

Standard Project Fiche

1. Basic Information

1.1 **Desiree Number:** RO-2002/000-586.03.03

1.2 **Title:** Further Institutional Strengthening of the Court of Accounts

1.3 **Sector:** Finance

1.4 **Twinning component:** RO02/IB/FI – 10 Strengthening the institutional capacity of the Romanian Court of Accounts (Budget: 0.8 MEuro, Duration: 24 months)

1.5 **Location:** Court of Accounts, Bucharest, Romania

2. Objectives

2.1 Overall Objective

Strengthening the institutional capacity of the Court of Accounts of Romania as an independent, professional and trustful external audit of public funds institution; extending its competencies and activities by introducing the modern audit methods in accordance with the internationally agreed auditing standards and the best European practice, as well as by developing the jurisdictional activity, able to present to the Romanian Parliament and to the European Union high quality reports on the manner the public money is used.

2.2 Project purpose

To give the Court of Accounts the capacity to meet the increase of its mandate to new areas, to respond to changes occurred in the way the public administration controls and accounts for its expenditure and for EU funds and to extend the Court's work to other important areas not addressed by the Twinning Project RO/2000/IB/FI/04 currently underway.

2.3 Accession Partnership and NPAA priority

- Accession Partnership 2001 (Chapter 4 –“Intermediary priorities and objectives”, *Financial control*): “Strengthening the institutional capacity of the Court of Accounts as a necessity to introduce the modern audit methods, in accordance with internationally agreed standards and the best European practice”.
- The Government Programme for the period 2001-2004, Chapter VII: “A special attention will be paid to strengthening and extending the competencies and activity of the Court of Accounts, including or foremost in the specific privatisation issues”.

- National Accession Plan of Romania, 2001 (Chapter 4.28.2, Subsequent External Financial Control)
 - *Short term priorities:* “Strengthening the institutional capacity of the Court of Accounts, including with PHARE support, as well as training of the RCA staff in order to audit the use of the pre-accession funds granted to Romania by EU”.
 - *Medium term priorities:* “Strengthening the institutional capacity of RCA in order to ensure the enhanced accountancy regarding the manner the public funds are managed, aiming to the fight against waste and fraud, in the perspective of Romania’s accession to the EU”.

2.4 Contribution to National Development Plan

N/A

2.5 Cross border impact

N/A

3. Description

3.1 Background and justification

- The Court of Accounts is the sole external auditor of the Romanian public administration at central and local level. Sound control of public money, including of EU funds, depends on a combination of sound internal controls, put in place by the Executive who has the ultimate responsibility, and the independent, wide ranging and effective external audit.
- The Court of Accounts must respond to changes occurred since the current Twinning Project was designed, specifically:
 - The extension of the Court’s legal mandate by amendments to the Law 94/1992 in two new areas:
 - The use of the financial assistance received by Romania from the European Union and other international financing sources;
 - The observance of the privatisation methods and procedures, of the clauses in the privatisation contracts, the way of administration and use of the financial resources resulted from privatisation activities and settlement of related legal liability.
 - The introduction of programme budgeting starting with the State budget law for the year 2000, required the Court to audit the budget programmes.
 - The Court of Accounts is the Certifying Body for the annual accounts of the SAPARD Agency and SAPARD EURO Account^{*}; this requires specialised training in the field to be delivered at the level of all territorial units of the Court, which are to perform certification work at local level.
 - Under circumstances related to the future implementation of EDIS –based mainly on Council Regulations no. 1266/1999 and 1267/1999- the Court of Accounts will have the duty to externally audit those funds, based on internationally accepted audit standards.

^{*} According to the Government Emergency Ordinance no. 101/27.06.2001 and the exchange of letters between RCA and National Authorizing Officer, in October 2001

- ❑ The Court of Accounts currently benefits through the PHARE 2000 programme from financial assistance aimed at **strengthening the institution**, in the form of a Twinning Project RO/2000/IB/FI/04 (0.9 M EURO) and an investment component of 0.7 M EURO, with national co-financing of 0.175 M EURO. It is necessary to extend the training in financial audit and computer assisted audit techniques among the Court's staff.
- ❑ A key component of the existing Twinning Project is the delivery of training in modern financial audit methods and computer assisted audit techniques. The training provided by the Twinning Project aims to build an in-house capacity to develop and deliver training for staff. The full training requirement – to cover all audit staff – is, however, considered too large for the Court to meet within a reasonable timeframe without further external assistance. Of the Court's 850 auditors, 50 will be trained in financial audit under the existing Twinning Project, of which 35 will be from local offices. A further 5 central audit staff will be trained under the existing project in computer assisted audit techniques.
- ❑ To enhance the Court's in house training capacity, in line with the requirement to train all audit staff, four training centres need to be properly equipped as centres. The Court has 42 local offices, of which four will be equipped as training centres during the existing PHARE 2000 Project. Control and judicial activities must be supported by modern IT (hard and soft) with the aim to enhance their efficiency. This project will improve the IT activity of the Information Center, will accomplish modernization of other four training centres and will offer an integrated solution to program and follow up the audit activities, to follow up the control deeds as well as a system of document management.

3.2 Linked activities

- ❑ In the year 2000, the Court of Accounts has been subject to a peer review performed by SIGMA and SAls from Member States of the European Union. Based on conclusions and recommendations made in the background paper, the Court has developed and approved its Strategic development plan for the period 2001-2004, setting as the priority strategic objective "strengthening of responsibility for the use of public funds in Romania".
- ❑ The Court of Accounts is currently implementing RO 0006.07 Phare programme, having as objective "To strengthen the Court of Accounts of Romania as an independent, professional and trusted external audit institution, able to contribute competently to the discharge of management and/or settlement of liability as far as the use of public administration is concerned, and to present to the Romanian Parliament and the European Union reliable and high quality reports on the manner in which public money is used". The current project will be building on achievements and results of this ongoing project.
- ❑ In view to exercise the duties of the Certifying Body for SAPARD, the Court of Accounts has received training sponsored by DFID for a limited number of financial controllers, at central level.
- ❑ During the year 2001, the Court of Accounts has received training courses on financial audit and performance audit, sponsored by DFID and meant to prepare the introduction of twinning project activities.
- ❑ In May 2001, around 30 financial controllers of the Court have been trained for 3 days in external audit of State budget programmes, organised and sponsored by the World Bank.

3.3 Results:

Twinning

The following results will be achieved by common work of the Romanian and Member State's experts.

- a. Developed capacity to audit funds from the financial assistance granted to Romania by the EU and other international financing sources, based on international and European standards for the external audit of public money.
- b. Speciality staff trained in the audit of privatisation process and settlement of liability;
- c. Extended capacity to perform financial audit and judicial activity for all territorial units of the Court;
- d. Highly trained staff on specific domains (health, banking sector, granting of subsidies and other State financial support);
- e. Staff trained in detecting phenomena as fraud, corruption, tax evasion and money laundering and settlement the liability and prosecuting the guilty persons;
- f. Increased capacity to perform computer assisted audit;
- g. Established capacity to audit and certificate SAPARD accounts, at local level;
- h. Staff trained to audit State budget programmes and judicial capitalization of findings;

Technical assistance

- i. Speciality staff trained and qualified in the implementation in auditing activities such as INTOSAI Audit Standards, European Guidelines for the Implementation of INTOSAI Audit Standards and international IFAC standards, as the case might be.

Investment

- j. 4 new local training centres, each equipped with 1 videoprojector, 1 projection screen and 1 laptop, settled;
- k. Developed IT support for the management and the staff of the Court, in view to ensure networking with main line ministries and networking with local structures of the Court ensured.
- l. Audit staff of the Court equipped with 200 laptops and soft packages appropriate for the performance of computer assisted audit, to be materialised in increased work promptness, insurance of data confidentiality and overall increased efficiency of the audit work.

3.4 Activities

Twinning

The following twinning activities will be implemented through common work of Romanian and Member State's experts.

1. To organize training cycles for 275 audit, judicial and IT staff of the Court, coordinated by European experts with expertise in the fields mentioned above as Results, points a-h above;
2. To further develop the audit quality control systems, in accordance with international standards;
3. To further improve the audit manuals;

4. To review the legal and regulatory framework, in order to ensure its consistency with the permanent modernisation needs of the Court;

Activities 1-4 will be achieved by means of a twinning covenant concluded with a SAI from a Member State, with a duration of 24 months. A PAA and about 20 STEs in the fields described above under 3.3 points a-i will be necessary. For the judicial activities, STEs should be from a MS SAI with a court system. It amounts to 0.8 Meuro.

Profile of the PAA

The PAA profile should meet the requirements necessary to achieve the objectives provided by the twinning component. He/she must have the education, experience abilities and skills necessary to carry out the activities (3.4) and to obtain the expected results (3.3).

The areas where the short-term expertise is needed are those necessary to obtain the results provided at 3.3, a-h. The twinning duration and expected PAA secondment is 24 months.

Technical assistance

5. To procure specific training and certification packages for qualification as international certified auditor.

This will be achieved by means of a service contract for training and qualification as international auditors, concluded with a European company competent in the field (Short term consultancy in the budget, amount 0,2 Meuro).

Investment

6. To settle and properly equip the four new local training centres for the Court staff.
7. To develop IT support for the management and the staff of the Court.
8. To equip 200 audit and judicial staff of the Court with IT and appropriate soft
9. To design an IT system and an integrated solution designated to program and follow up of the audit activities, to follow up the control deeds as well as a system of documents management of the Court.

Activities 6-9 (investments) are to be achieved by means of procurement contracts, amounting to 1,1 Meuro plus the national co financing of 0,367 Meuro. Total budget will be 1,467 Meuro.

4. Institutional Framework

The Court of Accounts is the supreme financial control institution on the way of formation, administration and use of financial resources of the State and the public sector that also has judicial powers, in accordance with provisions of Law. No. 94/1992 with its further amendments republished in 2000 and amended and completed by Law No. 77/7 February 2002. The Court of Accounts has decentralised financial control and judicial units, organised at county level. The Court has 1414 employees, of which 853 financial controllers (136 in the central unit and 717 in the local units) and 198 magistrates.

5. Detailed Budget

	Phare Support					
	Investment Support	Institution Building	Total Phare (=I+IB)	National Co-financing*	IFI*	TOTAL
1. Twinning Covenant		0.8	0,8			0,8
2. Technical assistance-Short term consultancy		0,2	0,2			0,2
3. IT equipment	1,1		1.1	0,367		1,467
Total	1,1	1,0	2,1	0,367		2,467

6. Implementation Arrangements

6.1 Implementing Agency:

The CFCU will be responsible for payments for the twinning component, for the tendering procedures, contracting and payments for the investment component and for the payments for the short-term training and certification activity, in close observance of the practical Guide to Phare, ISPA and Sapard contract procedures..

6.2 Implementing Authority

The Court of Accounts of Romania, 22-24, Lev Tolstoi Street, 71289 Bucharest, sector 1. It will design and conclude the twinning covenant, ToRs for the technical assistance (short-term consultancy) and will design the technical specifications for the investment component.

Twinning. The beneficiary institution is the Court of Accounts of Romania. It will provide the local support for the PAA and the STEs, as the twinning covenant will stipulate. The twinning covenant will support the achievement of results presented at 3.3, points a-h.

Contact details:

Mr. Dumitru Alamiie who will be the PAA Counterpart

Address: 22-24 Lev Tolstoi Street, 71289 Bucharest, Sector 1, Romania.

Telephone: 0040 1 2302037.

Fax: 0040 1 2300392.

The project leader will be nominated upon signature of the Twinning Covenant.

Commitment:

The Romanian partner will provide:

- Adequate human resources to implement the twinning project together with the twinning partner;
- All the facilities which are necessary for the smooth implementation of the twinning (office, computer, printer, telephone, access to internet, etc.)

- Funds to cover any travel costs of the Romanian authorities in the context of training, seminars or study visits, if any.

6.3 Non-standard aspects:

The Practical Guide to PHARE, ISPA and Sapard contract procedures will strictly be followed.

6.4 Contracts: 4 expected contracts; value of contracts 1,467 Meuro.

Detailed list of contracts with the estimated amounts is:

- **Contract 1:** Server to interconnect the Court of Accounts with audited public institutions aiming to access their data base necessary to carry out the audit activity; **Meuro 0,060.**
- **Contract 2:** Procurement of 200 laptops and soft packages for the computer assisted audit and jurisdictional activity; **Meuro 0,812.**
- **Contract 3:** Endowment of 4 territorial training centres with the necessary equipment (video projector, projection screen and laptop); **Meuro 0,030.**
- **Contract 4:** Project and integrated solution for IT system (hard and soft) designated to program and follow up the audit activity, to follow up the control deeds and a system of documents management; **Meuro 0,565.**

7. Implementation Schedule

7.1 Start of project activity

Expected date of commencement of first contract/grant scheme: 01.07.2003

7.2 Start of tendering/call for proposals 30.03.2003

7.3 Project Completion

Expected date of last payment under last contract/grant: 30.09.2005

8. Equal Opportunity.

There is no legal provision that should limit the free access of women to the project. Equal chances will be considered during the preparation of ToRs and recruitment of the necessary staff, by inserting specific mention in each ToR.

9. Environment

N/A

10. Rates of return

N/A

11. Investment criteria

N/A

12. Conditionality and sequencing

The implementation of the twinning project activities requires the full commitment and participation of the senior management of the Court. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of activities required to attain the project results.

Phare log frame

LOGFRAME PLANNING MATRIX FOR Project	Programme name and number	
Strengthening of the institutional capacity of the Court of Accounts	Contracting period expires	Disbursement period expires
	Total budget: 2,467 Meuro	Phare budget: 2,1Meuro

Overall objective	Objectively verifiable indicators	Sources of Verification	
Strengthening of the institutional capacity of the Court of Accounts of Romania as an independent, professional and trusted external audit of the public funds institution; increase of its competencies and activities, by the introduction of modern audit methods, in accordance with international audit standards and the best practice, as well as the development of the judicial activity; high quality reports on the manner in which public money is used presented to the Romanian Parliament and the European Union.	<ul style="list-style-type: none"> • The Court's reports are considered by the Romanian Parliament • Parliamentarians ask the Court to conduct special audits • The Romanian public administration act upon the Court's recommendations • Court's reports are considered by the European Commission 	<ul style="list-style-type: none"> • Romanian "Official gazette" • Letters to the Court from Parliamentarians • European" Official journal" • Final and irrevocable decisions of the Court and other judicial documents 	
Project purpose	Objectively verifiable	Sources of Verification	Assumptions

	indicators		
To give the Court of Accounts the capacity to meet the extension of its mandate into new areas, respond to changes occurred in the way the public administration controls and accounts for its expenditure, and EU funds, and to develop the Court's work into other important areas not addressed by the Twinning Project RO/2000/IB/FI/04 currently underway.	<ul style="list-style-type: none"> • The Court's reports to Parliament reflect the Court's new competences, including audit of European Union Funds and of privatisation • The Court reports to the European Commission on the European Union funds 	<ul style="list-style-type: none"> • The Court's reports to Parliament 	<ul style="list-style-type: none"> • The Parliament establish arrangements to consider the Court's reports and follow up recommendations
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>a. Developed capacity to audit funds from the financial assistance granted to Romania by EU and other international financing sources, based on international and European standards for the external audit of public money.</p> <p>b. Speciality staff trained in the audit of privatisation process and settlement of liability;</p> <p>c. Extended capacity to perform financial audit and judicial activity for all territorial units of the Court;</p> <p>d. Highly trained staff on specific domains (health, banking sector, granting of subsidies and other State financial support);</p> <p>e. Staff trained in detecting phenomena</p>	<ul style="list-style-type: none"> • The European Commission and National Authority accredit the Court to audit financial assistance to Romania • 275 audit, judicial and IT specialised staff at central and territorial levels complete appropriate technical training • 20 audit staff are trained and qualify as International Certified Auditors • Internal norms, manuals, guidance and processes accord with international standards; • All training is consistent the appropriate international 	<ul style="list-style-type: none"> • PAA's reports; reports of the TA suppliers: • Monitoring performed by the EC Delegation in Romania • Court's reports • ECA reports • Audit reports and audit certificates regarding the use of funds under SAPARD programme • Manual/guidance on privatisations process audit 	<ul style="list-style-type: none"> • Romanian Parliament approve sufficient resources • The level of trained staff resignations does not exceed 10 per cent a year

<p>as fraud, corruption, tax evasion and money laundering and settlement the liability and prosecuting the guilty persons;</p> <p>f. Increased capacity to perform computer assisted audit;</p> <p>g. Established capacity to audit and certificate SAPARD accounts, at local level;</p> <p>h. Staff trained to audit State budget programmers and judicial capitalization of findings;</p> <p>i. Speciality staff are trained and qualify in the implementation in the audit activity of INTOSAI Audit Standards, European Guidelines for the Implementation of INTOSAI Audit Standards and international IFAC standards, as the case might be</p> <p>j. 4 new local training centres, each equipped with 1 videoprojector, 1 projection screen and 1 laptop, settled;</p> <p>k. Developed IT support for the management and the staff of the Court, in view to ensure networking with main line ministries and networking with local structures of the Court ensured.</p> <p>l. Audit staff of the Court equipped with laptops and soft packages</p>	<p>auditing standards.</p> <ul style="list-style-type: none"> • 4 territorial training centres, each equipped with 1 videoprojector, 1 projection screen and 1 laptop as necessary for training. • 200 financial controllers and judicial staff equipped with laptops and soft packages appropriate for the performance of computer assisted audit and judicial work. • Server to interconnect the Court with audited public institutions in order to access the data base necessary to the financial control and audit activity (Ministry of Labour and Social Solidarity, Ministry of Justice, a.s.o.). • Project and integrated solution for IT system (hard and soft) aiming to program and follow up the audit activity, to follow up the control deeds as well as a system of documents management (including archiving). 		
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appropriate for the performance of computer assisted audit, to be materialised in increased work promptness, insurance of data confidentiality and overall increased efficiency of the audit and judicial work.			
Activities	Means		Assumptions
Twinning 1. To organize training cycles for 275 audit, judicial and IT specialised staff of the Court, coordinated by European experts with expertise in the fields mentioned above as Results, points a-h above; 2. To further develop the audit quality control systems, in accordance with international standards; 3. To further improve the audit manuals; 4. To review the legal and regulatory framework, in order to ensure its consistency with the permanent modernisation needs of the Court. Technical assistance 5. To procure specific training and certification packages for qualification as international certified auditor.	<ul style="list-style-type: none"> • Twinning Covenant (a PAA and short term experts; it will develop the activities and the necessary HR) • Contract for training services and certification as international auditors • Procurement of the equipment 		<ul style="list-style-type: none"> • The necessary staff is recruited and maintained • Effective co-operation with the Ministry of Public Finance in adopting common audit standards • Training centres financed through PHARE 2000 to be operative by mid 2003

Investment 6. To settle and properly equip the four new local training centres for the Court staff. 7. To develop IT support for the management and the staff of the Court. 8. To equip 200 audit and judicial staff of the Court with IT and appropriate soft. 9. To design an IT system and an integrated solution aiming to program and follow up the financial audit activities, to follow up the control deeds as well as a system for documents management (including archiving).			
			Preconditions <ul style="list-style-type: none"> • The Parliament adopts the necessary amendments to the legal framework, by the end of 2004.

STRENGTHENING OF THE INSTITUTIONAL CAPACITY OF THE COURT OF ACCOUNTS

D = Design
C = Contracting
I = Implementation

STRENGTHENING OF THE INSTITUTIONAL CAPACITY OF THE COURT OF ACCOUNTS

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 2,1)

DATE: 28.02.2002

	31/12/0 2	31/03/0 3	30/06/0 3	30/09/0 3	31/12/0 3	31/03/0 4	30/06/0 4	30/09/0 4	31/12/0 4	31/03/0 5	30/06/0 5	30/09/0 5
CONTRACTED			0,8	2,1								
DISBURSEMENT				0,2	0,425	0,65	0,905	0,97	2,025	2,050	2,075	2,1