STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: CZ 2003/004-338.07.02
1.2 Twinning Number: CZ03/IB/OT/02

1.3 Title: Strengthening Public Internal Financial Control at the Regional Level

1.4 Sector: Finance, Public Administration

1.5 Location: Czech Republic

2. Objectives

2.1 Overall objective
• The Czech Republic is able to take on the obligations of membership, including adherence to the aims of political, economic and monetary union;
• The Czech Republic fulfils the conditions for its integration in the EU through the adjustment of its administrative structures, so the European Community legislation transposed into legislation is implemented effectively through appropriate administrative and judicial structures.

2.2 Project purpose
• To strengthen Public Internal Financial Control (PIFC) at the regional level.

2.3 Accession Partnership and NPAA priority
• **Regular Report 2002**, page 126, overall assessment, points 1 and 2: “as regards PIFC [Public Internal Financial Control], further significant efforts are required to complete and strengthen the institution building for the PIFC system, notably to set up functionally independent internal audit units in all bodies of public administration. Further work is needed to finalise tertiary regulations relating to internal audit methodology. Given the continuous need for qualified staff in this area, sustainable training schemes need to be put in place and further monitored” and “the strengthening of administrative capacity is of particular importance in order to complete the preparations for full decentralised implementation of pre-accession aid and, after accession, of the Structural Funds”.
• **Action Plan for strengthening the Czech Republic’s administrative and judicial capacity**, chapter 28, row 1 and 2 and AP 2001, page 14, financial control, bullets 3 and 4: “set up an internal audit service with adequate functional independence directly under the highest management level in spending centres” and “set up a central unit in the Ministry of Finance to deal with co-ordination and harmonisation of the methodology for financial management and control and internal audit throughout the government”
• **NPAA 2001 article 3.10.1** highlights that, in view of passing of the Act on Financial Control in Public Administration, the Ministry of Finance should prepare the basic methodology for the individual types of control work. In this context, it should also elaborate the conditions of individual departments and other state authorities managing allocated funds at all levels of the state administration, and update the current directives, aids and manuals elaborated at individual levels of the internal financial control system.

2.4 Contribution to National Development Plan (NDP)
The implementation of the National Development Plan and its constituent Operational Programmes (both Sectoral and the Joint Regional Operational Programme) will involve regional bodies (for definition see below) (including the City of Prague). As such, the development of internal audit capacity at this level has a direct impact on the proper management of funds under the National Development Plan (and of course under its successor after accession for the Structural Funds, the Community Support Framework).

2.5 Cross Border Impact
N/A

3. Description

3.1 Background and justification
This project is related to the sectors of Public Administration and Financial Control, particularly with regard to PIFC.
With regard to the first, the Czech Republic has undergone and continues to undergo reform. The first phase, establishing a new regional public administration structure and a new balance of competencies between the centre, regions and municipalities, was completed by the Act on Regions (129/2000) which entered into force on 1 January 2001. Under this act, 14 new regional authorities were created, officially termed Territorial Self-governing Bodies,
but more often called “kraje”. They will hereafter be referred to as such, and the term also includes the Territorial Self-governing Body which is the City of Prague. The old authorities at this level (the districts, of which there were 76), will cease to function by the end of 2002. With regard to competencies, some were moved down from the central level to the kraje, while some of those of the districts were moved up to the kraje and others down to municipalities. Some of the competences discharged by the kraje are entrusted to them from central ministries (deconcentrated powers), while concerning others they are independent of central state administration (decentralized powers). Similarly their budgets are partly received from the state, and partly from their own taxes. As far as decentralized powers are concerned, the kraje offices are charged with drawing up regulations binding within their territory for the particular areas concerned. These regulations are termed “internal provisions”.

Concerning the second, new legislation entered into force on 1 January 2002 – the Act on Financial Control in Public Administration and on Amendments to Certain Acts (No. 320/2001 Coll) with a grace period of 6 months (i.e. bodies charged with tasks under the act had 6 months after it entered into force to fulfil the tasks specified). This act is in line with acquis and was a major stepping stone to closing the relevant chapter (the Chapter 28-Financial Control). It addressed both the central, regional, and municipal public administration and, most importantly for this project, charged all bodies at the level of central administration, all kraje administrations, and all municipalities with over 15,000 inhabitants, with the establishment of internal audit units.

Obviously, since the issues raised in the act are in many cases entirely new to public administration, though these internal audit units have been established and staffed, relevant staff still need to be further trained in order to fully realise one of the main goals of the act – i.e. to have a satisfactory PIFC system, in line with best practice, up and running at all levels of public administration. The PIFC issue is being addressed at the central level by a Phare project under 2001 and a SIGMA peer review (see linked activities 1 and 5 below). However, Phare has yet to address the issue at the level of the kraje. The major and immediate tasks ahead for the kraje in this area concern the drafting of internal provisions and the establishment of a monitoring and control system for hundreds of organisations (for each kraje) falling under their responsibility – so called contributory organisations.

All 14 kraje have established internal audit units, which have between 1 to 4 qualified internal auditors. It is hoped that by the end of 2004, there will be at least 4 such staff in each internal audit unit. These internal auditors are paid about as much as Heads of Department within kraje offices in order to try and prevent them moving to the private sector where they would be paid a lot more. In the context of this project, it will be considered what other initiatives could be taken to encourage such staff to remain in public service.

Since the task of these internal audit units is to ensure that the whole PIFC system is sound and functions well (through consultation with and making of recommendations to management in order to avoid or reduce risks), this project will focus on strengthening and improving the efficiency of these units within the kraje administrations. It will, however, also include professional support to top-level regional management.

Further, a respective Internal Audit Working Group (IA-WG) has been established consisting of representatives of 14 regions (kraje), as well as representatives of the Ministry of Finance, Ministry of Interior and Ministry for Regional Development.

3.2 Linked activities

The most significant programmes/projects relevant to the subject of the project are:

1. SIGMA Peer Review of the Czech PIFC system with particular attention to institution building is planned for 1st quarter 2003;
2. Phare 2002, CZ 02.09.02 “Generic Training System for Officials of Territorial Self-governing Units”, the Ministry of Interior (the project will be launched approx. in 2003 and will focus on implementing a new training and education system for officials of self-governing units and devising model classrooms at the level of Regions);
3. Project of Unified System of Professional Preparation of Public Administration Employees is training activity of the Ministry of Finance in co-operation with the Czech Institute of Internal Auditors. (CONF-CZ 71/01) which took part in 2001 and 2002;
4. Phare 2001 “New accountancy instruments based on IAS/IFRS standards”, the Ministry of Finance (the project will be launched in 2002 and will focus on implementing International Accounting Standards, IAS, and International Reporting Standards, IFRS, in the CR);
5. Phare 2001, CZ 01-09-01 „Management & Control of EC Funds and National Public Sources / Preparation for EDIS“, the Ministry of Finance; (project purpose is to ensure an efficient management, monitoring and control the EC assistance, EC own resources and public funds at central and decentralised levels in compliance with EU acquis).
6. Phare 2001, CZ 01.09.02 “Training for Auditors of the Supreme Audit Office”, the National Supreme Office; (project purpose is to strengthen the SAO external financial control functions to the level of the Supreme Audit Institutions of the EU Member States).
7. Phare 2001, CZ 01.09.03 “The co-ordination of self-governing units on the regional and local level”, the Ministry of Interior (the project was launched in October 2002 and will focus on mechanism of control and enforcement of application of the acquis and supporting the use of information and communication technologies - ICT - in self-government administration;

8. Phare 1999, CZ 99.03.01 „Control & Management of EC Financial Flows“, the Ministry of Finance;

9. Phare 1997, CZ 97.05.01 „Assistant to the Director of the European Integration Department“ and „Task Force for the MRD and the former Working Group 10“, the Ministry for Regional Development;

10. Phare 1997, CZ 97.03.01 “Improving Czech public administration through decentralisation and de-concentration”, the Ministry of Interior;


3.3 Results

The system is in place for ensuring PIFC in each kraj meets accepted international standards and best practice.

- From the twinning covenant, component 1, internal provisions, manual of procedures; component 3 accreditation and certification manual.
- From the TA contract, component 2 recommendations on how to improve IA units’ performance, IT systems for controlling contributory organisations, technical guide for conducting internal audits within kraj and municipalities, component 3 teaching texts.)

The capacity to implement the system for ensuring PIFC in each kraj is sufficient (i.e. enough staff in IA units and all relevant staff sufficiently well-trained).

- From the twinning covenant, component 1 HRD plan; component 3 training of kraj staff.
- From the TA contract, component 2 training with auditor (on job training), component 3 training of top management in PIFC.

3.4 Activities

The activities of the project are split into 3 components as indicated below. Input is also required from twinning and from technical assistance, corresponding to the strong points of the public and private sector (e.g. drafting of manuals of procedure for use in public service should be done under twinning, whilst performance of actual controls under technical assistance).

(1) Twinning:

Component 1 – methodology and supervision
- Review of internal provisions (i.e. those regulations drawn up and approved by kraj offices and binding within the kraj) relating to IA and PIFC and procedural operations in regions.
- Drafting or re-drafting such internal provisions and the related manuals of procedures of IA units
- Make analysis of human resources in regional IA units including particularly recommendations for the future
- Monitor of the performance of the TA contract and make any appropriate recommendations to the beneficiary.

Component 3 - qualifications
- Prepare, realise and evaluate study visits and on-the-job training in appropriate bodies of selected EU member states for kraj employees (e.g. internal auditors, account managers, top managers and any other staff relevant to ensuring PIFC)
- Prepare and provide training, workshops and seminars in the Czech Republic (for the same persons as indicated in previous point)
- Produce an updated accreditation and certification manual for IA performance in the public sector (in cooperation with the Czech Internal Auditors Institute – CIIA – and with the other relevant organizations) For the required qualifications and details requested from the Pre-Accession Advisor and under the twinning covenant, please see the “means” box of the log frame matrix.

(2) Technical Assistance:

Component 2 – audit techniques
- Provide independent assessment and evaluation of the kraj IA units’ performance resulting in detailed recommendations including transfer of know-how to kraj IA units staff
- Transfer of knowledge to internal audit units by conducting controls in conjunction with their staff (learning by doing)
- Provide advice on the use and development of kraje IT systems for controlling and monitoring organisations falling under their charge (contributory organisations)
- Produce a technical guide for internal audit units within regional self-governing bodies (with details for performing internal audits in kraj and municipalities)

Component 3 – qualifications
- Prepare and provide training in the field of PIFC and public sector auditing for internal auditors and top managers of kraj.
• Prepare and provide special training to kraj internal auditors relating to specialist IT (esp. concerning specialist auditing SW)
• Develop teaching texts for Universities in Regions and in the Capital of Prague in the fields of internal auditing and the PIFC system

3.5 Lessons learned
The project has been designed taking into account horizontal lessons learnt from previous Phare projects. These include:
• Sphere of competence: this has been clarified with the relevant central ministries (see section 4 below).
• Sequencing: certain of the activities can only be implemented by the contractor once beneficiaries have taken certain actions. This is clearly spelt out in section 12 below)
• Schedule: this has been drawn up bearing in mind the length of Phare procedures, including twinning.
• Coordination: this will be ensured by the Control Department at the inter-ministerial and central/regional level as well as between individual projects. Please see the IA-WG below.
• Sustainability: most importantly for the results to be achieved and sustainable kraj will need to ensure that staff remain their employees, particularly internal auditors, and that more are hired (see section 12 below).

From the above it is therefore clear who has to do what to achieve the results indicated in this project fiche, though this is no guarantee that this will occur. However, by signature of the Financing Memorandum the Czech Republic has agreed to implement the project as described in this project fiche, while the beneficiaries for this project have also clearly indicated their interest.

4. Institutional Framework

• The beneficiary will be the Ministry of Finance (responsible for harmonisation and coordination of methodology of legislative provisions and by-laws) which will be assisted by the Ministry of Interior (responsible for public administration reform (PAR) including training).
• The ultimate beneficiaries will be 14 regional self-governing Authorities / Offices, namely the Central Bohemian Region Authority, the South Bohemian Region Authority, the Pilsen Region Authority, the Carlsbad Region Authority, the Ústí Region Authority, the Liberec Region Authority, the Hradec Králové Region Authority, the Pardubice Region Authority, the Vysochina Region Authority, the South Moravian Region Authority, the Olomouc Region Authority, the Moravia Silesian Region Authority, the Zlín Region Authority, the Magistrate of the capital Prague.

In terms of responsibilities in this area, the Act on Financial Control (section 7.1) indicates that the Ministry of Finance is the sole authority with regard to ensuring the correct methodology and the coordination of the performance of financial control throughout all levels of the public administration. The relevant department is number 17 of the Ministry of Finance that for Financial Control in Public Administration (hereafter the Control Department). However, the kraj will be solely responsible for ensuring that the regulations of the Act are implemented within their territory (section 9), subject to the Ministry of Finance with regard to methodology. According to the Act on Regions (section 81.1) the implementation of the independent spheres (i.e. decentralised powers) will be subject to ex-post supervision by the Ministry of Interior (the Ministry charged with overseeing the whole of the regional reform) in cooperation with the “materially relevant ministriesThe training of kraj civil servants is overseen by the Ministry of Interior, with input from relevant line ministries for the checking, development and approval of relevant curricula.

The MoI having the competence in the field of training of self-government officials (Act No. 312/2002 Coll. on Territorial Self-government Officials and on Amendment to Some Other Acts) can assist and support the implementation of the training in the field of PIFC.

This position has been officially recognised in writing by both ministries at Deputy Minister level. All kraje have submitted written agreement, signed by the Directors of Kraje Authorities, concerning their participation in the project. As regards training, this project will not concern the development of systemic training courses as such, but direct transfer of know-how, which will be incorporated by the relevant bodies in such courses.

On the question of coordination, the Ministry of Finance is deeply involved in an Internal Audit Working Group (IA-WG) which consist of all 14 kraje, Ministry of Finance, Ministry of Interior and Ministry for Regional Development / MRD (which is charged with overseeing the management of Structural Funds and the Cohesion Fund after accession). The IA-WG first met in České Budejovice on 5 and 6 September 2002 and is scheduled to meet at least once in 2 months.
• The Ministry of Interior co-ordinates also the territorial public administration reform and there is a close co-operation of the MoI and regions, the representatives meet at the regular meetings of the Deputy Minister and the directors of kraje offices. The Unit of International Relations in Public Administration of the Section for PAR of MoI has experience with the EU assistance as well as multilateral and bilateral co-operation and will help the communication flow and will provide contacts for relevant international relations in the field of public administration which are developed and could contribute to the project.
The Steering Committee for the project will be established. The SC will be chaired by the Director of the MoF Control Department. The Deputy Minister of Finance responsible for area of financial control and internal audit, Deputy Minister(s) and Director(s) of the Ministry of Interior responsible for subject covered by this project, Director of the Central Bohemian Office, as well as the SPOs of MoF and MoI will be members of the SC. The representatives of IA-WG and other parties involved can be invited to the SC meetings.

Ministry of Interior will nominate a responsible person who will act as the project manager on behalf of MoI in areas of its competencies.

The Central Bohemian kraj will nominate a responsible person for the implementation of day-to-day activities as the project manager at the regional level.

On the level of kraje a Working Group (WG) for the project consisting of the representatives of kraje, MoF, MoI and MRD will be established headed by the representative of the Central Bohemian kraje. This WG will ensure a close cooperation with the PAA and the Central Bohemian region will nominate responsible person for the implementation of day-to-day activities. At the MoF and MoI the cooperation with the PAA will be ensured by the respective project managers.

5. **Detailed Budget (mil.€)**

<table>
<thead>
<tr>
<th>Project components:</th>
<th>Phare Support</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
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<tr>
<td>Twinning</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.5</strong></td>
<td><strong>1.5</strong></td>
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</table>

6. **Implementation Arrangements**

6.1 **Implementing Agency**

Central Finance and Contracts Unit will be the Implementation Agency. The contact person is Mr. Jan Slavíček, phone +420-2-5704-4551, fax +420-2-5704-4550, e-mail: jan.slavicek@mfcr.cz

The contact person for overall coordination of the project is Ms. Jana Stará, Senior Programme Officer (SPO) for Phare project of the MoF and Finance Sector, Ministry of Finance, Letenská 15, Praha 1, tel. +420 254 072 612, fax. +420 257 049 236, e-mail: jana.stara@mfcr.cz

6.2 **Twinning**

- The PAA will be located at the Central Bohemian Regional Office, Zborovská 11, Praha 5, (18 m/m).
- For the required qualifications and details requested from the Pre-Accession Advisor and under the twinning covenant, please see the “means” in the log frame matrix (Annex 1).

6.3 **Non-standard aspects**

N/A

6.4 **Contracts**

(1)twinning covenant 0.5 MEUR
(2)Service contracts 1.0 MEUR

7. **Implementation Schedule**

7.1 Start of tendering /call for proposals
    Twinning 1 Q/2003
    TA 4 Q/2003

7.2 Start of project activity:
    Twinning 4 Q/2003
    TA 2 Q/2004

7.3 Project completion:
    Twinning 1/2Q/2005
    TA 3Q/2005

8. **Equal Opportunity**

Equal opportunity, principles and practices in ensuring the most benefiting participation in the project will be guaranteed.

9. **Environment**

N/A
10. Rates of Return
N/A

11. Investment Criteria
N/A

12. Conditionality and Sequencing
- The project is conditional on (i.e. it cannot progress), unless the following are indicated within 1 month of the signature of the FM:
  - That the Ministry of Finance is the lead Ministry for the project and not the Ministry of Interior (letters from MoF and MoI indicating this)
That letters from all kraje are submitted to the Delegation indicating that they accept the lead of the Central Bohemia kraj
- Other assumptions to achieve project results are as follows (i.e. the project can move ahead without them already being fulfilled)
- Staff trained under the project remain employees of the kraj, particularly internal auditors.
- Kraj employ more staff in order to achieve the results indicated in the log frame.
- Kraj purchase equipment on which their internal auditors should be trained under the project.
- Each kraj’s “internal provision” relating to PIFC is based on a basic template (so that the PAA can provide input centrally on this instead of in all 14 kraj).
- Involvement of universities in the project.

Annexes to project Fiche
1. Logframe planning matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule
**LOGFRAME PLANNING MATRIX**

<table>
<thead>
<tr>
<th>Project title: Strengthening Public Internal Financial Control at the regional level</th>
<th>Programme number:</th>
<th>CZ 2003/004-338.07.02</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiaries:</strong> Ministry of Finance and all 14 Regions</td>
<td><strong>Contracting period expires:</strong></td>
<td>31/10/2005</td>
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<tr>
<td><strong>Disbursement period expires:</strong> 31/10/2006</td>
<td><strong>Total Budget:</strong></td>
<td>1,5 M €</td>
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<tr>
<td><strong>Phare budget:</strong> 1,5 M €</td>
<td><strong>Assumptions</strong></td>
<td>3rd Copenhagen criterion and the Madrid criterion are fulfilled by the Czech Republic</td>
</tr>
</tbody>
</table>

**Overall objective**

- The Czech Republic is able to take on the obligations of membership, including adherence to the aims of political, economic and monetary union
- The Czech Republic fulfils the conditions for its integration in the EU through the adjustment of its administrative structures, so the European Community legislation transposed into legislation is implemented effectively through appropriate administrative and judicial structures

**Project purpose**

To strengthen Public Internal Financial Control at the regional level

**Objectively verifiable indicators**

- Accession Treaty signed by EC, Member States and Czech Republic by 30 June 2003 at the latest
- Accession Treaty ratified by all Member States by 30 June 2004 at the latest

**Sources of verification**

- Official Journal
- Newspapers

**Assumptions**

- The criteria to be fulfilled for the signature and ratification of the Accession Treaty remain unchanged, and the sole criteria which are used for such judgment.

**Results**

- The system in place for ensuring PIFC in each Region (kraj) meets accepted international standards and best practice.

**Objectively verifiable indicators**

- Increase of % of total amount of public funds managed and controlled by the Regions in accordance with Financial Control legislation and PIFC standards in the year 2005 compared to the year 2002
- Increase of % of controlled and managed person by the Regions in accordance with Financial Control legislation and PIFC standards in the year 2005 compared to the year 2002
- Increase of % of public administrative controls and audits performed in accordance with Financial Control legislation and PIFC standards in the year 2005 compared to the year 2002
- Increase of % of trained internal auditors and other officials by 1st January 2006 compared to 1st January 2003

**Sources of verification**

- Reports produced by the Ministry of Finance
- Reports produced by regions and municipalities
- Annual assessment reports produced by the MoF, regions and municipalities according to Financial Control legislation

**Assumptions**

- All other parts of the 3rd Copenhagen criterion and the Madrid criterion are fulfilled by the Czech Republic
- The system in place for ensuring PIFC in each Region (kraj) meets accepted international standards and best practice.
(From the twinning covenant, component 1 - internal provisions, manual of procedures; component 3 - accreditation and certification manual; from the TA contract, component 2 - recommendations on how to improve IA units’ performance, IT systems for controlling contributory organisations, technical guide for conducting internal audits within kraj and municipalities, component 3 - teaching texts.)

- The capacity to implement the system for ensuring PIFC in each kraj is sufficient (i.e. enough staff in IA units and all relevant staff sufficiently well-trained).

(From the twinning covenant, component 1 - HRD plan; component 3 - training of kraj staff; from the TA contract, component 2 - training with auditor (on job training), component 3 - training of regional top management in PIFC.)

Side effects of the project will be:

- Improved co-operation between Regional Authorities among themselves and with relevant ministries through the IA – WG supporting activities
- Improved co-operation between Regional Authorities and universities to support an incorporation of project’s results in the curricula of relevant subjects
- Platform to support a synergy effect of gained knowledge achieved in the middle and at the end of the project through two inter-regional conferences

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>IA units worked out by the end of the project</td>
<td>• The technical guide for internal audit units within regional self-governing bodies worked out by the end of the project</td>
<td>(prepared by Ministry of Finance and the Centre for Foreign Assistance)</td>
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<td></td>
<td>• The amount of relevant methodology worked out and applied in the middle and by the end of the project</td>
<td>• Phare interim evaluation reports (from EC contracted company EMS)</td>
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<td></td>
<td>• The number of rewied, developed, updated and (re) drafted internal provisions arranging internal audit and PIFC performance in Regions, in the middle and by the end of the project</td>
<td>• Statements of the Ministry of Finance and of the regional or local authority involved</td>
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<td>• 14 independent assessments and evaluations of the regional authorities’ IA units performance worked out by the end of the project</td>
<td>• Minutes of the Steering Committee</td>
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<td></td>
<td>• The increase in the number of trained internal auditors in public sector auditing by 1st January 2006 compared to 1st January 2003, with an indication of the ratio of men and women</td>
<td>• Records and minutes of the IA – WG activities</td>
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<td>• The number of methodological and technical support given to internal audit units of the Regions in the process of internal auditing in the middle and by the end of the project (will be measured in m/m of on job training performed)</td>
<td>• Lists of participants and other records of the participation of administrative officials of regional self-governing bodies at conferences, seminars and other events prepared in the framework of this project</td>
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<td></td>
<td>• The number of realised workshops, seminars conferences and “benchmarking” activities in the middle and by the end of the project</td>
<td>• The support of the Directors of Regional Authorities and regional top-management to the regional IA units and IA – WG activities</td>
</tr>
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<td></td>
<td>• The number of universities involved in the project, number of documents and teaching texts prepared for PIFC an IA system education on a universities level</td>
<td>• Evaluation of the results of relevant Phare projects up to 2000 and the use of the results of Phare, Ispa and Sapard after 2000</td>
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<td>The amount and intensity of co-operation between Regional Authorities among themselves and with relevant ministries through the IA – WG supporting activities by the end of the project compared to the year 2002 (will be measurable through the appropriate records)</td>
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<td></td>
<td>The number contacts of PAAs and the contractor’s team with the IA – WG members and regional internal audit units (quality of these contacts will be measurable through the appropriate records)</td>
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</table>
**Twinning covenant:**

**Component 1 – methodology and supervision**
- Review of internal provisions (i.e. those regulations drawn up and approved by krajs offices and binding within the krajs) relating to IA and PIFC and procedural operations in regions.
- Drafting or re-drafting such internal provisions and the related manuals of procedures
- Make analysis of human resources in regional IA units including particularly recommendations for the future
- Monitor of the performance of the TA contract and make any appropriate recommendations to the beneficiary.

**Component 3 - qualifications**
- Prepare, realise and evaluate study visits and on-the-job training in appropriate bodies of selected EU member states krajs employees (e.g. internal auditors, account managers, top managers and any other staff relevant to ensuring PIFC)
- Prepare and provide training, workshops and seminars in the Czech Republic (for the same persons as indicated in previous point)
- Produce an updated Accreditation and certification manual for IA performance in the public sector (in co-operation with the Czech Internal Auditors Institute – CIIA – and with other relevant organisations)

**TA Contract:**

**Component 2 – audit techniques**
- Provide independent assessment and evaluation of the krajs IA units’ performance resulting in detailed recommendations including transfer of know-how to krajs IA units staff
- Transfer of knowledge to internal audit units by conducting controls in conjunction with their staff (learning by doing)
- Provide advice on the use and development of krajes IT systems for controlling and monitoring organisations falling under their charge (contributory organisations)
- Produce a technical guide for internal audit units within regional self-governing bodies (with details for performing internal audits in krajs and municipalities)

**Component 3 – qualifications**
- Prepare and provide training in the field of PIFC and public sector auditing for internal auditors and top managers of krajs.
- Prepare and provide special training to krajs internal auditors relating to specialist IT (esp. concerning specialist auditing SW)

**The Twinning Covenant will be composed of:**

- **PAA – twinning manager (18 m/m) –** an expert with the minimum 10-year experience in the field of IA and PIFC system (at the executive position in the IA unit of appropriate regional authority – senior manager) in EC member state responsible for project’s managing and supervision, methodology, (re) drafting of internal provisions relating to IA and PIFC system, producing an updated accreditation and certification manual for IA performance in the public sector studies, reviews, analyses, and the best benchmarking practices implementation. PAA will be located at the Central Bohemian Regional Office
  - Cost: 270,000 €
- **Seminars, workshops, trainings (short term experts – STEs) (including training materials/venue costs)** Cost: 90,000 €
- **Work (study) visits and on-the-job training (work shadowing) in to appropriate bodies of selected EU member states, and benchmarking process support Maximum cost: 100,000 € (e.g. 3 persons from each krajs for 12 days ~2x6-days trips - 200 €x14x3x12~ approx 100,000 €)** This component is however, to be more fully explained and justified during the preparation of the twinning covenant and the budgetary provision could therefore be subject to a significant decrease.
- **Translation & interpretation facility Cost: 40,000 €** (translation is needed according to the results of TW, which must be translate or interpretate into Czech - Drafting or re-drafting regional internal provisions, analysis of human resources in 14 regional IA units, Accreditation and certification manual, training, workshops and seminars etc.)

**Total costs 0,5 M€**

**TA contract will be composed of:**
- The project manager (team leader) and his/her technical staff (assistant/s) (1 x 16 m/m) responsible for assessment, evaluation and guiding activities and for co-ordination of IA experts activities
  - Cost: 250,000 €
- The internal provisions of each krajs are based on a single template, thus enabling the PAA to work on a central basis.
- Each krajs establishes a monitoring and control system for “contributory organisations” to be checked by the contractor for TA.
- Each krajs purchases equipment on which the relevant staff can be trained by the contractor for TA.
- A steering committee will be established for the project consisting of delegates of Ministry of Finance, Ministry of Interior and krajs. The steering committee will ensure full coordination with any other programmes concerning the training of region staff in the area of PIFC.
- Coordination of relevant bodies (central and regional) will be assured (e.g. Ministry of Finance, Ministry of Interior, Ministry for Regional Development, 14 krajes) by the beneficiary.
- Coordination between the activities/outputs of the project and legislation will also be ensured by the...
- Develop teaching texts for Universities in Regions (kraje) and in the Capital of Prague in the fields of internal auditing and the PIFC system

- The IA experts (short-term experts) in relation to the specific issues and problems of 13 regions and the City of Prague (14 x 3 m/m); the experts should be Czech speaking professional IA auditors, English is an advantage
  - Cost: 500,000 €
- Training (including special IT training)
  - Cost: 250,000 €

Total costs 1,0 M€

| Total Phare costs: = 1,5 M€ |
| Total project cost = 1,5 M€ |

**Preconditions:**
- That the Ministry of Finance is the lead Ministry for the project and not the Ministry of Interior (letters from MoF and MoI indicating this)
- That the particular deputy minister who will be responsible for ensuring the project is indicated and that in the case the day to day project management can no longer be ensured by the Central Bohemia kraj, it will be taken over by the relevant department (Control Department of Ministry of Finance – no 17).
- That letters from all kraje are submitted to the Delegation indicating that they accept the lead of the Central Bohemia kraj

- Proposals drafted by PAA and contractor for TA approved and implemented by the beneficiaries, particularly with regard to staffing needs.
- Universities are involved in the project and adopt the drafts of teaching materials prepared under the TA contract.
# DETAILED IMPLEMENTATION CHART

Strengthening Public Internal Financial Control at the regional level

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>- Launch Twinning request to MSs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Selection of MSs for twinning</td>
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<tr>
<td>- Elaboration of twinning covenant</td>
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<tr>
<td>- Twinning implementation</td>
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<table>
<thead>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>Finalisation of tender dossier</td>
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<tr>
<td>Launch of tender</td>
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<td></td>
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<tr>
<td>Signature of contract</td>
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<td>X</td>
<td></td>
</tr>
<tr>
<td>Project implementation</td>
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<td></td>
<td>X X X X X X X X X X X X</td>
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## CONTRACTING AND DISBURSEMENT SCHEDULE

### Cumulative Quarterly Contracting Schedule (mil.€)

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<th>Project</th>
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<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>2Q/04</th>
<th>3Q/04</th>
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<th>1Q/05</th>
<th>2Q/05</th>
<th>3Q/05</th>
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### Cumulative Quarterly Disbursement Schedule (mil.€)

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<th>4Q/03</th>
<th>1Q/04</th>
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