STANDARD SUMMARY PROJECT FICHE

1. Basic Information
1.1 Désirée Number: CZ01-09-02
   Twinning Number: CZ01/IB/FI/02
1.2 Title: Training for Auditors of the Supreme Audit Office
1.3 Sector: Internal Market
1.4 Location: Supreme Audit Office

2. Objectives
2.1 Overall Objective(s):
   To enable the Czech Republic to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

2.2. Project purpose:
   To strengthen the SAO external financial control functions to the level of the Supreme Audit Institutions of the EU Member States.

2.3 Accession Partnership and NPAA priority
   AP priority: Reinforcement of administrative capacity, including the management and control of EU funds, strengthening of the financial control functions through enhancing the SAO’s staff proficiency.

   NPAA priority: 3.10.1 Financial Control – Training will continue for SAO staff aimed at the EU in general and specifically at conducting attestation and performance audits, particularly in connection with the INTOSAI Auditing Standards and the European Implementing Guidelines for the INTOSAI Auditing Standards.

   Notes: The International Organisation of Supreme Audit Institutions (INTOSAI) has developed its auditing standards to provide a framework for the establishment of procedures and practices to be followed in the conduct of an audit, including audits of computer-based systems. The standards provide minimum guidance for the auditor that helps determine the extent of auditing steps and procedures that should be applied to fulfil the audit objectives and constitute the criteria against which the quality of the audit results are evaluated. The European Implementing Guidelines consist of 15 guidelines that describe how the INTOSAI Auditing Standards can be applied in the SAIs of EU.

3. Description
3.1 Background and justification:
The SAO as an external audit body plays an important role in the control system of the Czech Republic. The required protection of the EU financial interests depends to a great extent on the quality of external audits of the pre-structural and subsequently the structural funds. In order to ensure very high quality of external audits, in July 1999 the President of the SAO asked SIGMA to carry out an assessment of how the SAO functions today with reference to the requirements of Accession.

The assessment resulted in a “Peer Review” the recommendations of which form the main pillar of the Strategic Development Plan (SDP). The SDP chapter “Organisation and resources” specifies the SAO tasks in the area of a comprehensive training for the SAO auditors. This comprehensive training programme includes both the training within the SAO (financed from the SAO own resources) and a PHARE 2001 twinning project.

3.2 Linked activities:

The SAO co-operates very closely with the European Court of Auditors and with many Supreme Audit Institutions (SAI) of EU member states in the form of traineeships, workshops and conferences. This cooperation can become relevant within the context of the twinning project.

In Chapter 3.9 of the 1999 Regular Report (the part regarding the SAO was elaborated on the basis of the SIGMA’s assessment of the SAO activities) is stated that the SAO continues, on the whole, to function well but it does not yet use internationally recognised auditing standards and attestation and performance audits.

The 2000 Regular Report states: “The SAO Strategic Development Plan should be adopted and its timetable should confirm internationally recognised auditing standards”. The strategic training project a part of which is the PHARE 2001 Project will contribute to the fulfilment of these requirements.

The Phare 2001 Project is a part of the overall SAO Training Programme that includes all its 300 employees involved in audit. In its course 150 auditors should be trained in attestation audit and 150 in performance audit. The overall programme consists of four stages.

The Phare 2001 Project will help to finance a part of the second stage, i.e. traineeships and seminars for the first 24 auditors that will afterwards train the rest of the auditors and the third stage, when the pilot audits will be launched.

The first stage is now in progress. The SAO management has approved its Strategic Development Plan and selected first auditors who will go through the intensive training programme. At present the programme of their training is being elaborated.

This training programme will include:

- Intensive training within the SAO financed from the SAO own resources
- Participation in the pilot audits consulted by two expert: 1 PAA and 1 medium-term expert
- Traineeship programme and workshops.
In the second stage the implementation of the training programme will be carried out. The intensive training will start immediately after the approval of the training program. The beginning of the activities under points two and three depends on the date of endorsement and signature of the Twinning Covenant. The SAO supposes that the implementation can start already in January 2002 (provided the Financing Memorandum has been signed in July 2001 and selection of the twinning partners and drafting of the Twinning Covenant have been finished by the end of October). For the limited capacity reasons in the Supreme Audit Institutions involved in the Twinning Covenant, the three-month traineeships for 24 SAO auditors have to be carried out gradually throughout the whole period of the PHARE 2001 Project implementation, i.e. from January 2002 to June 2004. The 24 auditors will be divided into 10 groups per two to three persons. The first group should go through the traineeship from January to March 2002 and the last group from April till June 2004. The intensive training and traineeship programme will be supplemented by the workshops intended for a larger number of the SAO auditors.

In the third stage (app. in March-April 2002) two pilot audits will be launched that will be consulted and evaluated by the two twinners. The pilot audit teams will consist of all the trained auditors except those (app. two persons) going through the traineeships. Simultaneously, two one-month traineeships will be organised for our software experts who should get familiar with the audit software used at the Supreme Audit Institutions involved in the Twinning Covenant. These traineeships and software needs for the pilot audits may result in purchase of the necessary Audit Software (under the Twinning Covenant).

In the forth stage, 24 trainers will gradually train the rest of the SAO audit staff. For this purpose the audit teams will be formed to include always both the trainers and the trainees in order to reach the given goals, i.e. number of trained auditors and number of conducted attestation and performance audits stated in the Logframe Matrix.

3.3 Results:
SAO Audit staff trained to full competence level in the INTOSAI Auditing Standards and European Implementing Guidelines and in the carrying out of attestation and performance audits. Thereby strengthening the SAO external financial control functions to the level of the Supreme Audit Institutions of the EU Member States.

3.4 Activities:
- **Traineeships for 24 SAO auditors** at the European Court of Auditors and at some Supreme Audit Institutions of the EU member states involved in the Twinning Covenant. One part of the auditors should be trained in attestation audit, the others in performance audit. All the trainees should acquire practical knowledge of how to apply INTOSAI Auditing Standards and European Guidelines for Implementation of INTOSAI Auditing Standards in their audit work.
- **Practical workshops** with experts from the European Court of Auditors and the Supreme Audit Institutions of the European Union Member States in the Czech Republic and abroad regarding the INTOSAI Auditing Standards, European Implementing Guidelines, attestation and performance audits.
- **Carrying out of two pilot audits** (one attestation and one performance audit) where the trained auditors can apply their theoretical knowledge. The PAA, who should be specialised in attestation audit should observe, consult and evaluate two audit teams involved in attestation audit. The medium-term expert (specialised in performance audit) will observe and consult two audit teams involved in performance audit. The pilot audits should start app. in March –April 2002, therefore both winners should be available by that time.

- **Supply of the special audit software** (the sum should not exceed EUR 50,000,-), as the contemporary software doesn’t fully meet needs of the audit work conducted in compliance with the European Guidelines for Implementation of INTOSAI Auditing Standards.

- **One-month traineeships for two of audit SW experts** from the SAO at the ECA, or at any other partner SAI from the European Union involved in the Twinning Covenant.

The PAA and a medium-term expert will play an important part in the project. Both should possess experience in managing of audit teams.

The PAA should be an expert for attestation audit and the medium-term expert should have a long-term experience in performance audit. Both should be able to observe, consult and evaluate work of the SAO audit teams in two pilot audits that will be carried out by four audit teams. Two audit teams will be involved in performance audit and two in attestation audit. As the audits are part of the 2002 Audit Plan, both consultants should be available in March-April 2002.

Furthermore, the PAA will be responsible for coordination of the project and will insure continuity of implementation. He will also report to the MS Project Leader. The PAA will cooperate very closely with the SAO Attestation Audit Department by preparation of the training programme, by elaborating the SAO manuals on attestation audit, etc.

4. **Institutional Framework**

The Supreme Audit Office (SAO), established in 1993, is defined in the Constitution of the Czech Republic as an independent audit body that primarily conducts external audit in order to find out whether state and other entities manage state property and funds entrusted to them effectively and economically, and in accordance with legal regulations.

The SAO also controls the implementation of the state budget, provides an opinion to the draft of the state closing account, may control procurements and issuing and redemption of the government securities. The SAO is also authorized to audit the management of funds provided to the Czech Republic from abroad, management of funds for which the state assumed guarantees, property transferred to the National Property Fund and the manner in which the Export Guarantee and Insurance Company and the Czech Export Bank manage funds from the State Budget. The SAO audit reports are submitted to the Chamber of Deputies, to the Senate and the Government.

The SAO Act meets the basic principles and recommendations of the Lima Declaration of INTOSAI, the international organisation associating independent audit institutions.
The Supreme Audit Office of the Czech Republic has already established contacts with the European Court of Auditors (ECA) and the Supreme Audit Institutions of the EU Member States. The SAO is an active member of EUROSAI, the regional association of the European SAI. In 1996-99 the SAO was chairing the EUROSAI.

In co-operation with ECA, the SAO took part in the joint working groups, workshops, traineeships (e.g. one five-month traineeship is in progress now) and the ECA audit missions in the Czech Republic (in 1993, 1998, 1999 and 2000). The SAO and the ECA inform each other about their Audit Plans.

The SAO works together with the Ministry of Finance (MF) on building a well functioning system of internal control, in accordance with the EC requirements, the MF consults with the SAO draft financial legislation, inform the SAO about its Audit Plans and about the results of these audits. Both institutions coordinate their activities at the negotiations of Chapter 28 with the European Commission.

### 5. Detailed Budget in M €

<table>
<thead>
<tr>
<th>Phare</th>
<th>Support</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing*</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Twinning Covenant:</td>
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</tr>
<tr>
<td>1 PAA (12 months), 1 MTE (6 months), professional training, workshops</td>
<td>0,650</td>
<td>0,650</td>
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<td>0,650</td>
<td></td>
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</table>

(2) Contract: Information Systems - SW

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<th>Total</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
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Total

<table>
<thead>
<tr>
<th>Investment</th>
<th>Institution Building</th>
<th>Total</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0,050</td>
<td>0,650</td>
<td>0,700</td>
<td>0,500</td>
<td>1,210</td>
</tr>
</tbody>
</table>

*The national co-financing will be realized in support of:
- professional training and workshops (0,140 MEUR),
- information systems – SW (0,500 MEUR)

6. Implementation Arrangements

6.1 Implementing Agency

The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. The beneficiary is responsible for technical preparation and management. The contact person SAO will be responsible for the organisational implementation of the project.

SPO’s contact: Mr Bohdan Hejduk, Jankovcova 63, 170 04 Praha 7, ph: 02/3304 5551/ FAX: 02/3304 5651

6.2 Twinning

Contact person for Twinning: Mr Pavel Komarek, Jankovcova 63, 170 04 Praha 7 phone: 02/33045360; fax: 02/33045651
6.3. **Non standard aspects** The Twinning Manual will be strictly followed.

6.4. **Contracts:**

2 Phare contracts are foreseen:

- **Contract (1) – Twinning Covenant** 0.650 MEUR
- **Contract (2) – supply of SW** 0.050 MEUR

7. **Implementation Schedule**

- **7.1. Start of call for proposals** 3Q/2001
- **7.2. Start of project activity** 1Q/2002
- **7.3. Project Completion** 2Q/2004

8. **Equal Opportunity:**

Equal opportunity principles and practices in ensuring equitable gender participation in the Project are guaranteed by the Czech Labour Code (§ 1).

9. **Environment** N/A

10. **Rates of return** N/A

11. **Investment criteria** N/A

12. **Conditionality and sequencing**

The most important steps, which shall be done before the commencement of the project, are as follows:

- Approval of the Strategic Development Plan by the SAO management;
- Audit Plan for 2002 shall be approved by the SAO College including the pilot attestation and performance audits with the participation of the PAA and the medium-term expert as consultants;
- New internal directives harmonising the SAO audit methods with the requirements of the European Guidelines for Implementation of INTOSAI Audit Standards shall be noticed by the College of the SAO and adopted by the President of the SAO.

**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme
### LOGFRAME PLANNING MATRIX FOR

**Project title:**
Training for Auditors of the Supreme Audit Office

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To enable the Czech Republic to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.</td>
<td>• Acknowledgement by the European Commission</td>
<td>• EC Regular Report</td>
<td>Successful implementation of the SAO Training Programme</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| To strengthen the SAO external financial control functions to the level of the Supreme Audit Institutions of the EU Member States. | • Overall SAO objective: 20 performance audits and 20 attestation audits conducted by the end of 2005.  
• Percentage of carried out performance audits on the targeted total number of 20 performance audits at the end of each year:  
2002 – 10 %  
2003 – 25 %  
2004 – 65 %  
2005 – 100 %  
• Percentage of carried out attestation audits on the targeted total number of 20 attestation audits at the end of each year: | • Quarterly Bulletin of the SAO  
• Annual reports of the SAO  
• Quarterly reports on the fulfilling of the NPAA priorities  
• Audit Plan for the current year. | |
<table>
<thead>
<tr>
<th>Results</th>
<th>Objective verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| SAO Audit staff trained to full competence level in the INTOSAI Auditing Standards and European Implementing Guidelines and in the carrying out of attestation and performance audits. | • Overall SAO objective: 150 auditors trained in performance audit and 150 auditors in attestation audit by the end of 2005.  
• Percentage of trained auditors in performance audit on the targeted total number of 150 auditors to be trained in performance audit at the end of each year:  
  2002 – 12 %  
  2003 – 30 %  
  2004 – 83 %  
  2005 – 100 %  
• Percentage of trained auditors in attestation audits on the targeted total number of 150 auditors to be trained in attestation audit at the end of each year:  
  2002 – 12 %  
  2003 – 30 %  
  2004 – 83 %  
  2005 – 100 %  
• Percentage of auditors trained in the form of traineeships: | • Quarterly Bulletin of the SAO  
• Annual reports of the SAO  
• Quarterly reports on the fulfilling of the NPAA priorities  
• Project reports | Successful implementation of the SAO Training Programme  
Availability of qualified staff at SAO  
Sufficient traineeship capacity in the European Court of Auditors and Supreme Audit Institutions involved in the Twinning Covenant that’s why the traineeships should be carried out in three different Supreme Audit Institutions (at least) and number of trainees simultaneously trained should be two to three persons. |
Activities:

<table>
<thead>
<tr>
<th>2001 – 13%</th>
<th>2002 – 50%</th>
<th>2003 – 83%</th>
<th>2004 – 100%</th>
</tr>
</thead>
</table>

**Activities:**

- **Means**
  - **Assumptions**
- **(1) Twinning Covenant:**
  - a) Project leader from the MS in charge of coordination of the activities under T.C.
  - b) Traineeships
  - c) Workshops
  - d) 1 PAA (12 man/months) and 1 MTE (6 man/months) - permanent stay (from April 2002 till September 2002). Details will be specified with twinning partners in T.C.

Both should possess experience in managing of audit teams. The PAA should be an expert for attestation audits the MTE should have a long-term experience in performance audits. Both should be able to observe, consult and evaluate work of the SAO audit teams in the pilot audits. Two audit teams will be involved in performance audit, two in attestation audit. As the audits are part of the 2002 Audit Plan, both consultants should be available in April 2002, therefore both twinner should be available by that time.

- Possible purchase of the audit software under T.C. (the sum should not exceed EUR 50,000,-) as the contemporary software doesn’t fully meet the needs of the audit work conducted in compliance with the

The PHARE 2001 Project is a part of the overall SAO Training Programme that includes all its 300 employees involved in audit. In its course 150 auditors should be trained in the attestation audit and 150 in the performance audit. The overall programme consists of four stages. The PHARE 2001 Project will help to finance a part of the second stage focused on traineeships for the first 24 auditors that will afterwards train the rest of the auditors and the third stage, when the pilot audits will be launched.

**1st stage:**

- **a)** Approval of the Strategic Development Plan on 31st January
- **b)** Selection of the first auditors according to predetermined criteria (proficiency, knowledge of English)
- **c)** Elaboration of the training programme that will contain 1) Intensive training within the SAO financed from the...
European Guidelines for Implementation of INTOSAI Auditing Standards.

e) One-month traineeships of SAO experts for audit software at the ECA, or at any other partner SAI from the European Union;

April 2002

Furthermore, the PAA will be responsible for coordination of the project and will insure continuity of implementation. He will also report to the MS Project Leader. The PAA will cooperate very closely with the SAO Attestation Audit Department by preparation of the training programme for 2002-5, by elaborating the SAO manuals on attestation audit, etc.

e) Training and workshops for professional staff

2nd stage: Implementation of the training programme.

a) Intensive training – from 2Q till December 2001

b) Traineeships and workshops - from January 2002 till June 2004 (provided the Financing Memorandum has been signed in July 2001).

3rd stage: Two pilot audits consulted and evaluated by two twinners (PAA + MTE) (see activities) from April till September 2002.

4th stage: 24 trainers will gradually train the rest of the SAO audit staff. For this purpose the audit teams will be formed to include always both the trainers and the trainees in order to reach the given goals, i.e. number of trained auditors and number of conducted attestation and performance audits (see objectively verified indicators).
• **Preconditions**
  • Strategic Development Plan (SDP) has been approved. The SDP deals with the SAO activities for 2001-2005
  • Audit Plan for 2002 including pilot attestation and performance audits with a participation of the PAA and the MTE as consultants has been drawn up.
  • New internal directive on audit preparation and conduct in compliance with European Guidelines for Implementation of INTOSAI Auditing Standards as a basis for pilot audits has been elaborated by the SAO Analysis Department and come in force as a basis for intended pilot audits.

**Annex 2**

**Detailed Implementation Chart for the Project**
**Training for Auditors of the Supreme Audit Office**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
<tr>
<td>Contracting</td>
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<tr>
<td>Implementation:</td>
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</tr>
<tr>
<td>Traineeships</td>
<td></td>
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<tr>
<td>PAA</td>
<td></td>
<td></td>
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<tr>
<td>MTE</td>
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<tr>
<td>Software</td>
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</tbody>
</table>
## Cumulative Contracting and Disbursement Schedule for the Project (MEUR)

### Annex 3

#### Cumulative Quarterly Contracting Schedule (M EUR)

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/01</th>
<th>1Q/02</th>
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#### Cumulative Quarterly Disbursement Schedule (M EUR)

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/01</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
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