Standard Summary Project Fiche for the Transition Facility

1. Basic Information
   1.1 CRIS Number: 2006/018-175.03.02; Twinning Light: SK06-IB-FI-02-TL
   1.2 Title: Audit and Ex-post Financial Control of the EU Own Resources
   1.3 Sector: Financial Control
   1.4 Location: Ministry of Finance, Bratislava, Slovak Republic

2. Objectives

   2.1 Overall Objective(s):
   Enhancing of the ES Own Resources Audit and Ex-post Financial Control to further strengthen and protect European Communities financial interests.

   2.2 Project purpose:
   Providing training for internal auditors and ex-post financial controllers on execution of own resources verification in order to enhance qualification of staff involved in public internal financial control system.

   2.3 Justification:
   The Comprehensive Monitoring Report on Slovakia’s preparation for membership has been issued by the European Commission in November 2003. The two following chapters thereof states:
   
   Chapter 28 – Financial Control:
   
   • “On the issue of protection of the EC financial interests, the legal framework must be further refined and administrative capacities must be substantially strengthened.”
   • “The acquis requires the existence of adequate ex ante financial control and functionally independent internal audit systems;”

   Chapter 29 – Financial and Budgetary Provisions:

   “Slovakia should now focus attention on completing preparations under this chapter by further improving the calculation of the VAT based resources, establishing procedures for the A and B accounts and sugar levies and finalising procedures for sending reports on cases of fraud and irregularities to the Commission.”

   The Report of the SIGMA¹ Peer Assistance to the Public Internal Financial Control System in the Slovak Republic which reads as follows:
   
   • Chapter 4- Using Budget for Control: “At the Ministry of Finance a good understanding of the mechanisms, rules and factors governing all EU related revenue and expenditure items on the state budget should be built.”
   • “encourage, develop and document best practice.”

3. Description

   3.1 Background and justification:
   The Slovak Republic since the very first day of its membership in the European Union has contributed financial means in the form of own resources into the European Union budget. In

¹ SIGMA - Support for Improvement in Governance and management in Central and Eastern European Countries under the auspices of the Organisation of Economic Coordination and Development (OECD) and European Commission (EC)
2004 it was 8 801 million SK, in 2005 14 470 mil. Sk; while for 2006 the contribution is anticipated to be 15 985 mil. Sk in 2007 it is 17 085 mil. Sk.

In order the SR could contribute to the EU budget the EC Own Resources Financial Management System was created and approved by the Governmental Decrees No. 915 as 23 November 2005 and No 1050 as 13 November 2003 respectively. The system lays down the legal framework of the European Commission own resources, individual bodies involved in the financial management system, their activities and mutual links, financial and information flows regarding collection, contribution and financial control of own resources. At the same time it covers areas dealing with causes of financial frauds, financial frauds, irregularities, breaching of financial discipline, accounting and archiving.

The Ministry of Finance in accordance with the Law No. 575/2001 Coll. on the Organisation of Government Activities and Organisation of the Central State Administration as amended, Article 7 is the central state administration for financing, taxes, fees and customs, financial control and internal audit. In line with law No. 502/2001 Coll. on Financial Control and Internal Audit as amended by the Law No. 618/2004 Coll. the Ministry of Finance is in charge of carrying out ex-post financial control and audit of public funds, including EC own resources. The ministry implements controls through the Section of the Public Internal Financial Control System and Financial Control Administrations in Bratislava, Zvolen and Košice. In addition the Ministry of Agriculture and the Supreme Audit Office are entitled to carry out control and internal audit of EC own resources.

The purpose of the project is fine tuning of the EC Own Resources Financial Management System in particular audit and ex post financial control. The project shall ensure for auditors/controllers to be updated with the EU legislation as for the area of EC own resources, to be trained in methodology, methods and techniques of performing audit and financial control and acquire best practice approach.

The list below contains supportive international agreements, EU legislation, national legislation and documents concerning EC own resources:

a) International treaties:
   - Treaty establishing the European Atomic Energy Community (EURATOM)
   - Treaty establishing the European Community (art. 268 – 280)
   - The Accession Treaty to the European Union

b) EC regulations:
   - Council Regulation (ES) of 25 June 1996 on European system on national and regional accounts in community
   - Council Regulation (EC) 1997/515/EC of 13 March 1997 on mutual assistance between governmental bodies of Member States and cooperation between these bodies and the Commission with the aim of the correct application of the law in customs and agricultural affairs.
   - Commission Decision 97/245/ES, Euratom of 20 March 1997 governing the conditions on providing information to commission by member states within the system of ES own resources
• Council Regulation (ES, Euratom) 1999/1026/ES of 10 May 1999 laying down competences and duties for commission representatives to perform control and inspection of ES own resources
• Council Regulation (EC, Euroatom) 2000/1150/EC of 22 May 2000 implementing Decision 94/728/EC, Euratom on the system of the Communities’ own resources
• Council Decision 2000/597/ES, Euratom of 29 September 2000 on system of ES own resources
• Council Regulation (EC) 2001/1260/EC of 19 June 2001 on common organisation of the sugar market
• Council Regulation (ES, Euratom) 2002/1605/ES of 25 June 2002 on financial regulation applicable to general budget of the European communities

National legislation:
• Act of the Slovak Parliament No. 39/1993 Coll. on the Supreme Control Office of the Slovak Republic as amended
• Act of the Slovak Parliament No. 289/1995 Coll. on value-added tax as amended
• Act of the Slovak Parliament No. 523/2004 Coll. on budgetary rules of public sector and on the amendment of certain acts
• Act of the Slovak Parliament No. 440/2000 Coll. on financial control reports as amended
• Customs Act No. 238/2001 Coll. as amended
• Act of the Slovak Parliament No. 491/2001 Coll. on organisation of the market in selected agricultural products
• Act of the Slovak Parliament No. 502/2001 Coll. on financial control and internal audit and on the amendment of certain acts as amended by Act No. 618/2004 Coll.
• Act of the Slovak Parliament No. 575/2001 Coll. on the organisation of Government activity and organisation of the central state administration as amended
• Act of the Slovak Parliament No. 431/2002 Coll. on accountancy
• Act of the Slovak Parliament No. 473/2003 Coll. on the Agricultural Payments Agency, on support for business in agriculture and on the amendment of certain acts (this was passed in the SR Government by resolution No. 532 of 26 June 2003).

d) Other documents:
• SR Government Resolution No. 69  of 26 January 2005 to the draft of European Communities Own Resources Management System in the SR after accession to EU
• SR Government Resolution No. 915  of 23 November 2005 to the draft of Updated Concept of the Financial Management System of EC own resources in the SR

3.2 Linked activities

By the time we have not implemented a project aimed at the audit and financial control of EC own resources in the SR. Also we have not been running any project that would be complementary to the project.
3.3 Results

1. Auditors and ex-post financial controllers performing audit and financial control of the (the combination of seminars, workshops and study trips shall be provided) EC own resources trained;
2. Trainers trained; employees of the Financial Control and Internal Audit Methodology Department (FCIAMD) shall be trained as trainers; they will continue in providing training activities to all authorities concerned after the project “Audit and Ex-post Financial Control of the EC Own Resources” has finished;
3. Problem areas relevant to control bodies in order to give further relevant and clear information (e.g. activity no. III., IV.,) clarified
4. Steps for Implementing of remaining recommendations from Comprehensive Monitoring Report 2003 and SIGMA Peer Report (e.g. activity no. II., VII.) formulated.

Achieving these results will contribute to fulfil the overall project objective and it will be also added value.

3.4 Activities

Trainees and trainers shall be mainly trained in the following themes:

1. Legislative framework EC own resources (EC and national legislation);
2. The practical application and effective use of the management and control systems (best practice approach)
3. Planning of the EC own resources financial control/audit performance;
4. Findings on irregularities, solving of frequent shortcomings, financial corrections, irregularities reporting;
5. Description of the fraud proceedings;

In addition activities shall be focused on:

6. Elaborating acceptable supporting documentation for performing control with a focus on financial flows (audit trail)
7. Performing the on the spot control/audit in line with EC and national legislation.
8. Study visit to a MS country

At least 130 trainees including 10 trainers shall be trained in performing financial control of the EC own resources, direct payment in line with International Standards for Professional Practice of Internal Auditing.

To supplement training activities two 5 day study trips each for 6 participants shall be organised by the twinning partner. They shall be focused on getting practical experience in carrying out financial control of own resources within the financial management and control system of the visited EU member state.

The short term experts’ team shall consist of:

- 2 short term experts shall have a University degree in Business Administration, have minimum 8 years, preferably up to 15 years of working experience out of which 3 years performed audit in public sector including EC own resources audit, posses good knowledge of English Language and be able to explain subjects in an understandable and concise way, to be able to form recommendations to improve Slovak control environment within project activities; to be able to grasp knowledge of Slovak circumstances within the concerned topics, to tailor their standpoints to Slovak conditions, to have sense of team work (sharing information)

- 1 short term experts shall have a University degree in Business Administration, have minimum 3 years, preferably 5 to 8 years of working experience in the field of Financial Management and Control (FMC), posses good knowledge of English Language and be able to explain subjects in an understandable and concise way, to be able to suggest recommendations to improve Slovak control environment concerning topics covered by project, to be able to grasp
knowledge of Slovak circumstances within the concerned topics, to tailor their standpoints to Slovak conditions, to have sense of team work (sharing information).

3.5 Lessons learned

In August 2003 the SIGMA Peer Assistance to the Public Internal Financial Control System in the Slovak Republic Report has been published. Since then two Phare project SK 01/IB/FI/02 Public Internal Financial Control and currently implemented twinning project Transition Facility 2004 No SK 2004/IB/FI/02 – Capacity Building in the Area of Internal Audit – Completion of Permanent Education System for Internal Auditors have tackled and implemented some SIGMA recommendations regarding protection of the EC financial interests. Training issues dealing with audit and ex post financial control of EC own resources however, were not dealt with; it is up to the project to fulfil also the SIGMA recommendations and train internal auditors and financial controllers.

Despite of having no project focused on this particular field, some lessons from the previous Phare projects and SIGMA recommendations can be learned. In particular it applies for the close cooperation and strong involvement of the officials of the Ministry of Finance and other central state administration organizations what is essential prerequisite for reaching project results. In doing so, an appropriate organisational structure will be established from the beginning of the project implementation under the responsibility of the Project Leader. It shall ensure among other things effective coordination of activities and efficiency of training provided in particular. Training as the core of the project, banking on the vast training experience gained has been designed more with a view of rendering practical experience to those involved in the audit and control performance. Therefore, the attention must be paid to the selection of trainees and structuring of the trainees groups as well as to the quality of the training provided. It should meet auditor’s and controller’s expectations and reflect their actual needs. An integral part of the training is also sharing the short term experts experience. Personal contacts in this regard are therefore vital and indispensable.

4. Institutional Framework

The Section of the Public Internal Financial Control System (PIFC System Section) of the Ministry of Finance is the principal beneficiary of the project. Director of the Financial Control and Internal Audit Methodology Department (FCIAMD) which plays a role of Central Harmonising Unit (CHU) at the PIFC System Section will be solely and entirely responsible for the overall output (guaranteed result) and safeguarding the majority of inputs necessary to achieve it. This role is given to the FCIAMD by the Organisational Statute of the Ministry of Finance which is the only one within the Ministry entitled to create and implement projects financed by PHARE and Transition Facility Programmes in the field of Public Internal Financial Control. Other beneficiaries of the project:

At the Ministry there are:

- Section of the Public Internal Financial Control System, including its departments:
  - Department of Own Budgetary Resources Control
  - Department of Financial Control EU Resources
  - Methodology Department for Financial Control and Internal Audit
  - Independent Unit of EU Resources Internal Audit
  - Independent Unit of Administrative Procedures
- Internal Audit Department,
- Department of EU Budget within the Section of European Affairs
- Further beneficiaries are:
  - Financial Control Administrations in Bratislava, Zvolen, Košice which are the territorial control authorities established under responsibility of the Ministry of Finance;
  - Ministry of Agriculture of the Slovak Republic (Control Department and Audit Unit) and Agricultural Paying Agency.
5. **Detailed Budget**

<table>
<thead>
<tr>
<th></th>
<th>Transition Facility support in €M</th>
<th>Co-financing in €M</th>
<th>Total in €M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Transition Facility (=I+IB)</td>
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<tr>
<td>Twinning Light</td>
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<td>0.150</td>
</tr>
<tr>
<td>Total</td>
<td>0.150</td>
<td></td>
<td>0.150</td>
</tr>
</tbody>
</table>

(*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises
(**) private funds, FIs loans to private entities

Contributions from the Slovak administration for effective implementation of the twinning light may be further detailed in the twinning contract.

VAT does not constitute eligible expenditure except where it is genuinely and definitely borne by the final beneficiary. VAT which is considered recoverable, by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary or individual recipient.

The project is planned to be implemented in the form of Twinning Light. The funds requested shall cover the costs eligible under the Twinning Light rules for three short term experts working 110 man/days. In addition to it a reasonable amount of money shall be set aside for interpretation/translation and organising workshops/training including materials and handouts. The proposed budget for the twinning project is € 150,000 including € 5,000 allocated for performing audit at the end of the project.

6. **Implementation Arrangements**

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Fax: +421 2 5443 0056
e-mail: phare@vlada.gov.sk

6.1 **Implementing Agency**

Ms Silvia Czuczurová, CFCU Director/PAO
Ministry of Finance of the Slovak Republic
Central Finance and Contracting Unit
Štefanovičova 5
817 82 Bratislava, Slovak Republic
Tel: +421 2 5958 2545
Fax: +421 2 5958 2559
e-mail: cfcu@mfsr.sk

6.2 **Twinning – SK06-IB-FI-02-TL**

For the Final Recipient of the Action

Mr Mário Virčík, Senior Project Officer
Ministry of Finance of the Slovak Republic
Section of European Affairs
Štefanovičova 5
817 82 Bratislava, Slovak Republic
Basic Implementation Arrangements and Timetable

- Duration of contract: 6 months
- Duration of work-plan: 6 months
- Starting date: 1st quarter 2007
- Finishing date: 3rd quarter 2007

7. Implementation Schedule

- **Start of tendering/call for proposals:** 4th quarter 2006
- **Start of project activity:** 1st quarter 2007
- **Project Completion:** 3rd quarter 2007

8. Sustainability

Section of Public Internal Financial Control System at the Ministry of Finance of the SR is aware that there is need to arrange persistent education and trainings in such important topic as of EC own resources are. Also they hope to maintain sustainability due to experts’ awareness of the piece of work done in the field concerned.

9. Conditionality and sequencing

Not applicable
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
## Transition Facility log frame

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>Programme name and number:</th>
<th>Contracting period expires</th>
<th>Disbursement period expires</th>
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</thead>
<tbody>
<tr>
<td>Project: Audit and Ex-post Financial Control of the EU Own Resources</td>
<td>2006 Transition Facility programme</td>
<td>15 December 2008</td>
<td>15 December 2009</td>
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<td></td>
<td>2006/018-175.03.02</td>
<td>Total budget: €150,000</td>
<td>TF budget: € 150,000</td>
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</tbody>
</table>

### Overall objective

- Enhancing of the EC Own Resources Audit and Ex-post Financial Control to further strengthen and protect European Communities financial interests

### Objective verifiable indicators

- Increased expert level of internal audit and ex-post financial control in the Slovak Republic in line with the best practice in EU

### Sources of Verification

- 2 types of reporting:
  - Audit Reports,
  - Ex-post Financial Control Reports for the European Commission /European Court of Auditors

### Project purpose

- Providing training for internal auditors and ex-post financial controllers on execution of own resources verification in order to enhance qualification of staff involved in public internal financial control system.

### Objective verifiable indicators

- To increase quality of performed audit and ex-post financial control evaluated by means of supervision executed by the MF SR, Commission and EDA auditors

### Sources of Verification

- Training Plans for internal auditors
- Training Plans for ex-post financial controllers
- Annual Reports on activities of internal audit department/ internal auditor

### Assumptions

- Available capacity in the Training Centre of the Ministry of Finance of the Slovak Republic

### Results

- Auditors and ex-post financial controllers performing audit and financial control of the (the combination of seminars, workshops and study trips shall be provided) EC own resources trained;
- Trainers trained; employees of the Financial Control and Internal Audit Methodology Department (FCIAMD) shall be trained as trainers; they will continue in providing training activities to all authorities concerned after the project “Audit and Ex-post Financial Control of the EC Own Resources” has finished;
- Problem areas relevant to control bodies in order to give further relevant and clear information (e.g. activity no. III., IV.,) clarified

### Objective verifiable indicators

- 130 trainees trained in a number of seminars, trainings and workshops
- 10 trained lecturers from FCIAMD
- Accepted and fully implemented recommendations
- Methodological guidance, impact on quality of performing audit and control

### Sources of Verification

- Lists of participants and issued handouts for particular training activities.
- Lists of Ministry of Finance' lecturers
- Records, minutes from working meetings topics covered by them.
- Methodological guide filed with the Ministry of Finance, Section of PIFC System

### Assumptions

- Engagement of auditors, ex-post financial controllers and lectures in training and consulting activities
- Steps for Implementing of remaining recommendations from Comprehensive Monitoring Report 2003 and SIGMA Peer Report (e.g. activity no. II., VII.) formulated.
- Methodological guide comprising opinions and recommendations issued and distributed to the relevant partners
- List of distributed methodological guides to stakeholders filed with the Ministry of Finance, Section of PIFC System

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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</thead>
<tbody>
<tr>
<td>Trainees and trainers shall be mainly trained in the following themes:</td>
<td>• Approved: Twining Covenant, Twinning work plan and Twinning budget (3 short-term experts including project leader)</td>
<td>• Requirement of the Management of the Ministry of Finance to increase quality of work of auditors and ex-post financial controllers</td>
</tr>
<tr>
<td>1. Legislative framework EC own resources (EC and national legislation);</td>
<td></td>
<td>• Effective cooperation with other institutions: Financial Control Administrations located in Bratislava, Žvolen and Košice, Custom Directorate, Ministry of Agriculture including Agricultural Paying Agency</td>
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<tr>
<td>2. The practical application and effective use of the management and control systems (best practice approach)</td>
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<td>3. Planning of the EC own resources financial control/audit performance;</td>
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<td>4. Findings on irregularities, solving of frequent shortcomings, financial corrections, irregularities reporting;</td>
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<td>5. Description of the fraud proceedings;</td>
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<tr>
<td>In addition activities shall be focused on:</td>
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<tr>
<td>6. Elaborating acceptable supporting documentation for performing control with a focus on financial flows (audit trail)</td>
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<td>7.Performing the on the spot control/audit in line with EC and national legislation.</td>
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<td>8. Study visit to a MS country</td>
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<table>
<thead>
<tr>
<th>Preconditions</th>
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<tr>
<td>• Well established and effective functioning of Slovak Public Internal Financial Control System</td>
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## Project CRIS number: 2006/018-175.03.02

**Project title:** Audit and Ex-post Financial Control of the EU Own Resources

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>2007</th>
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<td>Legislative framework EC own resources (EC and national legislation)</td>
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<td>Study business trip to MS country as for activities</td>
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Cumulative Contracting and Disbursement Schedule

Project CRIS number: 2006/018-175.03.02

Project title: **Audit and Ex-post Financial Control of the EU Own Resources**

<table>
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