STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: SI0205.04
1.2 Twinning Number: SI02/IB/OT/04
1.3 Title: Strengthening Of The Institutional Capacities of the Slovenian Court of Audit
1.3 Sector: Economic and Social Cohesion
1.4 Location: Slovenia

2. Objectives

2.1 Overall Objective
Strengthening of the Slovenian Court of Audit as an independent, professional organisation producing relevant and timely reports for Parliament on the way that public money has been used.

2.2 Project Purpose
- To develop the capacity of the Court to carry out an effective audit of the final beneficiaries of Slovenian and EU public expenditure, specifically as regards State Aid and grants and subsidies to individuals.
- To develop the Courts policy and approach to the fight against fraud and corruption.
- To develop the capacity of the Court to examine the Results Based Budgets of the Slovene Government.
- To develop the capacity of the Court to carry out an effective audit of local Government institutions.

2.3 Accession Partnership and the priorities of the NPAA
AP 2001
Financial Control:
- Further develop of the Public Internal Financial concepts (managerial accountability and systems based audits) and amend relevant legislation.
- Complete the establishment of the internal audit units in line ministries in a harmonised way and strengthen independence.

NPAA:
4.1.28: Financial Control

3. Description

3.1 Background and justification:
- Slovenia’s accession to EU requires that the Court of Audit, the Slovenian Supreme Audit Institution, should reform its institutional capabilities. EU assistance to the Court is being provided through project SL 99 IB FI 01 which
ends in August 2002.

- The current project will successfully introduce both Financial and Performance audit techniques to the CARS as well as generic guidance on audit methods and practices.
- However, during the course of the project the Slovene Parliament enacted a new audit law. This has given CARS clearer and more extensive powers to audit a wider range of Government expenditure as well as defining new organisational and procedural structures.
- CARS strategy for implementing the new audit act has been to focus first on establishing an effective audit of the State Budget while developing their ability to undertake modern performance audits of key aspects of Central Government activity. The second phase in its strategic development is to enhance its capacity to audit the final beneficiaries of public money and local authorities.
- Slovenia receives various types of assistance from the EU budget - PHARE, ISPA and SAPARD. In Slovenia there is a new institution – the Agency for Agricultural Markets and Rural Development, a subordinate body of the Ministry for Agriculture, Forestry and Food, which executes the use of the SAPARD funds. The Agency was established a year ago, its task is execution of financial transactions of EU funds – programme SAPARD for needs of the Slovene agriculture and food industry. The Agency will also carry out tasks in the area of farming, forestry, agriculture, and fishing, in accordance with the EU policy and will provide for reorganisation of the agricultural policy in Slovenia. In order to be able to execute the tasks, the Agency should in October 2001 obtain accreditation of Payment Agency to be able to execute the EU pre-accession assistance – SAPARD. Slovenia is entitled to 6,445m EUR per year until the end of the 2006. This represents 1.2% of all EU funds earmarked for candidate countries. SAPARD will be executed in a decentralised way, mainly through public procurements issued by the Agency. Therefore the supervision over the use of the funds is very important. The Court will need to review regularity and performance of the Agency that allocates EU funds among end users. The auditors at the Court of Audit need additional skills and knowledge in order to be able to carry out those audits.
- The Court has also recognised that it needs to develop its capacity to evaluate the effectiveness of the Governments actions against fraud and corruption.
- Slovenia introduced Result Based budgeting (RBB) when preparing budget for 2001 and for 2002 and 2003. The Ministry of Finance is responsible for the task and it receives assistance from a Twinning Project. All direct budget users (Institute for Health Insurance, Institute for Pension and Disabled Insurance) must now report about achieved objectives and results. The Court of Audit has co-operated with the Ministry of Finance on preparation of unified methodology for reporting about objectives achieved in 2000. The methodology must be adjusted to the development of RBB and will have to be amended. On one hand the Court of Audit will co-operate with the Ministry of Finance when developing the methodology, on the other hand the Court of Audit will have to develop its own methodology for auditing the reliability of the reports on the achieved objectives of the direct budget users and Institute for Health Insurance, Institute for Pension and Disabled Insurance. This type of audit is a completely new task for the Court of Audit, because the Court has no experience on this area.
- There are a significant number of local Government institutions in Slovenia, for example there are 192 municipalities – each with between 5000 and 20000
citizens. The municipalities obtain funds from the state and also from their own resources and taxation. The Court has undertaken only a small number of comprehensive audits in this area. The Court has recognised that it is essential to develop and undertake a professional and effective audit in this area.

3.2 Linked activities
- There is a twinning project in Ministry of Finance, which deals with the introduction of results based budgeting. This project in the Court of Audit would require cooperation and liaison with this twinning project. The co-operation will mean liaison on development of budget report structure and performance information.
- There would also be links with the twinning project in the Office of Budget Supervision within the Ministry of Finance. That project is focussed on the development of public internal financial control. The co-operation will mean liaison on matters connected with internal financial control and on internal audit.

3.3 Guaranteed Results/Outputs
- Improved professionalism and functioning of the Court of Audit of Slovenia;
- Skilled staff able to undertake the audit of grants and subsidies to final beneficiaries; the audit of local authorities and the examination of Results Based Budgets
- Clear policy and guidelines on the role of the Court in the fight against fraud and corruption;
- Practical guidelines or manuals specifically related to the audit of the recipients of State Aid, results-based budgeting, fraud and corruption and local Government based on European standards in the respective fields; and
- More effective relations between Ministry of Finance and the Court of Audit

3.4 Activities/inputs
These activities will be implemented through a twinning arrangement with one EU member state Supreme Audit Institution, involving the assistance of a PAA, assisted by a team of short-term experts.

The PreAccession Adviser, supported by short-term experts, will undertake the following:

- Development of analytical skills required to assess the validity of performance indicators included in results based budgets;
- Development of audit guides and programmes relating to grants and subsidies; local Government and results based budgets;
- Development of training programme on the subjects of the audit of grants and subsidies, audit of local authorities and results based budgets;
- Assisting with the strategic planning of the audits of the local government, grants and subsidies and results based budgets;
- Provide ongoing advice on the implementation of a range of Pilot audits of grants and subsidies to final beneficiaries, local government and results based budgets;
- Development of policy and guidelines on the roles of the Court in the fight against fraud and corruption;
The Court of Audit will allocate the necessary material resources (computers, printers, furnished offices for the foreign experts) and the financial resources for bearing all the local costs related to the participation of its staff to the project activities (internal transport, per diem, multiplication of documents, communications, audio-video equipment).

PAA will be a long-term advisor for maximum 12 calendar months, the exact duration being left to the twinning covenant. The task of the advisor will be the co-ordination of project implementation.

**PAA Profile:**
- Expert in external audit of public funds, with long-term professional background within a Supreme Audit Institution from a EU State Member.
- Good understanding of the audit institutions
- Experience in management and co-ordination of institutional restructuring projects;
- Experience in organisation of management information systems, preferably in the field of external audit;
- Computer literate
- Fluency in English;

Short-term experts should have the relevant experience and competence to match the project components in the field of international audit standards and audit quality improvement, strengthening of the management and administration capacity and development. They must be fluent in English.

3.5 Lessons learned
The lessons learned from the previous twinning project are mainly connected with the administration of the project. The interim evaluation also highlighted the need for dedicating a full time counterpart to the Pre-Accession adviser and providing the services of a translator/administrator.

4. Institutional Framework
The beneficiary institution is the Court of Audit of Slovenia. The Court of Audit is one of the key institutions in the system of financial control in Slovenia. It is required to report to Parliament on the way Government and the Executive has spent public money. The main other institution for the promotion of financial control is the Ministry of Finance. The Ministry of Finance control and monitor budget spending. In order to reinforce the strength of the financial control system it is essential that the relations between the Ministry of Finance, the Court and Parliament are constructive. This fiche proposes that the twinning project work to develop such relations particularly with the Ministry of Finance in the field of Results Based Budgeting.

The scope of the project covers most of the Court’s audit activity, being the prerequisite for a comprehensive institutional reform.
5. Detailed Budget

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The national component is already earmarked in the National Budget. The Slovenian Government will provide office space, office support, salaries for the counterpart staff, travel tickets for the counterpart staff for study visits in EU countries (or indicate other activities which will be financed through Slovenian budget).

6. Implementation Arrangements

6.1 Implementing Agency:
CFCU, Ministry of Finance
Beethovenova 11
1000 Ljubljana
Responsibility person:
Mr. Peter Škofic, PAO
Tel: +386 1 478 62 03, fax: +386 1 478 62 04
E-mail: peter.skofic@mf-rs.si

The Implementing Authority:
Court of Audit
1000 Ljubljana
Slovenia
Responsibility person:
Dr A V Antoncic, President of the Court of Audit
Tel: +386 1 478 5810
Fax: +386 1 478 5892
E-mail: vojko.antonic@rs-rs.si

The manager of the Project will be:
Nevenka Cukon-Mavec, Supreme State Auditor
Tel: +386 1 478 5850
Fax: +386 1 478 5892
E-mail: nevenka.cukon-mavec@rs-rs.si

The Contracting Authority:
Court of Audit
1000 Ljubljana
Slovenia
6.2 Twinning
The project is designed to be implemented as a Twinning package, consisting of long-term and short-term experts, study tours specialist training and workshop.

6.3 Non-standard aspects
Not applicable

6.4 Contracts
There will be one contract – that is the Twinning covenant. The value of the twinning covenant is 0.4 MEUR

7. Implementation Schedule

7.1 Start of tendering/call for proposals
• Immediately after signature of FM.

7.2 Start of project activity
• To be established when concluding the twinning covenant: October 2002

7.3 Project completion
• To be established in the twinning covenant: September 2003

8. Equal Opportunity
The Court of Audit guarantees that equal opportunity principles and practices will be applied ensuring equitable gender participation in the project.

9. Environment
Not applicable

10. Rates of return
Not applicable

11. Investment criteria
Not applicable
12. **Conditionality and sequencing**
Projects to be implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. 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 the policies and institutional change required delivering the project results.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and Disbursement Schedule
3. List of Laws
<table>
<thead>
<tr>
<th>Logical frame matrix</th>
<th>Logical frame matrix</th>
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<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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<tr>
<td>• Strengthening of the Slovenian Court of Audit as an independent, professional organisation producing relevant and timely reports for Parliament on the way that public money has been used.</td>
<td>• Standards and yardsticks of the International Organisation of Supreme Audit Institutions (INTOSAI) Auditing standards are fully met.</td>
<td>• Annual reports on the activity of the Court of Audit.</td>
<td>• Continued political commitment to meet the EU accession requirements.</td>
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<th>Immediate Objectives</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
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<td>• To develop the capacity of the Court to carry out an effective audit of the final beneficiaries of Slovenian and EU public expenditure, specifically as regards State Aid and grants and subsidies to individuals.</td>
<td>• Court undertakes audit of final beneficiaries of Slovene and EU public expenditure by the end of 2003.</td>
<td>• Final (published) Audit Reports on the results of audit of final beneficiaries.</td>
<td>• Sufficient financial resources are available.</td>
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<tr>
<td>• To develop the Courts policy and approach to the fight against fraud and corruption.</td>
<td>• The roles and responsibilities of the Court in respect of fraud and corruption are clarified and necessary processes implemented by end of project (end of August 2003).</td>
<td>• Annual report on the activity of the Court references to actions on fraud and corruption.</td>
<td>• Trained staff are retained in the Court.</td>
</tr>
<tr>
<td>• To develop the capacity of the Court to examine the Results Based Budgets of the Slovene Government.</td>
<td>• Assessment of the reports of the implementation of Results Based Budgeting by the Court.</td>
<td>• Final (published) Audit Reports on the assessment of reports by public sector entities on results based budgeting.</td>
<td>• Relevance of assistance provided.</td>
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<tr>
<td>• To develop the capacity of the Court to carry out an effective audit of local Government institutions.</td>
<td>• Court undertakes an effective audit of some local Government Institutions during 2003.</td>
<td>• Final (published) reports on the audit of some local Government Institutions.</td>
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<tr>
<td>Results or outputs</td>
<td>Objectively verifiable indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
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| • Improved professionalism and functioning of the Court of Audit of Slovenia;  
• Skilled staff able to undertake the audit of grants and subsidies to final beneficiaries; the audit of local authorities and the examination of Results Based Budgets  
• Clear policy and guidelines on the role of the Court in the fight against fraud and corruption;  
• Audit manuals and practical guidelines based on European standards in the respective fields; and  
• More effective relations between Ministry of Finance and the Court of Audit | • The Court will undertake effective and timely audits covering a broad range of topics and institutions.  
• Staff trained in the audit of grants and subsidies ( 8 staff), local authorities ( 8 staff) and reports on results based budgeting ( 8 staff) by end of project ( end of August 2003).  
• Internally distributed and implemented guidance on the role of Court in the fight against fraud and corruption by March 2003.  
• Internally distributed manuals or guidelines on the audit of grants and subsidies, local authorities and reports on results based budgeting by March 2003  
• Regular and constructive relations between the Ministry of Finance and the Court. | • Monitoring by EU Delegation  
• Final (published) Audit Reports  
• PAA quarterly reports  
• Feedback from the Court and the Ministry of Finance | • Effective cooperation with the Ministry of Finance and other relevant twinning projects |

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<tr>
<th>Activities or inputs</th>
<th>Means</th>
<th>Assumptions</th>
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| • Twinning arrangement providing advice and training on all immediate objectives of the project | • Professional advice by Pre Accession Adviser and short term experts  
• Training provided as required | • Feedback from the Court | • Advice and training is relevant  
• Good quality project management by the Court and the PAA. |

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<th>Preconditions</th>
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### STRENGTHENING OF THE INSTITUTIONAL CAPACITIES OF THE SLOVENIAN COURT OF AUDIT

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Annex 3: Contracting schedule (sheet 1)

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NB: all contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of FM.
Annex 3: Disbursement schedule (sheet 2)

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NB all disbursements must be completed within 36 months of signature of the FM
## Annex 3: Contracting and disbursement schedule (sheet 3)

**Strengthening of the Institutional Capacities of the Slovenian Court of Audit**

SI0205.04

### CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (EUR million)

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**NB:**
1. All contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of FM.
2. All disbursements must be completed within 36 months of signature of the FM.