administrative activities; and the communication of information to public authorities and the general public through the publication of objective reports.

Regardless of variations in the structure and mandate of SAIs, a SAI with sufficient independence in its funding, in setting audit programs, in carrying out its work, and in making

its findings public, and with adequate capacity, is important to each country's development. A SAI should be a force for improved public financial management and accountability, for preventing corruption and mismanagement of public funds, and for increasing confidence in the public sector.

Modernisation imposes new requirements for the SAIs, in addition to their oversight work. There is an increasing need for the SAIs to focus on analysing legality and conformity aspects, namely: consolidating a results-oriented management model, enhancing the transparency of public accounts, ensuring fiscal responsibility and the qualification of public investments, and fighting corruption and fraud. This process allows for control to be applied as a political accountability tool in connection with public finances in a context of redesigning the state, with a view to meeting sustainable economic growth demands at different levels, in tune with the new model of the information and knowledge society. This is because SAIs play such a vital role in holding governments to account for their stewardship of public funds and in helping ensure the transparency of government operations. In turn, this means SAIs must work with integrity and meet the highest professional standards. It also means that SAIs have to organise and manage their own operations and activities in ways which equal or surpass the standards that SAIs expect the organisations they audit to achieve. Finally, SAIs have to fulfil their mandates as effectively as possible in environments marked by constant change and challenge.

In these circumstances, SAI Serbia has to continually re-evaluate and reassess how it discharges its responsibilities. It has to ensure its work consistently meets the highest standards expected of the organisation and that its activities remain relevant to the environment in which it operates. It should embrace a culture of continual improvement; invest the time and resources needed to develop the capacity it requires, professionally and organisationally, respond to the challenges that it faces; and, does all this in ways that do not compromise or call into question its independence.

The State Audit Institution like some other institutions with oversight function in Serbia (the Ombudsperson, The Commissioner for Free Access to Information of Public Interest and Personal Data Protection, the Anti-Corruption Council, the Anti-corruption Agency, Competition Protection Commission, the Public Procurement Office and the Commission for the Protection of Bidders' Rights) are facing difficulties in carrying out their mandates due to lack of resources and inadequate official follow-up to their decisions and recommendations.

Constitutional basis for enactment of the Law on State Audit Institution (hereinafter: Law on SAI) is contained in the provisions of the Article 96 of the Constitution of the Republic of Serbia stipulating that the State Audit Institution shall be the supreme state body for public funds audit in the Republic of Serbia, and that the Law on SAI shall be enacted. It is also contained in the provisions of the Article 97, items 11 and 16, of the Constitution of the Republic of Serbia based on which the Republic of Serbia, among other things, shall organise and provide for control of legality of managing resources of legal entities, financial audit of public finances, as well as organisation, competences and work of the bodies of the Republic.

The Law on SAI was adopted by National Assembly in 2005 ("Official Gazette of the RS", no.101/2005 and 54/2007, Amendments to the Law adopted in 2010, "Official Gazette of the RS" no. 36/2010) and the Institution has been given the supreme state authority for auditing public funds. As an autonomous and independent state authority it is responsible to the National Assembly of the Republic of Serbia and enactments by which the Institution performs its auditing responsibility cannot be a subject of dispute before courts and other state authorities. The SAI Serbia decides autonomously on the subjects of audit (auditees), the subjects to audit, the scope and type of audit, the time of the beginning and duration of the audit.

The SAI Serbia auditees are the following: direct and indirect budget beneficiaries of the Republic, territorial autonomies and local authorities; mandatory social insurance organisations; budget funds; National Bank of Serbia, in the part relating to public funds use and transactions with the state budget; public enterprises, companies, and other legal entities, established by direct or indirect budget beneficiary; legal entities and physical persons, receiving donations and other non-repayable funds or guarantees from the Republic, territorial autonomies and local authorities; entities engaged in acceptance, maintenance, issuing and use of public reserves; political parties; beneficiaries of EU funds, donations and assistance of international organisations, foreign governments and non-governmental organisations; contracting party in relation to implementation of international treaties, agreements, conventions and other international enactments, when stipulated; and other subjects using assets and property under control and at disposal of the Republic, territorial autonomies, local authorities, or organisations for mandatory social insurance.

Activities within the Institution's scope of competence, subjects of the Institution's audit and its auditees are described in details in Articles 5, 9 and 10 of the Law on SAI.

Although the Council of the SAI should have been elected within six months from its effective date, the National Assembly made this decision in 2007 ("Official Gazette of the RS", no. 87/2007). The President, the Vice-President and three Council members took the oath to the Assembly on September 26th 2007, in which way they accepted their duties. The President of the Council is at the same time the President of the Institution and Auditor General of the Republic of Serbia.

The Rulebook on internal organisation and systematisation of job position in the SAI Serbia systematises the total of 80 job positions to be filled with 164 members of staff (12 of which are functionaries). These are divided into auditing services and support services. Auditing services are organised into 6 Sectors⁷ (managed by Supreme State Auditors), while support services are organised into 1 Sector (managed by the Secretary General). For the time being, three Audit Sectors⁸ with the total of 14 employees (including three Supreme State Auditors) and the Sector for audit support with the total of 12 employees (including Secretary General) are established. Overall, the SAI Serbia currently has the total of 31 employees, including the Council⁹.

From its establishment the Institution has been facing difficulties in carrying out given mandates and due to lack of human resources (poor offer of this type of professionals on labour market of Serbia) and inadequate premises.

⁷ Sector for auditing financial statements of the budget of the Republic and of budget funds; Sector for auditing financial statements of territorial autonomies and local self-governments; Sector for auditing financial statements of organisations of mandatory social insurance; Sector for auditing financial statements of public enterprises and other legal entities established by direct and indirect beneficiaries; Sector for auditing financial statements of the National Bank of Serbia in the part related to use of the public funds and operations with the state budget, EU funds and pre-accession funds beneficiaries, entities using public reserve, donations and international and foreign aid, political parties, non-governmental organizations and other auditees from the Law on the State Audit Institution; Sector for performance audit.

⁸ Sector for auditing financial statements of the budget of the Republic and of budget funds; and Sector for auditing financial statements of the National Bank of Serbia in the part related to use of the public funds and operations with the state budget, EU funds and pre-accession funds beneficiaries, entities using public reserve, donations and international and foreign aid, political parties, non-governmental organisations and other auditees from the Law on the State Audit Institution, and Sector for auditing financial statements of organisations of mandatory social insurance; Sector for auditing financial statements of public enterprises and other legal entities established by direct and indirect beneficiaries;

⁹ As of November 2nd, 2010

The first report on financial audit of the Final Accounts of 2008 Budget of the Republic of Serbia was submitted to the National Assembly and disclosed to the public in November 2009. According to the Audit Programme for 2010, financial audit of the Final Accounts of 2009 Budget of the Republic of Serbia will be performed and audit of 3 public enterprises will be launched.

The SAI Serbia, as the full member of INTOSAI¹⁰ (as of November 2008), EUROSAI¹¹ (as of June 2009) and Network of the SAIs of candidate and potential candidate countries and European Court of Audit (ECA) (as of August 2010) should ensure that state audit legislation is in line with the Lima Declaration of Auditing Precepts and INTOSAI Auditing Standards. It assumed obligation to use in its work the International Standards of Supreme Audit Institutions (ISSAIs). Till the moment of their implementation in the manner stipulated by the Law on SAI, and the International Standards on Auditing (ISA) (published by the IFAC) are used. These standards are implemented in the Republic of Serbia pursuant to the Article 2 of the Law on Accounting and Auditing¹². This option is stipulated by ISSAI 100 – Basic Principles in Government Auditing.

Justification

In all the reports and recommendations of the relevant international bodies, the State Audit Institution has a significant place.

Speeding up the introduction of the fully functional State Audit Institution was one of the recommendations of the Group of States against Corruption (GRECO) – Recommendation XXV stated in the Evaluation Report on the Republic of Serbia (Strasbourg, June 23rd 2006). In the GRECO Compliance Report on the Republic of Serbia (Strasbourg, June 13th 2008), special emphasis is put on the role of the State Audit Institution in controlling public procurement process and establishing further cooperation channels between public and private auditing bodies. Likewise, in the conclusions of the Report, this anti-corruption body states that the Recommendation XXV, relating to establishment of national auditing authority has been partly implemented, and that personnel recruitment, IT development and training are expected to take place throughout 2008, which would enable the effective operation of the State Audit Institution.

In 2010 Progress Report for Serbia, it is pointed out that State Audit Institution has expanded in terms of both staff and office space. Furthermore, the Progress Report positively remarks that the Law on the State Audit Institution (SAI) was amended in May 2010 primarily to allow easier recruitment of audit staff and better salary conditions. However, it is still considered that the setting up of the State Audit Institution remains slow and that the first audit report produced covered only a small part of the state budget. This brought up the subsequent conclusion of the Progress Report that the SAI is not yet fully operational and that further audit staff needs to be recruited. In general, it is estimated that there has been progress in this area, but that Serbia is still at an early stage in the implementation of external audit.

In the fourth report of the Council of Europe (January 2008-February 2009) as of March 31st 2009, as part of recommendations concerning long-term reform processes, it is stated, among other things, that “as a matter of urgency, it should be ensured that the State Audit Institution is staffed and resourced in a manner adequate to the effective implementation of their tasks”.

¹⁰ INTOSAI – International Organisation of Supreme Audit Institutions

¹¹ EUROSAI – European Organisation of Supreme Audit Institutions

¹² “Official Gazette of the Republic of Serbia” no. 46/06

All this implies that institutional capacity building of the State Audit Institution is necessary in order to meet obligations in the European integration process which is one of the preconditions for accession to the European Union.

Recommendation 7 of the “Recommendations concerning the Functioning of SAIs in the Context of European Integration” (the “Prague Recommendations”) states: “SAIs should ensure that their human and financial resources are used in the most efficient way to secure the effective exercise of their mandate. To this end, SAI management will need to develop and institute appropriate policies and measures to help guarantee that the SAI is competently organised to deliver high-quality and effective audit work and reports.”

Memorandum of understanding between the European Commission, representing the European Union and the Republic of Serbia, as of 2010, related to the Macro-Financial Assistance in the form of a loan facility (Decision 2009/892/EC, Official Journal of the EU, L320, 5.12.2009, p. 9-11) aimed at helping Serbian Government address residual external financing and budgetary needs that emerged as a consequence of the strong economic slowdown affecting the Republic of Serbia, depends upon certain conditionalities. Condition 9 refers to the SAI Serbia stipulating necessity for (i) production of a draft audit report on the 2009 financial statements of the Republic of Serbia and (ii) launching the audit of three state-owned enterprises.

It is obvious that the building of capacities within the Serbian SAI has to be incremental, carefully planned and sustainable. From the early start onwards, Serbian SAI has established strategic partnership with the Office of the Auditor General (OAG) of Norway, and the Norwegian Government, whereby technical assistance is being constantly provided (covering the period 2008-2013), and is well adapted to the gradual improvement of the SAI’s organizational and human resources. Within the scope of this cooperation scheme (for more details, please refer to the section on linked activities – chapter 3.6 of the present Project Proposal), a Strategic development plan and priority development areas of audit in the medium-term period for the Serbian SAI are being elaborated. The initiative to ensure additional support to Serbian SAI and to establish the strategic partnership with EU counterparts (also for the implementation of the Strategic development plan) as described in the present Project Fiche, has been duly discussed with the Norwegian partner. The ratio is of course in expanding the overall level of support to the Serbian SAI and in speeding up the implementation of the audit approach and the working practices and procedures of the SAI staff. The optimal beneficial effects are expected to result out of the timely, careful and conscious integrating of the two “arms of assistance” to the Serbian institution.

Component 2–Strengthening Capacities of the Audit Authority

Background

While the SAI would audit EU funds as part of any other public funds, the Audit Authority is to address the specific requirements of the EC regarding the verification of the effective and sound functioning of the management and control systems set up in Serbia for all components of IPA under a decentralised implementation system.

In accordance with the Framework Agreement (and related annexes C, D and E), the mandate of the AA (which is functionally fully independent from other actors of the system) includes:

- Establishing and fulfilling annual audit work plans encompassing audits aimed at verifying the effective functioning of the management and control systems and the reliability of accounting information provided to the EC by Serbia through the National Authorising Officer and/or the Competent Accrediting Officer (as relevant);

- Submitting to the EC, the Competent Accrediting Officer (CAO) and the National Authorising Officer (NAO):
- An annual audit activity report and a summary of any weaknesses found in the management and control system
- An annual audit opinion on functioning of the management and control systems and their compliance with the EC requirements;
- An opinion on annual / final statements of expenditure (as relevant depending on the respective IPA components) submitted to the EC by the NAO.

The AA methodology for the audit work, reports and audit opinions must comply with international standards on auditing in particular as regards the areas of risk assessment, audit materiality and sampling. That methodology may be complemented by any further guidance and definitions from the EC, notably in relation to an appropriate general approach to sampling, confidence levels and materiality.

Currently, the AA is established as an independent body in the Ministry of Finance, accountable only to the Minister of Finance, in her role of the Competent Accrediting Officer, thus providing for the functional independence from the players within the management and control system for EU funding (NAO, NF, PAO and CFCU). The recruitment process is in the initial stages – the selection panel is being formed and the selection criteria determined. According to the plan of the CAO, the first audit staff (the head of AA and two other auditors) are supposed to be recruited by the end of 2010. Also, in consultation with the auditors from DG Enlargement during their advisory mission in September, plans are being made for the AA to be relocated outside of the Ministry of Finance, in order to provide for an even greater degree of functional independence and a more favourable remuneration package for the auditors. The information on the change of location and new organisational structure of AA will be available to the EUD and EC as soon as the Serbian authorities have reached a decision.

Justification

As far as the AA is concerned, its establishment is a requirement deriving from the requirements of the framework Agreement in the context of the preparation for the conferral of management by the EC for all IPA components. The Serbian DIS Strategy and respective DIS roadmaps have been designed in order to prepare the AA for its role of independent auditor of IPA funds in Serbia.

Unlike other DIS institutions, the AA is not subject to national accreditation (no audit of the AA by Compliance auditors is required). Yet, the AA is part of the EC respective verification audits scope for all IPA components.

Its own preparation mainly consists in the development of audit procedures and training of staff to the extent achievable within the time spans of the respective DIS roadmaps of Serbia.

Experience in other countries has shown that even when the theoretical preparation of the AA to fulfil its responsibilities is confirmed, the actual implementation of the audit activities over EU funds has not been fully satisfactory. Strengthening the “operational” capacities of the AA during the post CoM phase is required to ensure that the AA are reliable and reconcile with the EC clearance of accounts decisions and audits.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

Impact:

Once the project would be implemented, benefits in terms of knowledge acquired and best practices will be spread and used for future activities and daily work in relation to audit of public funds in Serbia.

Sustainability:

Financial sustainability – the SAI staff will obtain important skills during the Project and be able to perform audits as well as continue with professional education depending on requirements and needs of the Institution. As the elaboration of the Human Resources Plan for SAI is also in the scope of the programmed assistance, the uninterrupted professional development of auditing staff in accordance with this Plan will be timely anticipated, quantified and planned for the financing through SAI proper budget resources also in the period after the completion of Norwegian and EU assistance.

- Institutional sustainability – as mentioned in the NPI, the SAI priorities relevant to the project in the years to follow are to develop the Strategic plan of the Institution, to continue with the recruitment of auditing staff; to develop and adopt further audit guidelines; to establish SAI branch offices in 3 regional centres; to continue cooperation with the INTOSAI, the EUROSAI and the European Court of Audit and to establish the Sector for performance audit. Since people are the prime resource of our SAI, the most effective way to strengthen capacity is through developing professional staff through training. By generating a pool of trainers and coaches able to disseminate skills and knowledge and breeding a culture of continuous improvement, training can also help make capacity building sustainable in our Institution.
- Policy level sustainability – one of the results of the project will be development of lacking audit guidelines and manuals for specific types of audit. The Project should also contribute to further harmonisation of Serbian state audit legislation with EU regulations.
- Regarding the AA, developing its capacities to audit pre-accession funds shall benefit to the preparation for future audit and certification of post-accession funds.

3.3 Results and measurable indicators

Component 1: Strengthening Capacities of the State Audit Institution of Serbia

Result 1.1

Comprehensive review of the SAI-related legal framework (laws, bylaws and regulations) undertaken, setting targets for possible amendments and enabling SAI staff to pursue the reforms towards more effective and efficient auditing (review completed within 18 months of commencement of the Project)

Measurable Indicators:

- *Report on the review of the legal framework including an action plan, timetable and recommendations on the necessary reforms required;*
- *Required legal changes made by the appropriate authorities; and*
- *Positive findings in the EC Progress Report on Serbia from the year following the project's closure.*

Result 1.2

SAI introduces an appropriate organisation and structure in accordance with good international practice (to be achieved within 12 months of commencement of Project)

Measurable Indicators

- *SAI Strategic Development Plan for five years is adopted and implemented;*
- *Appropriate Training and Human Resource Development Strategies are prepared as well as the respective implementation plans;*
- *Training Needs' Analysis completed and appropriate Training Plan and Calendar in place;*
- *Appropriate IT Development, Procurement and Communications Strategies are prepared and implementation plans prepared;*
- *Effective mechanisms for monitoring progress with implementation of the Strategic Development Plan and the associated strategies are established;*
- *SAI Administrative Manuals/Guidelines are prepared and issued;*
- *Job descriptions for audit and administrative positions in SAI are prepared and issued;*
- *Percentage of training programme realisation (including number of trainees, number of training sessions, number of training manuals and desk instructions developed); and*
- *Number of the SAI staff increased in the period of Project implementation in accordance with the SAI's Act on Systematization.*

Result 1.3

SAI staff is capable of performing all areas of audit in accordance with the Law on SAI and international auditing standards (to be achieved by the completion of the Project)

Measurable Indicators:

- *Annual Audit Plan prepared, setting out the number of regulatory/financial performance and any 'special' audits to be undertaken by each Audit Sector in the following year;*
- *Audit methodologies and the associated guidelines and generic manuals are prepared and issued;*
- *The number of audits undertaken by SAI increases gradually, year on year, throughout the duration of the Project and at least one Performance Audit completed and submitted to Parliament each year;*

- *Audit Quality Assurance arrangements established and recommendations issued addressing the gaps identified in the respective audit procedures;*

Result 1.4

Role and responsibilities of the Serbian SAI successfully communicated towards SAIs of EU Member States, the ECA and other relevant international institutions, as well as to domestic auditees, Parliament and civil society (initially by the end of 12 months, and ongoing throughout the Project)

Measurable Indicators:

- *Exchange of information with SAIs of EU MS's and ECA;*
- *Communication guidelines for the increase of visibility of SAI, its reputation and networking with relevant stakeholders, in place;*
- *Number of workshops and of attendees as per event of awareness raising or networking organized in line with the communication guidelines;*

Result 1.5

Detailed procedures for all types of audit consolidated with the SAI staff and implemented in the operations with an increased level of effectiveness (within 24 months of commencement of the Project and then ongoing)

Measurable Indicators:

- *Appropriate training events are held, including particular training for specialized areas, such as the audit of the National Bank;*
- *Detailed procedural manuals in the form of technical guidelines for treatment of each of the subjects of audit, including the specialized areas and in accordance with the needs' analyses, available;*
- *Selected audit staff are trained in the use of computer-assisted audit techniques;*
- *Computers and software procured and issued to the staff;*
- *Quality Assurance reports record year on year advancement in the implementation of the prescribed procedures;*
- *Number of audits undertaken (regularity/financial and performance audits); and*
- *Number of audit reports (regularity/financial and performance audits) issued to Parliament in accordance with target dates*

Component 2: Strengthening Capacities of the Audit Authority

Result 2.1

The AA implements its audit annual work plans in order to audit all Financing Agreements in accordance with the Framework and Sectoral agreements and using Computer Assisted Audit Techniques

Measurable Indicators:

- *Number of IPA funded programmes timely audited;*
- *Number of AA findings confirmed and/or reconciled by the EC auditors;*
- *Hardware and software set and actually used by the AA staff.*

Result 2.2

AA staff is able to provide for reliable opinions and reports.

Measurable Indicators:

- *Percentage of AA staff trained;*
- *Level of the training evaluations.*

3.4 Activities:

Note: All activities will be undertaken in close co-ordination with the current SAI partner – OAG Norway

Result 1.1

Comprehensive review of the SAI-related legal framework (laws, bylaws and regulations) undertaken, setting targets for possible amendments and enabling SAI staff to pursue the reforms towards more effective and efficient auditing (review completed within 18 months of commencement of the Project):

Activities related to result 1.1

1.1.1. Review the existing legal framework (laws, bye-laws and regulations) and draft recommendations with a respective time-schedule for the incremental introduction of the amendments;

1.1.2. Draft amendments to existing laws and regulations aiming at better efficiency and effectiveness of auditing and organize consultations with relevant stakeholders to inform and lobby for legislative reform.

Result 1.2

SAI introduces an appropriate organisation and structure in accordance with good international practice (to be achieved within 12 months of commencement of Project):

Activities related to result 1.2

- 1.2.1. Assisting SAI in implementing its Strategic Development Plan;
- 1.2.2. Assisting SAI in preparing appropriate Training and Human Resource Development Strategies;
- 1.2.3. Assisting SAI in undertaking a Training Needs' Analysis and with the preparation of an appropriate Training Plan and Calendar;
- 1.2.4. Assist SAI with preparation of appropriate IT Development, Procurement and Communications Strategies and implementation plans;
- 1.2.5. Advise SAI on effective mechanisms for monitoring progress with implementation of the Strategic Development Plan and the associated strategies;
- 1.2.6. Advise on SAI Administrative Manuals/Guidelines;
- 1.2.7. Advise on job descriptions for audit and administrative positions in SAI;
- 1.2.8. Advise on appropriate statistics to assist with the monitoring of the implementation plans.

Result 1.3

SAI staff is capable of performing all areas of audit in accordance with the Law on SAI and international auditing standards (to be achieved by the completion of the Project):

Activities related to result 1.3

- 1.3.1. Reviewing Annual Audit Plans and associated audit methodologies, guidelines and manuals;
- 1.3.2. Assisting SAI with a comprehensive training needs analysis and with drafting an appropriate Training Plan and calendar;
- 1.3.3. Conducting respective 'training of trainers' courses for targeted SAI staff;
- 1.3.4. Assist SAI with the provision of audit training for SAIS staff, including the development of course objectives, course plans and training materials;
- 1.3.5. Assist with the delivery of training courses for the representative sample of auditees;
- 1.3.6. Support SAI staff in conducting audits with various subjects, including performance audits, in accordance with the Annual Audit Plan;
- 1.3.7. Reassess the procedures for Quality Assurance, drafting the recommendations for plugging of the potentially identified gaps and supporting the SAI staff in practicing the respective standards in everyday work.

Result 1.4

Role and responsibilities of the Serbian SAI successfully communicated towards SAIs of EU Member States, the ECA and other relevant international institutions, as well as to domestic auditees, Parliament and civil society (initially by the end of 12 months, and ongoing throughout the Project):

Activities related to result 1.4

1.4.1. Elaborate strategic recommendations/guidelines on improving networking of SAI with SAIs of EU MS's, ECA, and other relevant international institutions, as well as on increasing SAI's visibility and reputation amongst domestic auditees, Parliament, civil society and other relevant stakeholders;

1.4.2. Advise on suitable counterpart institutions and potential study visits and/or internships for the SAI staff in SAIs of EU Member States and in the ECA;

1.4.3 Organize conferences and/or workshops on awareness rising and networking, in accordance with the communication guidelines and strategic recommendations

Result 1.5

Detailed procedures for all types of audit consolidated with the SAI staff and implemented in the operations with an increased level of effectiveness (within 24 months of commencement of the Project and then ongoing):

Activities related to result 1.5

1.5.1. Carry out a needs assessment on the necessity for the further improvements of SAIS specific audit procedures, with particular consideration of the specialised areas such as the audit of the National Bank;

1.5.2. Carry out a needs assessment on the necessity for the further improvements of SAIS administrative procedures, including e.g. IT needs and procurement;

1.5.3. Draft detailed procedural manuals in the form of technical/methodological guidelines to facilitate treatment of each of the subjects of audit, including computer-assisted auditing techniques;

1.5.4. Advise SAI on appropriate performance measures for training events, audits undertaken, audit reports presented to Parliament and quality assurance recommendations.

Component II: Strengthening Capacities of the Audit Authority

Result 2.1

The Audit authority implements its audit annual work plans in order to audit all Financing Agreements in accordance with the Framework and Sectoral agreements and using Computer Assisted Audit Techniques

Activities related to result 2.1

2.1.1. Methodologies and Computer Assisted Audit Techniques: updating the AA manuals of procedures (as needed and relevant) and providing for an audits computerised tools (hardware and software)

Description:

The AA methodologies shall be formalised in its internal manuals of procedures. The project shall support the AA in updating its manuals of procedures (as needed and relevant) taking into account recommendations which may emanate from the EC. The training of the AA staff shall be upgraded accordingly.

In addition, the project shall embed in the AA methodologies and manuals the recourse to a computer based audit program in order to optimise the audit resources and speed-up the audit work. The TA shall assist the AA in developing a strategy in terms of Computer Assisted

Audit Techniques, identifying a cost effective IT solution (hardware and software) to meet its needs and ultimately preparing and implementing the tender procedure accordingly.

Result 2.2

Audit authority A staff is able to provide for reliable opinions and reports

Activities related to result 2.2

2.2.1 Training Needs Analysis / Training Programme and certification of auditors

Description:

The AA staff shall be fully trained with regard to the specificities of the respective IPA components and to the methodology for the audit work, reports and audit opinions (in accordance with the ISSAI) in particular as regards the areas of risk assessment, audit materiality and sampling and reporting.

The project shall provide for a Training Needs Analysis, regular updates of the AA Training Programme and implement training actions accordingly. The training activities shall provide for a balance between theoretical information, case studies based on real life experience and ad-hoc on the job training (hands-on support).

The training programme shall include intensive training on Computer Assisted Audit Techniques and the actual use of the hardware and software anticipated under § 4.1 Methodologies and tools

The project training programme shall also aim at certifying the AA auditors (if the AA staff is not already certified) and exchange with Audit Authorities of other countries through networking and study visits.

The Project will be implemented through one twinning, one service and one supply contract.
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3.5 Conditionality and sequencing:

Conditionality

In both cases – i.e. for both of the Project components, there is an important conditionality regarding the setting up of the appropriate structures which will be the crucial recipients of the envisaged assistance.

When it comes to the State Audit Institution, initial functioning and staffing problems have been successfully solved and this institution well embarked with the first major steps in auditing public finances in the Republic of Serbia. Namely, as a result of competitive recruitment procedure, there has been significant increase in the number of employees in December 2010 and January 2011. It is envisaged that before the end of 2011 all SAI organizational units will be almost completely staffed (in line with the adopted Act on Systematization). Financial means for both the logistics/facilities as well as for the salaries for the future employees, were properly budgeted already in the SAI's financial plan for the year 2010, and will have the appropriate follow up in the budget for year 2011. As an additional argument that the staffing procedure will be largely successful, it is worth mentioning that the

provisions of the newly adopted Amendments to the Law on the State Audit Institution¹³ envisage very favourable and competitive working conditions and thus eliminate the recruitment obstacle faced in the previous period of the functioning of the Institution.

As the benchmark of the commitment to the effective use of the programmed assistance, the adoption of the Strategic Plan prior to the commencement of the Twinning Project is set out as the inherent precondition. This will provide an important indicator of achievement in itself, but it will also outline the key performance indicators for the various activities determined in the Strategic Plan and will thus make a useful substance notably for the purposes of defining the Working Plan with the Twinning Partner (but perhaps even much earlier in the phase of fine-tuning of the Twinning Fiche).

In the case of the Audit Authority, the start of the implementation of the second project component is conditioned by the establishment of the AA, or as minimum appointment of the Head of AA.

Sequencing

First Project Component will be implemented in the form of Twinning and there are no particular issues regarding the sequencing.

For the second Project Component, Service Contract will be launched first and the Supply Contract will follow approximately 3 quarters later.

3.6 Linked activities

'Institutional Capacity Development of the SAI Serbia''

Office of the Auditor General of Norway (OAGN)

2008-2013

Bearing in mind the need for continued improvement of financial management within the public sector of Serbia and recognising that there are sound reasons for promoting cooperation, the Parties established long-term cooperation Project on providing assistance to institutional capacity development. The overall objective of this support, as it was seen when launched in the early stages of operations of Serbian SAI, is to ensure carrying out of high quality audits, thereby promoting transparency, accountability and good governance in the management of public funds. For the purpose of this Project, annual activity plans are developed based on the needs expressed by the SAI Serbia. In the period 2008-2010, most of the activities focused on on-the-job training and consultancy in financial audit (for the audit of the final accounts of the 2008 and 2009 budget of the Republic of Serbia); quality assurance of 2008 audit; introductory courses in financial audit for new SAI Serbia staff; Initiation of cooperation between Parliaments of Serbia and Norway with a special focus on support for and follow up on the SAI reports; assistance in developing audit methodology for financial audit; assistance in developing the Strategic Plan of the SAI Serbia; continued assistance and consultancy for public relations and information management; assistance in developing the Code of Ethics for the SAI staff; assistance in developing audit methodology for performance audit.

"Strengthening Accountability Mechanism in Public Finance"

Government of Norway

2010-2011

¹³ Adopted on 26th of May 2010, "Official Gazette" of the Republic of Serbia No. 36

The purpose of the project is to support the establishment of effective and sustainable accountability mechanisms in public finance in Serbia. The objective is to enhance preventive and investigative facets of the public spending cycle through capacity development activities in three public institutions: the Public Procurement Office (prevention), the Commissioner for Information of public importance and personal data protection and the State Audit Institution (post factum and investigative). The project will also strengthen the capacity of the media and CSOs to actively participate in the enhancement of accountability and transparency processes so as to become permanent part of monitoring and control mechanisms.

The project component aimed to the SAI Serbia will support the SAI in the development of Certification Program for acquiring audit titles, conducting trainings in line with the training needs analyses and assistance in drafting Communication Strategy and implementing PR activities.

“Agreement on Financial support to SAI Serbia by the Royal Norwegian Embassy in Belgrade”

The Royal Norwegian Embassy in Belgrade

2009-2010

The financial support is earmarked for English language lessons for five members of the SAI Council as well as two supreme state auditors, secretary general of SAI and joint lessons for four SAI 12 employees.

It is of high relevance to note that both Serbian SAI and the Norwegian partners agreed that the jointly estimated scope of assignments of the SAI is such, that in the following mid-term period it requires for a substantial assistance, preferably in the form of twinning with EU MS, which would complement the Norwegian technical assistance. SIGMA, being the excellence and the strategic-level advisor to Serbian SAI from the very beginning, is also in line with this kind of perception.

In general terms, Twinning is supposed to support the Serbian SAI in the critical times of the expansion of its interventions, at the point where this institution will operate with almost full human capacity and will be expected to start with regular and reliable audits other than that of the state budget. Such categories of operations refer notably to audits of the financial statements of territorial autonomies and local self governments’ (with at least 3 regional SAI branches established throughout Serbia with delegated competences to perform those audits), financial audits in the organizations of the mandatory social insurance and in the public enterprises, or that of the National Bank of Serbia, which are, for the time being, only addressed through the pioneering attempts and on the level of the pilot samples. Furthermore, it is estimated that the Twinning-type of assistance provides for a suitable kind of consistency and institutional-strengthening, which is required in order to concert the introduction of the INTOSAI Auditing Standards in various parts of the SAI’s organizational structure and in order to prepare the Serbian institution as a whole for the challenges of performance auditing.

In more practical terms, to eliminate any doubt regarding the coherence between the two sources of assistance and in order to make them more manageable, Serbian SAI, from the position of the Beneficiary, envisages reaching of a clear understanding between the Norwegian and EU partners. It will be up to the PSCs’ to decide on the level of exhaustiveness and formalization of this mutual agreement immediately after the successful Twinning Partner is appointed. The essence is to ensure that the potential for confusion, overlap and duplication is minimised, as well as that the assistance provided within the scope of the Twinning always builds upon the work that OAG Norway have already undertaken (notably in the Sector dealing with the audit of the ‘State Budget’) and to complement by the

on-the-job, day-to-day interactions with the SAI staff everything that is being agreed on the broader scale and upon the authorization of the PSCs.

3.7 Lessons learned

Comprehensive approach to PFM

The need for a comprehensive approach to Public Finance Management (PFM) – SAIs are not stand-alone institutions; they are part of a PFM architecture that also includes budgeting, accounting, internal control and audit and legislative oversight. Improving the way the SAI functions is integral to improving the overall PFM system.

Demand for good public sector external auditing is necessary for SAI impact. This requires willingness of the executive branch to accept external scrutiny over its management of funds and a local consistency for reform.

The SAI and the Ministry of Finance and the National Assembly/Finance Committee must maintain an effective working relation. A key responsibility of an SAI is the external audit of the state financial statements to international accepted public sector external audit standards, which should add credibility to the statements. This requires timely preparation availability of such statements – a responsibility of the Ministry of Finance.

Adequate training approach

Pilot audits and workshops are the most effective when auditors already have basic theoretical knowledge (experience of SAI Serbia-OAGN Project). Although most auditors were capable of working in line with INTOSAI auditing standards, some seemed to find the transition from control/budget inspection to audit difficult to accept because changes needed a lot of effort. Others found it difficult to change their usual working habits, and still others lacked appropriate skills and competencies (similar situation in SAI Lithuania).

It is a useful practice to consider training for non-audit staff as well, such as the audit-awareness training course for employees envisaged in the Twinning project. This will help staff such as administrative support staff to better understand the work of their SAI and purpose of changes introduced through the Twinning activities (experience of SAI Croatia).

Sustainability

Development of training strategy and programs for in-house training, training of trainers specialised in different areas to ensure continuation of development activities after the project ends (experiences shared by SAIs of Bulgaria, Czech Republic, Croatia, Lithuania, Poland, and Romania).

Networking

The following issues are particularly relevant for SAIs:

- Step up cooperation between individual SAIs and EUROSAI/INTOSAI, including its Regional Working Groups, with international organisations such as the European Court of Auditors, INTOSAI Development Initiative, OECD/SIGMA, the World Bank, UN organisations, as well as with civil society.
- Strengthening and promoting international and inter-institutional cooperation and promoting the exchange of information to ensure better transfer of know-how and strategic cooperation.
- Develop appropriate guidelines and manuals (best practice notes) and promote strategic cooperation.

- Create a constitutional framework for SAIs which guarantees comprehensive audit mandates and unrestricted access to information, allows SAIs to make their reports public, and supports transparency and accountability.
- Promote peer reviews.

4. INDICATIVE BUDGET (AMOUNTS IN MILLION EUR)

Strengthening Capacities of the State Audit Institution and the Audit Authority			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a) = (b) + (c) + (d)	EUR (b)	% (2)	Total EUR (c) = (x) + (y) + (z)	% (2)	Central EUR (x)	Regional / Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contract 1 (Twinning)	X		1.4	1.4	100%							–
Contract 2 (TA)	X		0.5	0.5	100%							–
Contract 3 (Supply)		X	0.4	0.4	100%							–
TOTAL IB			1.9	1.9	100%							
TOTAL INV			0.4	0.4	100%							
TOTAL PROJECT			2.3	2.3	100%							

Amounts net of VAT

5. INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN PER QUARTER)

Contracts	Start of Tendering	Signature of contract	Project Completion
Twinning Contract	T+1Q	T+3Q	T+11Q
Service Contract	T+1Q	T+3Q	T+11Q
Supply Contract	T+4Q	T+6Q	T+9Q

6. CROSS CUTTING ISSUES

6.1 *Equal Opportunity*

The Project does not target women specifically, but general improvement in public finance management will be beneficial to all citizens, including women. The SAI in Serbia and the AA shall have an equal opportunities policy and not discriminate against employees in any form, be it age, gender, or race/ethnicity.

6.2 *Environment*

The project does not foresee activities which could have adverse effect on the environment. The implementing partners will take care of environmental safety in all planned activities.

6.3 *Minorities*

All minorities will benefit from this project, as its impact concerns all the citizens of the Republic of Serbia. The respect of minority and human rights is guaranteed by the Constitution of the Republic of Serbia.

ANNEXES

Annex I. Log frame in Standard Format

Annex II. Amounts contracted and Disbursed per Quarter over the full duration of Programme

Annex III. Description of Institutional Framework

Annex IV. Reference to laws, regulations and strategic documents

Annex V. Details per EU funded contract

ANNEX I: Logical framework matrix

ANNEX 1. LOGICAL FRAMEWORK MATRIX			
Title: Strengthening Capacities of the State Audit Institution and the Audit Authority		Contracting period expires 2 years after the signature of the Financing Agreement	Disbursement period expires 5 years after the signature of the Financing Agreement
		Total budget :EUR 2.3 million	IPA budget: EUR 2.3 million
OVERALL OBJECTIVE	Objectively verifiable indicators	Sources of Verification	
To contribute to accountability and effective management of public and EU funds in Serbia via the strengthening of capacities of the State Audit institution and of the Audit Authority	<ul style="list-style-type: none"> ▪ Positive assessment on the progress of Serbia in the area of financial control. ▪ The number of SAI and AA recommendations implemented by the auditees. ▪ The number of SAI recommendations from the obligatory audit reports¹⁴ adopted by the National Assembly. 	<ul style="list-style-type: none"> ▪ EC Annual Progress Report for Serbia ▪ EC Clearance of accounts decisions for IPA programmes ▪ SAI's Annual Activity Report adopted by the National Assembly. ▪ Finance Committee's reports/decisions, containing opinions and recommendations regarding the SAI Reports, submitted to the National Assembly (the same logic should be followed on regional and municipal levels) ▪ Decisions of the National 	

¹⁴ Obligatory Audit Reports are specified in the Article 43 of the Law on SAI and they are: special reports during the year (required by the National Assembly itself); audit report on the final accounts of the budget of the Republic of Serbia, final accounts of the financial plans of mandatory insurance organisations and consolidated financial reports of the Republic.

		Assembly on the proposed reports/decisions of the Finance Committee (the same logic should be followed on regional and municipal levels)	
SPECIFIC PROJECT PURPOSE	Objectively verifiable indicators	Sources of Verification	Assumptions
<p><u>Component 1 – Strengthening Capacities of the State Audit Institution of Serbia</u></p> <p>To provide further support to SAI in aligning its organizational and managerial structure, procedures, practice and the overall performance with internationally accepted standards and EU best practice</p> <p><u>Component 2 –Strengthening Capacities of the Audit Authority</u></p> <p>To strengthen the operational capacities of the Audit Authority to perform its audit and report activities in line with internationally accepted audit standards and in accordance with the requirements of the Framework, Sectoral and Financing agreements.</p>	<ul style="list-style-type: none"> ▪ The number of Audit Reports prepared and submitted to the National Assembly, LSGs’ assemblies and local governments ▪ Each of SAI Departments covered within the scope of the Project will produce at least one audit report relevant to their audit subject in the final year of project implementation ▪ The number of reports and opinions prepared and submitted by the Audit Authority to the EC 	<ul style="list-style-type: none"> ▪ Audit Reports submitted to the National Assembly (the same logic should be followed on regional and municipal levels) ▪ SAI’s Annual Activity Report adopted by the National Assembly ▪ AA activity reports 	<ul style="list-style-type: none"> ▪ Continued government commitment to the EU accession process ▪ Continued political commitment to meet the EU accession requirements ▪ Institutional stability ensured
RESULTS	Objectively verifiable indicators	Sources of Verification	Assumptions

<p>Component I (SAI)</p> <p>1.1. Comprehensive review of the SAI-related legal framework (laws, bylaws and regulations) undertaken, setting targets for possible amendments and enabling SAI staff to pursue the reforms towards more effective and efficient auditing (review completed within 18 months of commencement of the Project)</p>	<ul style="list-style-type: none"> ▪ Report on the review of the legal framework including an action plan, timetable and recommendations on the necessary reforms required; ▪ Required legal changes made by the appropriate authorities; and ▪ Positive findings in the EC Progress Report on Serbia from the year following the project's closure. 	<ul style="list-style-type: none"> ▪ EC Progress Reports on Serbia ▪ Audit Reports submitted to the National Assembly (the same logic should be followed on regional and municipal levels) ▪ SAI's Annual Activity Report adopted by the National Assembly ▪ Project Progress Reports ▪ Official correspondence archive ▪ Training materials, manuals and desk instructions ▪ Training reports ▪ Procedural manuals endorsed by the SAI Serbia 	<ul style="list-style-type: none"> ▪ Appropriate staffing levels ensured ▪ Institutional stability and independence also on the level of preparedness of Serbian authorities to acknowledge the need for probable legislative amendments to ensure the professional and financial independence of SAI and the AA ▪ Adequate budgetary provisions envisaged for running costs and/or any necessary capital expenditure regarding SAI and the AA ▪ Existence of the adopted Strategic Plan of SAI
<p>1.2. SAI introduces an appropriate organisation and structure in accordance with good international practice (to be achieved within 12 months of commencement of Project)</p>	<ul style="list-style-type: none"> ▪ SAI Strategic Development Plan for five years is adopted and implemented; ▪ Appropriate Training and Human Resource Development Strategies are prepared as well as the respective implementation plans; ▪ Training Needs' Analysis completed and appropriate Training Plan and Calendar in place; ▪ Appropriate IT Development, Procurement and Communications Strategies are prepared and implementation plans prepared; ▪ Effective mechanisms for monitoring progress with implementation of the Strategic Development Plan and the associated strategies are established; 		

	<ul style="list-style-type: none"> ▪ SAI Administrative Manuals/Guidelines are prepared and issued; ▪ Job descriptions for audit and administrative positions in SAI are prepared and issued; ▪ Percentage of training programme realisation (including number of trainees, number of training sessions, number of training manuals and desk instructions developed); and ▪ Number of the SAI staff increased in the period of Project implementation in accordance with the SAI's Act on Systematization. 		
<p>1.3. SAI staff is capable of performing all areas of audit in accordance with the Law on SAI and international auditing standards (to be achieved by the completion of the Project)</p>	<ul style="list-style-type: none"> ▪ Annual Audit Plan prepared, setting out the number of regulatory/financial performance and any 'special' audits to be undertaken by each Audit Sector in the following year; ▪ Audit methodologies and the associated guidelines and generic manuals are prepared and issued; ▪ The number of audits undertaken by SAI increases gradually, year on year, throughout the duration of the Project and at least one Performance Audit completed and submitted to Parliament each year; 		

	<ul style="list-style-type: none"> ▪ Audit Quality Assurance arrangements established and recommendations issued addressing the gaps identified in the respective audit procedures 		
<p>1.4. Role and responsibilities of the Serbian SAI successfully communicated towards SAIs of EU Member States, the ECA and other relevant international institutions, as well as to domestic auditees, Parliament and civil society (initially by the end of 12 months, and ongoing throughout the Project)</p>	<ul style="list-style-type: none"> ▪ Exchange of information with SAIs of EU MS's and ECA; ▪ Communication guidelines for the increase of visibility of SAI, it's reputation and networking with relevant stakeholders, in place; ▪ Number of workshops and of attendees as per event of awareness raising or networking organized in line with the communication guidelines; 		
<p>1.5 Detailed procedures for all types of audit consolidated with the SAI staff and implemented in the operations with an increased level of effectiveness (within 24 months of commencement of the Project and then ongoing)</p>	<ul style="list-style-type: none"> ▪ Appropriate training events are held, including particular training for specialized areas, such as the audit of the National Bank; ▪ Detailed procedural manuals in the form of technical guidelines for treatment of each of the subjects of audit, including the specialized areas and in accordance with the needs' analyses, available; ▪ Selected audit staff are trained in the use of computer-assisted audit techniques; 		

	<ul style="list-style-type: none"> ▪ Computers and software procured and issued to the staff; ▪ Quality Assurance reports record year on year advancement in the implementation of the prescribed procedures; ▪ Number of audits undertaken (regularity/financial and performance audits); and ▪ Number of audit reports (regularity/financial and performance audits) issued to Parliament in accordance with target dates 		
<p>Component II (AA)</p> <p>2.1. The AA implements its audit annual work plans in order to audit all Financing Agreements in accordance with the Framework and Sectoral agreements and using Computer Assisted Audit Techniques</p>	<ul style="list-style-type: none"> ▪ Number of IPA funded programmes timely audited. ▪ Number of AA findings confirmed and/or reconciled by the EC auditors ▪ Hardware and software set and actually used by the AA staff 	<ul style="list-style-type: none"> ▪ EC Clearance of accounts decisions 	
<p>2.2. AA staff is able to provide for reliable opinions and reports</p>	<ul style="list-style-type: none"> ▪ Percentage of AA staff trained ▪ Level of the training evaluations 	<ul style="list-style-type: none"> ▪ AA Activity reports ▪ Training reports 	

Activities	Means & Costs	Assumptions
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Activities	Means & Costs	Assumptions
<p>Component I</p> <p>Activities related to Result 1.1</p> <p>1.1.1. Review the existing legal framework (laws, bye-laws and regulations) and draft recommendations with a respective time-schedule for the incremental introduction of the amendments;</p> <p>1.1.2. Draft amendments to existing laws and regulations aiming at better efficiency and effectiveness of auditing and organize consultations with relevant stakeholders to inform and lobby for legislative reform.</p>	<p>1. Twinning Contract for SAI – EUR 1.4 million</p>	<p>Availability and motivation of SAI and AA staff</p> <p>The SAI and AA adequately and timely staffed</p> <p>Availability and motivation of auditees</p> <p>Support of the SAI Serbia management to the Project implementation</p> <p>Ensured efficient coordination with other relevant projects</p>
<p>Activities related to Result 1.2</p> <p>1.2.1. Assisting SAI in implementing its Strategic Development Plan;</p> <p>1.2.2. Assisting SAI in preparing appropriate Training and Human Resource Development Strategies;</p> <p>1.2.3. Assisting SAI in undertaking a Training Needs’ Analysis and with the preparation of an appropriate Training Plan and Calendar;</p> <p>1.2.4. Assist SAI with preparation of appropriate IT Development, Procurement and Communications Strategies and implementation plans;</p> <p>1.2.5. Advise SAI on effective mechanisms for monitoring progress with implementation of the Strategic Development Plan and the associated strategies;</p> <p>1.2.6. Advise on SAI Administrative Manuals/Guidelines;</p> <p>1.2.7. Advise on job descriptions for audit and administrative positions in SAI;</p> <p>1.2.8. Advise on appropriate statistics to assist with the monitoring of the implementation plans.</p>		
<p>Activities related to Result 1.3</p> <p>1.3.1. Reviewing Annual Audit Plans and associated audit methodologies, guidelines and manuals;</p>		

1.3.2. Assisting SAI with a comprehensive training needs analysis and with drafting an

Activities	Means & Costs	Assumptions
<p>appropriate Training Plan and calendar;</p> <p>1.3.3. Conducting respective ‘training of trainers’ courses for targeted SAI staff;</p> <p>1.3.4. Assist SAI with the provision of audit training for SAIS staff, including the development of course objectives, course plans and training materials;</p> <p>1.3.5. Assist with the delivery of training courses for the representative sample of auditees;</p> <p>1.3.6. Support SAI staff in conducting audits with various subjects, including performance audits, in accordance with the Annual Audit Plan;</p> <p>1.3.7. Reassess the procedures for Quality Assurance, drafting the recommendations for plugging of the potentially identified gaps and supporting the SAI staff in practicing the respective standards in everyday work.</p>		
<p>Activities related to Result 1.4</p> <p>1.4.1. Elaborate strategic recommendations/guidelines on improving networking of SAI with SAIs of EU MS’s, ECA, and other relevant international institutions, as well as on increasing SAI’s visibility and reputation amongst domestic auditees, Parliament, civil society and other relevant stakeholders;</p> <p>1.4.2. Advise on suitable counterpart institutions and potential study visits and/or internships for the SAI staff in SAIs of EU Member States and in the ECA;</p> <p>1.4.3 Organize conferences and/or workshops on awareness rising and networking, in accordance with the communication guidelines and strategic recommendations</p>		

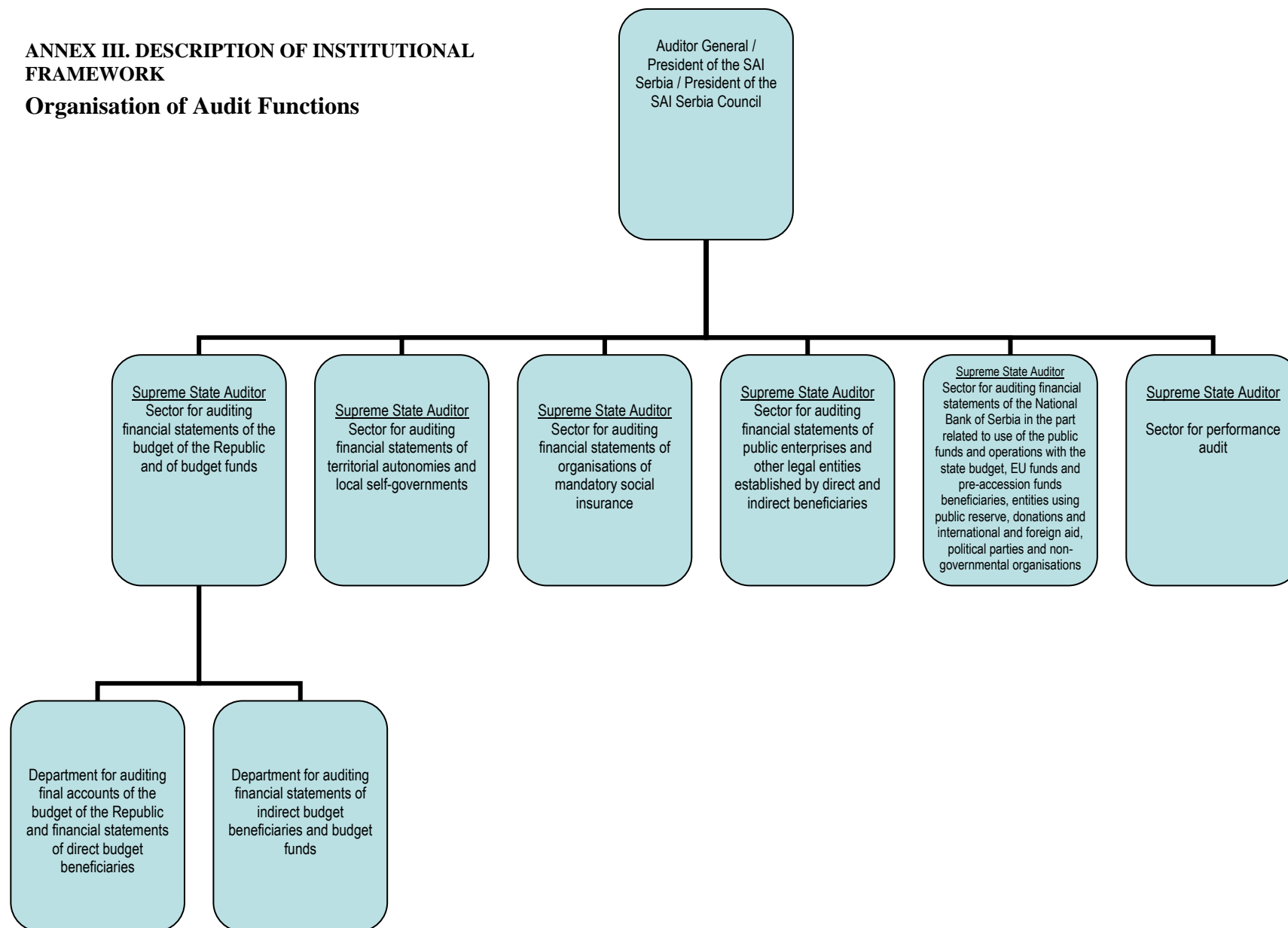
Activities	Means & Costs	Assumptions
<p>Activities related to Result 1.5</p> <p>1.5.1. Carry out a needs assessment on the necessity for the further improvements of SAIS specific audit procedures, with particular consideration of the specialised areas such as the audit of the National Bank;</p> <p>1.5.2. Carry out a needs assessment on the necessity for the further improvements of SAIS administrative procedures, including e.g. IT needs and procurement;</p> <p>1.5.3. Draft detailed procedural manuals in the form of technical/methodological guidelines to facilitate treatment of each of the subjects of audit, including computer-assisted auditing techniques;</p> <p>1.5.4. Advise SAI on appropriate performance measures for training events, audits undertaken, audit reports presented to Parliament and quality assurance recommendations.</p>		
<p><u>Component II</u></p> <p>Activities related to Result 2.1</p> <p>2.1.1. Methodologies and Computer Assisted Audit Techniques: updating the AA manuals of procedures (as needed and relevant) and providing for an audits computerised tools (hardware and software)</p>	<p>2. Technical Assistance for the Audit Authority - Service Contract – EUR 0.5 million</p>	
<p>Activities related to Result 2.2.</p> <p>2.2.1 Training Needs Analysis / Training Programme and certification of auditors</p>	<p>3. Purchase of hardware and software for AA - Supply Contract – EUR 0.4 million</p>	

ANNEX II. AMOUNTS CONTRACTED AND DISBURSED PER QUARTER OVER THE FULL DURATION OF PROGRAMME

Contracted	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	TOTAL
Contract 1- Twinning			1.4									1.4
Contract 2- Service			0.5									0.5
Contract 3- Supply						0.4						0.4
Cumulated			1.9			2.3						2.3
Disbursed	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	TOTAL
Contract 1- Twinning			0.28	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	1.4
Contract 2- Service			0.15		0.10		0.10		0.10		0.05	0.5
Contract 3- Supply						0.24			0.16			0.4
Cumulated			0.43	0.57	0.81	1.19	1.43	1.57	1.97	2.11	2.3	2.3

ANNEX III. DESCRIPTION OF INSTITUTIONAL FRAMEWORK

Organisation of Audit Functions



ANNEX IV. REFERENCE TO LAWS, REGULATIONS AND STRATEGIC DOCUMENTS

- Constitution of the Republic of Serbia
- Law on the State Audit Institution (“Official Gazette of the RS”, no.101/2005 and 54/2007)
- Rules of Procedure of the State Audit Institution
- Fourth report of the Council of Europe (January 2008-February 2009) as of March 31st 2009
- 2008/213/EC: Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Serbia including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2006/56/EC (*Official Journal L 080*, 19/03/2008 P. 0046 – 0070).
- Stabilisation and Association Agreement between the European Communities and their member states of the one part, and the Republic of Serbia, of the other part
- Amended National Programme for Integration of the Republic of Serbia into the European Union (NPI), Belgrade, December 2009
- Multi-Annual Indicative Planning Document for Serbia for the period 2009-2011
- National Anti-corruption Strategy as of December 8, 2005
- Action Plan for Implementation of the National Anti-corruption Strategy
- Action Plan for Serbian Public Administration Reform Implementation 2009-2012 adopted by the Government in July 2009
- The Council of the European Union, Council Decision of 25 September 2008 on the conclusion, on behalf of the European Community, of the United Nations Convention against Corruption (2008/801/EC)
- Recommendation 7 of the “Recommendations concerning the Functioning of SAIs in the Context of European Integration” (the “Prague Recommendations”)
- Memorandum of understanding between the European Commission, representing the European Union and the Republic of Serbia, as of 2010, related to the Macro-Financial Assistance in the form of a loan facility (Decision 2009/892/EC, Official Journal of the EU, L320, 5.12.2009, p. 9-11)
- 2009 Progress Report of the EC for Serbia (Brussels, SEK 1339)
- Framework Agreement between the Government of the Republic of Serbia and the Commission of the European communities on the rules for co-operation concerning EC-financial assistance to the Republic of Serbia in the framework of the implementation of the assistance under the instrument for pre-accession assistance (IPA)

- IPA respective Financing agreements
- Sectoral Agreement for IPARD
- DIS Strategy
- DIS roadmaps for SERBIA
- DIS regulatory framework
- IPA
- Council Regulation (EC) N- 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
- Commission Regulation (EC) N- **718/2007** of 12 June 2007 implementing Council Regulation (EC) N- 1085/2006 establishing an instrument for pre-accession assistance (IPA)

EU Financial regulation

- Council Regulation (EC, EURATOM) N- **1995/2006** of 13 December 2006 **amending** Regulation (EC, Euratom) N- **1605/2002** on the Financial Regulation applicable to the general budget of the European Communities
- Council Regulation (EC, Euratom) N- **1605/2002** of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities
- Commission Regulation (EC, Euratom) N- **2342/2002** of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) N- 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities
- Commission Regulation (EC, EURATOM) N- **478/2007** of 23 April 2007 amending Regulation (EC, Euratom) N- 2342/2002 laying down detailed rules for the implementation

Irregularities and OLAF

- Council Regulation (EC, Euratom) N- **2988/95** of 18 December 1995 on the protection of the European Communities financial interests Commission Regulation (EC) N- **1848/2006** of 14 December 2006 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organisation of an information system in this field and **repealing** Council Regulation (EEC) N- **595/91**
- Commission Regulation (EC) N- **2035/2005** of 12 December 2005 amending Regulation (EC) N- 1681/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organisation of an information system in this field
- Commission Regulation (EC) N- **2168/2005** of 23 December 2005 amending Regulation (EC) N- 1831/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field
- Council Regulation (Euratom, EC) N- **2185/96** of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities
- Working document - Requirement to notify irregularities: practical arrangements. 19° CoCoLaF 11/04/2002

- Interinstitutional Agreement of 25 May 1999 between the European Parliament, the Council of the European Union and the Commission of the European Communities concerning internal investigations by the European Anti-fraud Office (OLAF)
- Regulation (EC) N- **1073/1999** of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)
- Council Regulation (EURATOM) N- **1074/1999** of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)
- Commission Decision of 28 April 1999 establishing the European Anti-fraud Office (OLAF) (notified under document number SEC(1999) 802) (1999/352/EC, ECSC, Euratom)

ANNEX V. DETAILS PER EU FUNDED CONTRACT WHERE APPLICABLE:

TWINNING CONTRACT

MS Project Leader shall devote a portion of his/her time to conceiving, supervising and co-ordinating the overall thrust of the project. The MS Project Leader should be a high-ranking civil servant or equivalent staff commensurate with the requirement for an operational dialogue and backing at political level. The MS Project Leader is not an Adviser; s/he directs the implementation of the project. S/he shall be complemented by at least three MS full-time experts, one of which will also act as the Resident Twinning Advisor (RTA). The MS Project Leader will cooperate closely with the counterpart Project Leader from Serbian SAI and will ensure the overall steering and co-ordination of the project.

MS Project Leader must have at least 8 years' experience in managing development projects, preferably Twinning projects dealing with public sector audit. MS Project Leader shall have a rank equivalent to university level and should have a good working knowledge of English.

It is envisaged that the SAI will provide counterparts for each of the **Twinning Key Experts**. One of the key experts should be appointed for the Resident Twinning Advisor (RTA) and subsequently is required to dispose of excellent management skills regarding the totality of the Twinning team. RTA and (minimum) the two Key Experts shall be civil servants or equivalent staff seconded to work and to be based in the Serbia for 24 consecutive months. They are expected to provide technical advice and assist the Serbian SAI in the context of a predetermined work plan and in achieving the outlined results through a day-to-day implementation of the Project activities.

RTA and the two Key Experts shall carry out their duties and conduct themselves solely with the interests of the host administration as well as those of the EU in mind. In order to enable better focusing on the essence of the Project, the PIU within the SAI will provide support to the Twinning Team in logistics, accounting and administrative issues.

RTA and (minimum) the two Key Experts are required to have at least five years' experience in the organisation and practical implementation in the respective substance fields of the present project proposal. This goes also for the performance of other duties which will be detailed in the Twinning Fiche covering their secondment. RTA and the Key Experts shall have a rank equivalent to university level and should have a good working knowledge of English.

Short and Mid-Term Experts

Short and medium-term experts will join the Project team depending on the needs assessment and twinning work plans. Most likely there will be a need for expertise in auditing and application of INTOSAI standards, training, *acquis*, performance audit, etc.

Project Steering Committee

The Project Steering Committee (PSC) will be established to provide strategic guidance while the Project Implementation Unit (PIU) will assist the Twinning Team in logistics, accounting and administrative tasks. The PSC will encompass the Project Leader, RTA and (at least) two Long-Term Key Experts, as well as their respective BC counterparts, representatives of the EU Delegation and the representatives of other key partners from State Bodies or professional organisations. The latter will be invited as per need to participate at the SC meetings in the capacity of associated members, if so agreed between the PSC members. It is expected from the EC representatives to provide guidance on procurement and monitoring issues. In order to ensure sound roll-out of the planned activities, the PSC will meet quarterly and ad hoc as

required, to discuss and endorse key decisions, such as annual work plans and semi-annual and annual progress reports.

The PIU will be based in SAI, and will also act as technical secretariat of the PSC.

Service contract

The contractor will be selected in accordance with the rules and procedures of the Practical Guide to Contract Procedures Financed by the General Budget of the EC in the Context of External Actions – “PRAG”.

Supply contract

The contractor will be selected in accordance with the rules and procedures of the Practical Guide to Contract Procedures Financed by the General Budget of the EC in the Context of External Actions – “PRAG”.