

## ANNEX C1bis: Twinning Light Fiche

**Project title:** Further strengthening the capacity of the Serbian Audit Authority

**Beneficiary administration:** Governmental Audit Office of EU Funds

**Twinning Reference:** SR 21 IPA FI 01 23 TWL

**Publication notice reference:** EuropaAid/179648/DD/ACT/RS

**EU funded project**

***TWINNING TOOL***

### ACRONYMS AND ABBREVIATIONS

AA: Audit Authority

ACFE: Association of Certified Fraud Examiners

CAPs: Country Action Programmes

CBC: Cross-Border Cooperation

CEF: Center of Excellence in Finance

CIPFA: Chartered Institute of Public Finance and Accountancy

GAO: Governmental Audit Office of EU Funds

IMBC: Indirect Management with the Beneficiary Country

INTOSAI: International Organization of Supreme Audit Institutions

IPA: Instrument for Pre-Accession Assistance

IPARD: IPA Rural Development Programme

ISQM: International Standard on Quality Management

MS: Management Structure

NAO: National Authorising Officer

NAO SO: NAO support office

NF: National Fund

NIPAC: National IPA Co-ordinator

OLAF: Office de Lutte Anti-Fraude

OS: Operating Structure

PFM: Public Financial Management

PRAG: Practical guide on contract procedures for European Union external action

# 1 Basic Information

Programme: Annual Action Plan for Serbia for the year 2021 / Direct management (Unallocated envelope)

- 1.1 Twinning Sector: Democracy and Governance
- 1.2 EU funded budget: EUR 250.000
- 1.3 Sustainable Development Goals (SDGs): SDG 16 Peace, Justice and Strong Institutions

## 2 Objectives

### 2.1 Overall Objective(s)

The project shall contribute to enhance the capacities of the institutions in the Republic of Serbia to ensure accountable, effective and efficient management of EU pre-accession assistance.

### 2.2 Specific objective

The project will support the Serbian Audit Authority to strengthen its capacities to ensure legality and regularity in the execution of EU budget assigned to Serbia under indirect management modality.

### 2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

#### Requirements under IPA I

The responsibility of the Audit Authority for IPA I as indicated in Article 29 of Regulation (EC) 718/2007, Annex A to the Framework Agreement and the Governmental Decree on appointing the Audit Authority for auditing the management system for pre-accession assistance programmes of the European Union under the Instrument for Pre-Accession assistance (IPA), is to establish and fulfil an annual audit work plan which encompasses audit aimed at verifying:

- the effective functioning of the management and control systems,
- the reliability of accounting information provided to the Commission.

The Audit Authority/GAO prepares an annual audit activity report, an annual audit opinion and an opinion on any final statement of expenditure for the closure of the programme or of any part thereof. The GAO conducts its audits in line with internationally accepted auditing standards, guidelines issued by the European Commission and Audit Manuals IPA I.

#### Requirements under IPA II

Audit Authority's functions regarding the IPA II are described in Article 12 of Commission Implementing Regulation (EC) 447/2014 and Annex A, Clause 5 point 3 of the Framework Agreement for IPA II. Scope of work of the Audit Authority is regulated by the Decree on appointing the Audit Authority for auditing the management

system for pre-accession assistance programmes of the European Union under the Instrument for Pre-Accession Assistance (IPA II) (Official Gazette of the Republic of Serbia, No. 86/2015).

The Audit Authority carry out audits on the management, control and supervision system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards, guidelines issued by the European Commission and Audit Manual IPA II.

The Audit Authority prepares an annual audit activity report and an annual audit opinion. At the end of the implementation of a programme, the audit authority prepares a final audit activity report and provide an audit opinion on the final statement of expenditure.

### Requirements under IPA III

According to the Financial Framework Partnership Agreement between the European Commission and the Republic of Serbia (Official Gazette of the Republic of Serbia international agreements, no. 6/2022), Annex A (Clause 9), the Audit Authority shall carry out system audits, audits on operations and audits of accounts in accordance with internationally accepted audit standards.

By 15 February of each year, the AA shall submit to the Commission and the government of the IPA III Beneficiary, with copy to NIPAC and NAO, an annual audit activity report and an annual audit opinion.

At the end of the implementation of a programme, the audit authority shall prepare a final audit activity report and provide an audit opinion on the final statement of expenditure within three months from the submission of the final statement of expenditure, by the NAO.

## **3 Description**

### **3.1 Background and justification**

The Republic of Serbia has been granted the status of candidate country on 1 March 2012 and it has been the Beneficiary country under the instrument for pre-accession assistance (IPA) under Regulation (EC) No. 1085/2006 of 17 July 2006 (establishing the IPA for the programming period 2007 – 2013, hereafter referred to as IPA I), under Regulation (EC) No. 231/2014 of 11 March 2014 (establishing the IPA for the programming period 2014 – 2020, hereinafter referred to as IPA II), and under Regulation (EU) No. 2021/1529 of 15 September 2021 (establishing the IPA for the programming period 2021 – 2027, hereinafter referred to as IPA III).

#### Implementation of instruments for pre-accession assistance in Serbia

Currently in Serbia are indirectly managed the funds ensured through:

- Instrument for pre-accession assistance I (IPA 2007-2013),
- Instrument for pre-accession assistance II (IPA 2014-2020), and
- Instrument for pre-accession assistance III (IPA 2021-2027).

Financial assistance provided through IPA is intended to support reforms in the context of preparation for the EU membership and it covers the most important priorities in the area of public administration reform, justice, home affairs, socio-economic and regional development including competitiveness, employment, social policy, education,

promotion of gender equality and human resources development, agriculture and rural development, environment, transport, energy and regional and territorial cooperation. In accordance with the Framework Agreements concluded between the Republic of Serbia and the European Commission for IPA I and IPA II, Serbia went through the processes of preparation for decentralised and indirect management of the Instrument for Pre-accession Assistance (IPA) funds, and the following structures and authorities were established by the IPA II beneficiary for the purpose of indirect management of EU funds:

- a) the National IPA Co-ordinator (NIPAC);
- b) the National Authorising Officer (NAO);
- c) the management structure (MS) composed of a National Fund (NF) and a support
- d) office for the NAO (NAO SO);
- e) the operating structures (OS) for implementation of CAPs, CBC Programmes and IPARD II Programme;
- f) the Audit Authority (AA).

Further requirements pertaining to indirect management with the beneficiary country are set out under the IPA III Financial Framework and Partnership Agreement.

National authorities have established the following structures and authorities to reflect requirements set out in IPA III:

- a) the National IPA Co-ordinator (NIPAC)
- b) the National Authorising Officer (NAO);
- c) the management structure (MS) composed of Accounting Body (AB) and a support office (NAO SO);
- d) the operating structure (OS) composed on the MA, IBPMs and IBFM for implementation of CAPs and CBC Programmes
- e) the Audit Authority (AA)

Even though the indirect management and operating structure is well set up in general, the main shortcomings remain the relatively weak administrative and absorption capacities. In that sense, to ensure the effective and efficient implementation and audit of support provided under IPA, the responsible bodies, including the AA need to improve their capacities. Strengthening of the capacities is particularly important regarding the high turnover rate of the staff involved in management of pre-accession assistance. In addition to this, continuation of the support to enhancement of the management and audit system for IPA funds is crucial in light of the changes brought by the IPA III regulation and implementing regulation.

The EC is supporting the national authorities involved in decentralised/indirect management of the EU IPA programme under the IPA 2016 project “Successful implementation of EU funded projects under indirect management system of EU pre-accession assistance”. Though it was initially planned that the AA would be supported by this project, the assistance (as reflected in the project ToRs) has eventually been focused on other stakeholders while the AA remains in need for support for its administrative and operation capacities in the short term.

### **General Functions of the Audit Authority**

Governmental Audit Office of EU Funds (hereinafter: GAO) was established as a service of the Government of the Republic of Serbia with the Decree on establishment of the Audit Authority Office of EU Funds (Official Gazette (OG) no 41/11 and 83/11) on 2 June 2011 pursuant to Article 31, Paragraph 1 of the Law on Government (OG no. 55/05,

71/05 – amended, 101/07, 65/08 and 16/11, and acting as the audit authority for the Instrument for Pre-Accession Assistance. The Audit Authority is functionally independent from all actors in the management, control and supervision system that was established in the Republic of Serbia for implementation of IPA funds. The GAO acts in the capacity of a legal entity.

The GAO performs professional tasks for the needs of the Government, which are related to auditing and verification of compliance of the European Union programmes implementation system where management powers are conferred to the Republic of Serbia, in line with obligations undertaken under

- the Law Ratifying the Framework Agreement between the European Commission and the Republic of Serbia on the rules on cooperation regarding the financial aid of the European Commission to the Republic of Serbia, in accordance with the rules of the instruments of pre-accession assistance (Official Gazette of the Republic of Serbia, no. 124/07),
- the Law ratifying the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the instrument for pre-accession assistance (IPA II) (Official Gazette of the Republic of Serbia, no. 19/2014), and
- The Law on the Ratification of the Financial Framework Partnership Agreement (IPA III FFPA) between the Republic of Serbia, represented by Government of Serbia and the European Commission on the specific arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre- Accession Assistance (IPA III) (Official Gazette of the Republic of Serbia, International Treaties, No 6/2022 dated 12 December 2022).

GAO is operating in accordance with six adopted manuals: (1) IPA 2007-2013 Audit Manual (adopted in March 2015), (2) IPA 2014-2020 Audit Manual (adopted on 22 May 2018) and superseding Audit Manual, version 2.4, adopted on 15 August 2023), (3) Horizontal Matters Manual (adopted on 11 December 2017), (4) Information Security Policy (adopted on 18 March 2019), (5) Quality Assurance and Control Manual IPA 2014-2020 (adopted 31 July 2017, (6) Manual for Audit Software (effective from 13 November 2018).<sup>1</sup>

#### Current needs of GAO

The topics include:

- **Closure of the programmes** implemented in period 2007-2013 and 2014-2020 for the shared management and indirect management programmes – preparation for closure of the programmes in accordance with request of the EC.
- **Performance audit**- Performance audit is type of audit with specific audit objective and scope. Since the AA has not performed performance audit up to 2023 it is necessary to train staff in conducting this type of audit (audit methodology, specific request of the European Commission, sharing experience with Member States countries and other IPA countries on relevant topic);
- **IPA III audit challenges** were not covered by previous technical assistance projects. Having in mind the changes brought by the IPA III regulation and implementing regulation, support is necessary to prepare the GAO for the 2021-2027 programming period. Prepare and adopt new methodology and train staff on the specific requirements arising from the IPA III regulation. Preparation for IPA

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<sup>1</sup> There is no separate IPARD manual.

2021-2027 remains a challenge for the auditors of AA.

- **Compliance assessment** of newly introduced bodies in the Management Structure. For example, it might happen that IPA III Beneficiary introduces a new multi-annual operational programme which is managed by a new Managing Authority whose capacities need to be assessed by the AA.
- **Fraud and irregularity** - Having in mind cases found in IPA I and IPA II, thorough trainings on this topic is necessary for GAO auditors.
- **Sampling** – explaining the statistical fundamentals of the audit sampling methodology including the sampling methods for CBC Programmes (defining sampling units and sub-sampling units in the CBC Programmes together with relevant methodological constraints and implications); how to implement sampling phases efficiently; how to develop practical solutions regarding audit sampling; sharing experience of Member States countries through practical examples (subsampling techniques, multi-period sampling, error evaluation, negative sampling units). Supporting the AA in setting up correct parameters for sampling based on the historical data, such as: confidence level, expected error rate, size of the sample, multi-period sampling etc
- **Time management** – the AA needs to adjust its audit timetable in order to produce annual opinions and reports that meet newly introduced deadline, 15 February.
- **Audit strategy** – support the AA in updating Audit Strategy in order to include all necessary system audits to be carried out
- **Quality management** – taking into account that new ISQM 1 and ISQM 2 are effective for periods beginning on or after December 15, 2022, the GAOs internal procedure for quality control should be updated accordingly

### 3.2 Ongoing reforms

Development of the capacities to perform effective and efficient audit of the EU funds control system has been also recognized as one of the measures in the Public Financial Management Reform Programme (PFM RP) 2021-2025. Under specific objective III of the PFM RP, entitled “Budget discipline and transparent use of public funds”, measure 3.1 calls for “Establishing a base for strengthening the institutional and administrative capacity of the Governmental Audit Office of EU Funds, which enables effective audit of the EU control system”.

The following three activities were set under this measure:

- i. Strengthening the legislative framework for the re-institutionalisation of the Governmental Audit Office of EU Funds – adoption and implementation of a new legal basis;
- ii. Developing a staff retention policy to ensure adequate capacity of the GAO;
- iii. Strengthening the capacity of the Governmental Audit Office of EU Funds to ensure an effective system of control and audit of EU funds in line with the EU legislative framework.

The GAO planned activities are in line with the EU Cohesion Policy Action Plan – Chapter 22 – Regional Policy and Coordination of Structural Instruments<sup>2</sup> and the Action Plan for the Transposition, Adoption and Implementation of the Acquis communautaire in the field of agriculture and rural development in the Framework of Pre-Accession

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<sup>2</sup> Adopted by the Government in its Conclusion 05 No. 337-3121/2019-1 of 4 April 2019.

negotiations<sup>3</sup> in order to fulfillment of obligations stemming from the Chapter 22 and Chapter 11 requirements.

### 3.3 Linked activities

#### Related programmes and other donor activities in previous period:

- “Support to the Capacity Building of the Audit Authority (AA)”. The AA was a recipient of Technical Assistance (TA) under this project. The project duration was from July 2013 to July 2016.
- Supply contract "Audit and document handling software for the Audit Authority". The contract duration was from June to December 2018 and software was provided to the Audit Authority.

There was a high fluctuation of staff in Audit Authority (42%) in the period from 2019 to 2020 (within the Audit Group for National Action Programmes, Audit Group for CBC, Audit Group for IPARD, Group for methodology and audit quality control) and consequently, all new employees need to be trained to audit IPA Programmes (various type of audits, audit techniques, risk assessment, audit approach). Changes in business environment, regulatory framework as well as changes in the accounting and auditing legislation can significantly influence education of auditors and audit quality. These factors lead to increased demand for continuous improvement of accountants and auditors.

Topics such as closure of the programme, performance audit, and IPA III audit challenges were not covered by previous technical assistance projects.

### 3.4 List of applicable *Union acquis* standards

- Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) which regulates the support of the Community to the beneficiary countries in their progressive alignment with the standards and policies of the European Union, including where appropriate the *Union acquis*, with a view to membership
- Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) laying down the implementing rules
- Regulation (EU) No. 231/2014 of the European Parliament and the Council from 11 March 2014 on establishment of an Instrument for Pre-accession Assistance (IPA II), which regulates the support of the EU to beneficiary countries in the adoption and implementation of political, institutional, legal, administration, social and economic reforms, aiming at harmonisation with and approaching to values, rules, standards, policies and EU practice
- Regulation (EU) No. 236/2014 of the European Parliament and the Council from 11 March 2014 on establishment of common rules and procedures for implementation of instruments of the Union for financing external activities, which defines rules and conditions for providing financial support of the Union in the period from 2014 to 2020 within various instruments, including IPA II
- Implementing Regulation of the Commission No. 447/2014 from 2 May 2014 on special rules for implementation of the Regulation No. 231/2014 of the European Parliament and Council on establishment of the Instrument for Pre-accession Assistance (IPA II),

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<sup>3</sup> Adopted by the Government in its Conclusion 05 No. 337-3121/2018-1 of 18 October 2018.

which determines detailed rules on the manner of implementation of support, financial management, monitoring, evaluation and reporting

- Corrigendum to Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-Accession Assistance (IPA II)
- Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III) and Commission Implementing Regulation (EU) 2021/2236 of 15 December 2021 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III)
- Commission Implementing Regulation (EU) 2021/2236 of 15 December 2021 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III)
- Regulation (EU) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union,

### 3.5 Components and results per component

The Project shall provide the assistance in the institutional capacity building for the Audit Authority through theoretical and on-the-job training of the staff and support to the development by the AA procedures, check lists, templates and other documents which are necessary for auditing of the IPA programmes.

The results:

1. **Enhanced capacity of the Serbian Audit Authority to improve its existing manuals (including annexes, templates and checklists) based on the requirements of IPA II and to elaborate its new manuals based on the requirements of IPA III.**
2. **Enhanced quality, knowledge, and competences of the Serbian Audit Authority in performing audits in line with IPA regulations (IPA I, IPA II and IPA III), EC guidelines and international auditing standards.**
3. **Enhanced the audit profession in the Serbian Audit Authority to ensure more efficient and effective audits and sound functioning of management and control system of the EU funds through knowledge acquisition for exam preparation and obtaining a national or international license/certificate related to audit.**
4. **Enhanced auditors' knowledge through 3 study visits in an EU Member State.**

### 3.6 Expected activities

**Activity 1. Assistance with updating the existing Audit Authority manuals based on the requirements of IPA II and elaborating Audit Authority's manuals based on the requirements of IPA III**

Capacity-building support shall be provided as support in updating the existing/developing new Audit Authority manuals based on the requirements of IPA and internationally accepted auditing standards, including:

- Support to the adjustment of the procedures to the IPARD Measures M7 - Farm



Diversification and Business Development and M9 - Technical Assistance (for which entrustment was conferred in 2020), and Measure 4 – Agri-environmental measure and Measure 5 – Leader measure (which are planned to be accredited in near future).

- Support to the updating Manuals of Procedures for the CAPs and CBC Programmes audits.
- Support to the updating and/or development of all relevant checklists for different types of audits (audit of accounts, on-the-spot checks/audit of operations, system audit incl. audit of internal audit function, compliance audits, thematic audits),
- Support to the adjustment of the procedures regarding quality assurance and control.

The staff of the AA will be trained to ensure they fully understand the revised manuals (both IPA and IPARD dimensions) and become fully able to revise them themselves, as the needs arise.

## **Activity 2: Training activities in performing audits in line with the IPA rules**

### **Activity 2.1. Training needs analysis and preparation of the individual and AA training plans and curricula for the project training courses.**

The Contractor shall carry out theoretical / classroom as well as practical on the job training courses to ensure knowledge transfer from various aspects. The curricula of the training courses shall be developed based on the training needs analysis carried out in the beginning of the project.

### **Activity 2.2. Theoretical / classroom training courses related to conducting IPA(RD) audits**

- Introduction to audit: (i) various types of audits (internal, financial, system audits (compliance, thematic etc), audits of operations), (ii) audit standards,<sup>4</sup> (iii) main audit concepts (incl. sampling, extrapolation of errors depending on the sampling methodology used, materiality, reasonable assurance etc.), (iv) Audit approach and audit procedure; (v) quality assurance/control;
- Public procurement procedures (PRAG, national), FIDIC contracts and relevant audit procedures;
- Risk assessment and annual planning; Audit procedures: desk-based and on the spot checks (incl. regarding sustainability and appropriateness of the projects);
- Audit procedures: audit of accounts;
- Audit procedures: IPARD Audit;
- Audit trail, making the conclusions and drafting the findings, audit reporting (single audit and annual);
- Audit of internal audit function;
- Performance audit;
- Audit of IMBC structures on the ICT- the ISO/IEC 27002
- Comprehensive coverage of IPA III requirements arising from FPPA, Financing Agreements, IPARD III Sectoral Agreements, DG NEAR IPA III entrustment guidelines, requirements regarding AA reports under windows 1&2 vs. 3&4, latest PRAG and Twinning manuals.
- Quality assurance and control, in line with the ISQM 1 and ISQM 2

### **Activity 2.3. Practical on-the-job training**

- Annual and multi-annual planning (IPA-NAP, CBC, IPARD),

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<sup>4</sup> This includes INTOSAI standards including standards applicable to reporting and opinion, and the International Standard on Quality Management (ISQM 1, ISQM 2).

- Annual reporting,
- Systems audit,
- Audit of operations, incl. on the spot check,
- Audit of accounts,
- Performance audit,
- IPARD audit,
- Follow up by AA of the IAC audit.
- Following up on the ISO/IEC 27002 audit carried out by Moore Stephens on the ICT as necessary, depending a.o. on the outcome of the general administration's certification process.
- Additional work linked to the closure of the programmes
- Quality assurance and control

**Activity 3. Certification training for exams preparation for obtaining license/ certificate related to audit.**

- Support to preparation for the exams for becoming a licensed / certified auditor through a tailored-made professional certification programme such as the curricula for the needs of auditors of GAO provided by the Center of Excellence in Finance (CEF) in cooperation with CIPFA (Chartered Institute of Public Finance and Accountancy), including training of trainers.
  - Training on relevant anti-fraud documents of DG NEAR and OLAF and support to preparation for the exams for "certified fraud examiners" licensed by ACFE (Association of Certified Fraud Examiners) or similar, including training of trainers. Fraud examination and investigation provide the essentials for resolving fraud allegations from inception to deposition. The proper procedures, techniques and skills must be used to conduct an effective fraud examination or investigation. Explore internal and external investigations and examinations in-depth through the following resources. Topics are:
    - ✓ Conducting Internal Investigations,
    - ✓ Investigating Conflicts of Interest,
    - ✓ Managing and Searching Electronic Evidence,
    - ✓ Advanced Fraud Examination Techniques,
    - ✓ Forensic accounting,

**Activity 4. Organisation of 3 study visits to enhance the know-how transfer on functioning of the Serbian Audit Authorities in the EU Member states**

Given the previous period, the situation with the corona pandemic, which led to the fact that there were no Directorates-General seminars or sessions for Audit Authorities, GAO could not provide auditors with any specific training exclusively for auditors of IPA funds. Study visits are essential for capacity building taking into account newly recruited staff and the recommendation of the EC Internal Audit Service to DG NEAR to organize this type of event.

Three (3) study visits to the Audit Authorities (or equivalent structure) of the EU Member States shall be organised during the project to enable learning from the other Audit Authorities (or equivalent structures) with regard to conducting the audits of EU funded actions. Maximum 5 employees shall participate in the study tour. Each study visit shall last at least 3 days (excluding travel).

**3.7 Means/input from the EU Member State Partner Administration:**

The project will be implemented in the form of a Twinning Light contract envisaged to provide exchange of experience and know-how with a Member State with good practice in the project activities.

The Twinning Partner shall provide an adequate team of experts: Project Leader (PL), responsible for overall coordination of project activities, Component Leaders (CL) responsible for a specific results/activity in the project and short-term expert with suitable knowledge to carry out the described activities.

#### 3.7.1 *Profile and tasks of the PL:*

- General description of the position: S/he will be responsible for overall project coordination and the quality control of project implementation. S/he shall ensure the delivery of all project activities and outputs, and the preparation of the project reports. The Project leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and provide assistance tailored to specific needs as occurring during implementation of this contract. S/he will actively contribute to activities 1 and 2.
- Qualifications and skills required: University Degree in the field of auditing/accounting or finance or equivalent experience of eight (8) years. Professionally accredited by a relevant recognized institution in the field of auditing and/or accounting.
- General professional experience: At least three (3) and ideally ten (10) years<sup>5</sup> of working experience in auditing and/or financial management control.
- Specific professional experience: At least three (3) and ideally five (5) years of professional experience in auditing EU or Member State assistance programmes and/or similar consultancy relevant to the sector. Experience of working in or with a public audit institution. Experience in drafting strategic and planning documents in the area of audit. Experience with providing training courses to a public audit institution in various fields (such as EU assistance or similar) relevant to the Audit Authority's scope of work. Experience as Team Leader in at least one (1) internationally funded project. Knowledge of the IPA context, especially in the Republic of Serbia, would be an asset.
- Language skills: Excellent English skills (oral and written)
- Excellent computer skills.

#### 3.7.2 *Profile and tasks of the Component Leader:*

- General description of the position: CL shall contribute to the training needs assessment and to the delivery of the training programme. S/he will actively contribute to activities 3.
- Qualifications and skills required: University Degree in the field of public finance, audit, and business administration or in its absence, professional experience of eight (8) years. Professionally accredited by a relevant recognised institution in the field of auditing and/or accounting.
- General professional experience: At least three (3) and ideally ten (10) years<sup>6</sup> of experience in auditing of public funds.
- Specific professional experience: At least three (3) and ideally five (5) years of professional experience in auditing EU or Member State assistance programmes or similar. Experience in drafting strategic and planning documents in the area of audit. Proven experience with IPA and/or IPARD environment. Experience in working in or with a public audit institution, especially an Audit Authority, will be an asset. Experience with providing training courses in various fields (such as EU assistance) relevant to the Audit Authority's scope of work will be an asset. Auditing experience in the Western Balkans region will be an asset.

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<sup>5</sup> Any cumulated relevant experience for more than ten years will be considered equivalent.

<sup>6</sup> Any cumulated relevant experience for more than ten years will be considered equivalent.

- Language skills: Excellent English skills (oral and written)
- Excellent computer skills.

### 3.7.3 Profile and tasks of other short-term experts:

- General description of the position: Short-term experts will be made available by the Twinning Light Partner to support the implementation of activities. Short-term experts shall cover all relevant areas under this project.
- Qualifications and skills required: University degree of equivalent professional experience of 8 years. One short-term expert should be certified in the field of IT security and/or data protection such as ISO/IES 27001:2013 for lead/external auditor for information security management systems or other certification in ITC (COBIT, CISA, CRISC).
- General professional experience: Short-term experts should have at least three (3) and ideally ten (10)<sup>7</sup> years of experience in auditing (including IT/information security auditing for the IT expert).
- Specific professional experience: At least three (3) and ideally five (5) years of professional experience in the area of IT security (for the IT expert) or auditing EU or Member State assistance programmes or similar. The short-term expert pool should have experience in drafting strategic and planning documents in the area of audit; proven experience with IPA and IPARD environment would be an asset, as would experience in working in an Audit Authority And experience with providing training courses in various fields (such as EU assistance, IT audit) related to Audit Authority scope of work.
- Language skills: Excellent English skills (oral and written)
- Excellent computer skills.

## 4 Budget

EUR 250.000

## 5 Implementation Arrangements

### 5.1 Implementing Agency responsible for tendering, contracting and accounting

European Union Delegation to the Republic of Serbia

Avenija 19a, Vladimira Popovića 40/V

11073 Belgrade, Republic of Serbia

Phone: +381 11 3083200

Fax: +381 11 3083201

### 5.2 Institutional framework

The Beneficiary institution of this Twinning Light Project is GAO. The GAO performs

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<sup>7</sup> Any cumulated relevant experience for more than ten years will be considered equivalent.

the role of the Audit Authority of IPA Funds in the Republic of Serbia.

In line with the Rulebook on internal organization and job classification which came into effect on 10 April 2019 (110-00-2/2019-01), the GAO has the following internal units:

- Audit Group for the National Action Programmes – institution and capacity-building; socio-economic and regional development; employment, social policies, education, promotion of gender equality and human resources development;
- Audit Group for regional and territorial cooperation programme;
- Audit Group for agriculture and rural development – IPARD programme;
- Group for methodology and audit quality control;
- Group for legal and financial affairs.

Total number of prescribed work posts as per latest job classification is 33 (according to the relevant systematization act), out of which are two appointed persons. On 18 September 2023, there are 24 auditors employed on permanent basis, one auditor for specified time contract and 2 employees engaged in temporary contracts. Out of the 25 auditors, 20 auditors are effectively at work at the time of drafting this fiche; two auditors are on maternity leave and one is on sick leave, two auditors are administrative support to GAO. 10 of the 20 auditors are certified auditors. There are 2 vacant places for junior auditors.

The Project will be coordinated by the Director and one person assigned to the project that will contribute to the implementation of the activities.

The results of the Project will not lead to a change of the institutional framework. The Project will aim to increase the efficiency and effectiveness of the GAO work through the capacity building activities.

### **5.3 Counterparts in the Beneficiary administration**

#### **5.3.1 *Contact person:***

Ms. Milena Milojević, Acting Director  
Governmental Audit Office of EU Funds  
Str. Nemanjina 11/11000 Belgrade  
Phone: +381 11 363 99 51  
Fax: +381 11 363 99 79  
[milena.milojevic@aa.gov.rs](mailto:milena.milojevic@aa.gov.rs)

#### **5.3.2 *PL counterpart***

Ms. Mirjana Ciric, Coordinator of the Group for Methodology and Audit Quality Control  
Governmental Audit Office of EU Funds  
Str. Nemanjina 11/11000 Belgrade  
Phone: +381 11 363 99 99  
[mirjana.ciric@aa.gov.rs](mailto:mirjana.ciric@aa.gov.rs)

## **6 Duration of the project**

8 months.

## 7 Sustainability

The sustainability of the results will be ensured by the improved administrative structure. After the successful implementation of this project, GAO auditors will be trained on topics regarding the audit of IPA Funds under IPA I (2007-2013), IPA II (2014-2020), and IPA III (2021-2027). Achieved results of the project will contribute to the sound financial management of the IPA Funds in the new programming period. Moreover, the performance of auditor's work will be facilitated, and the obtained knowledge will be disseminated to other auditors.

## 8 Crosscutting issues (*equal opportunity, environment, climate etc...*)

GAO shall have an equal opportunities policy and not discriminate against employees in any form like age, gender, or race/ethnicity. Male and female participation in the project will be based on the relevant standards of the EU.

## 9 Conditionality and sequencing

There is no conditionality affecting the start and the implementation of the Twinning Light Project.

## 10 Indicators for performance measurement

OO Indicator: Progress under chapter 22 of the EC Annual Report, section “financial management, control and audit” (Baseline: “the capacities of the national systems for indirect management of IPA funds, including in the Audit Authority, continue to improve”; Target at end of project: “the capacities of the national systems for indirect management of IPA funds, including in the Audit Authority, are now sufficient to implement Operational Programmes”)

SO Indicator: Number of recommendations by the EC audit/verification units (Baseline: 10 open findings concerning the AA in May 2022 final inventory; Target at end of project: less than 5 open findings concerning the AA)

Indicator 1.1: Number of revised/modified, and developed new Manuals prepared by Serbian Audit Authority with support of the twinning partner (Baseline: 0; Target at end of project: 6, namely the existing manuals with the exception of the IPA I manual, + the new IPA III manual)

Indicator 2.1: Number of the Serbian Audit Authority's staff trained (Baseline: 0; Target at end of project: all auditors effectively employed during the project trained)

Indicator 3.1: Number of auditors prepared for the examinations and number of trainers trained (Baseline: 0; Target at end of project: 12 auditors prepared for the examinations and 4 trainers<sup>8</sup> trained)

Indicator 4.1: Number of Serbian Audit Authority staff who were familiarised with EU Member State auditing practices through a study visit (Baseline: 0; Target at end of project: at least 9 staff familiarised with EU Member State auditing practices)

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<sup>8</sup> These 4 trainers may be taken from among the 12 auditors prepared for examinations by the project, or from already certified auditors.

## **11 Facilities available**

The GAO possesses sufficient office space for the work of the experts to be assigned under the scope of the Twinning Light Project. A separate office/meeting (up to 6 people) is available for accommodation of the project experts. A conference room (up to 15 people) is available for theoretical and practical trainings. The GAO is equipped with the presentation equipment (projector). Catering will be provided through Twinning light project.

**Annex 1: Simplified Logical Framework**

	<b>Description</b>	<b>Indicators (with relevant baseline and target data)</b>	<b>Sources of verification</b>	<b>Risks</b>	<b>Assumptions (external to project)</b>
<b>Overall Objective</b>	To ensure accountable, effective and efficient management of EU pre-accession assistance in the Republic of Serbia	OO Indicator: Progress under chapter 22 of the EC Annual Report, section “financial management, control and audit” <i>(Baseline: “the capacities of the national systems for indirect management of IPA funds, including in the Audit Authority, continue to improve”</i> <i>Target at end of project: “the capacities of the national systems for indirect management of IPA funds, including in the Audit Authority, are now sufficient to implement Operational Programmes”)</i>	EC Annual report	<ul style="list-style-type: none"> <li>• The main risk in the implementation phase is lack of dedication which will may impact on cooperation and coordination and would eventually give rise to the delays in implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Authority reports / opinions / findings are duly taken into account and acted on by auditees.</li> <li>• Labour market could influence on oscillations in the number of employees in GAO</li> </ul>
<b>Specific (Project) Objective(s)</b>	To strengthen the capacity of the Serbian Audit Authority in carrying out its tasks and responsibilities under the indirect management system of EU pre-accession assistance	SO Indicator: Number of recommendations by the EC audit/verification units <i>(Baseline: 10 open findings concerning the AA in May 2022 final inventory.</i> <i>Target at end of project: less than 5 open findings concerning the AA)</i>	<ul style="list-style-type: none"> <li>• EC Advisory mission Reports/inventories of findings and recommendations</li> <li>• Letters on results of EC missions and letters including recommendations on the Serbian Audit Authority's reports</li> </ul>	<ul style="list-style-type: none"> <li>• Currently, GAO has a low turnover rate, but there is always risk of staff loss among auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• The staff is available for the capacity building activities</li> </ul>



<p><b>Mandatory results/outputs by components</b></p>	<p><b>Result 1.</b> Enhanced capacity of the Serbian Audit Authority to improve its existing manuals (including annexes and checklists) based on the requirements of IPA II and to elaborate its new manuals based on the requirements of IPA III</p>	<p>Indicator 1.1 Number of revised/modified, and developed new Manuals prepared by Serbian Audit Authority with support of the twinning partner (<i>Baseline: 0</i> <i>Target at end of project: 6</i> namely the existing manuals with the exception of the IPA I manual, + the new IPA III manual)</p>	<ul style="list-style-type: none"> <li>• Accepted procedures for auditing all IPARD measures ,</li> <li>• Accepted checklists for different types of audits (audit of accounts, on-the-spot checks/audit of operations, system audit incl. audit of internal audit function, ISO/IEC27002 audit),</li> <li>• Accepted procedures regarding quality assurance and control.</li> </ul>	<ul style="list-style-type: none"> <li>• Due to heavy workload, there may be deviation in activity execution times.</li> </ul>	<ul style="list-style-type: none"> <li>• Project proposals regarding the planned scope and content of the revisions to the manual / new procedures are understood by the Audit Authority staff and timely approved</li> </ul>
	<p><b>Result 2.</b> Enhanced quality, knowledge and competences of the Serbian Audit Authority in performing audits in line with IPA regulations (IPA I, IPA II and IPA III), EC guidelines and international auditing standards</p>	<p>Indicator 2.1 Number of the Serbian Audit Authority's staff trained (<i>Baseline: 0</i> <i>Target at end of project: all</i> auditors effectively employed during the project trained)</p>	<ul style="list-style-type: none"> <li>• Training materials and records</li> <li>• Reports on the theoretical/class-room training courses organized</li> <li>• Reports on the on-the-job training organised</li> </ul>		<ul style="list-style-type: none"> <li>• AA staff is available for fulfilling timely the training needs analysis questionnaires as well as for participation at the capacity building activities</li> <li>• Training plan is timely approved by the AA</li> <li>• AA staff is available for participation and committed to the training activities</li> <li>• All involved proactively share experiences with colleagues</li> </ul>

	<p><b>Result 3.</b> Enhanced the audit profession in the Serbian Audit Authority to ensure more efficient and effective audits and sound functioning of management and control system of the EU funds through knowledge acquisition for exam preparation and obtaining a national or international license/certificate related to audit</p>	<p>Indicator 3.1 Number of auditors prepared for the examinations and number of trainers trained (<i>Baseline: 0</i> <i>Target at end of project: 12 auditors prepared for the examinations and 4 trainers<sup>9</sup> trained</i>)</p>	<ul style="list-style-type: none"> <li>• Development of all course materials</li> <li>• Training completion reports</li> <li>• Training evaluation sheets</li> </ul>		<ul style="list-style-type: none"> <li>• Materials and tutors are ready for a smooth project start</li> <li>• Appropriate staffing levels ensured</li> <li>• The staff is motivated to participate and learn</li> </ul>
	<p><b>Result 4.</b> Enhanced auditors' knowledge through 3 study visits in an EU Member State</p>	<p>Indicator 4.1 Number of Serbian Audit Authority staff who were familiarised with EU Member State auditing practices through a study visit (<i>Baseline: 0</i> <i>Target at end of project: at least 9 staff familiarised with EU Member State auditing practices</i>)</p>	<p>Reports on study visits Study visits materials and records</p>		<p>Participants are available and fulfill the conditions for entry into the EU Member states country</p>
<p><b>Activities</b></p>	<p><b>Activity 1.</b> Assistance with updating the existing Audit Authority manuals based on the requirements of IPA II and elaborating Audit Authority's manuals based on the requirements of IPA III</p> <p><b>Activity 2.1.</b> Training needs analysis and preparation of the individual and AA training plans and</p>		<ul style="list-style-type: none"> <li>• GAO's materials and reports</li> <li>• Project Activity Reports</li> <li>• Project Final Report (including staff satisfaction surveys)</li> <li>• Attendance lists</li> <li>• Accepted procedures for auditing for various type of audits</li> </ul>	<ul style="list-style-type: none"> <li>• Due to heavy workload, there may be deviation in activity execution times.</li> </ul>	<ul style="list-style-type: none"> <li>• Project proposals regarding the planned scope and content of the revisions to the manual / new procedures are understood by the Audit Authority staff and timely approved</li> <li>• Drafted improvements to the manual are timely approved by the Audit Authority</li> </ul>

<sup>9</sup> These 4 trainers may be taken from among the 12 auditors prepared for examinations by the project, or from already certified auditors.

	<p>curricula for the project training courses</p> <p><b>Activity 2.2.</b> Theoretical / class-room training courses related to conducting IPA(RD) audits</p> <p><b>Activity 2.3.</b> Practical on-the-job training</p> <p><b>Activity 3.</b> Certification training for exams preparation for obtaining license/certificate related to audit</p> <p><b>Activity 4.</b> Organisation of 3 study visits to enhance the know-how transfer on functioning of the Serbian Audit Authorities in the EU Member states</p>				<ul style="list-style-type: none"> <li>• Availability of AA staff for completion of the TNA questionnaires</li> <li>• Training plan is timely approved by the AA</li> <li>• AA staff is available for participation at and committed to the training activities</li> <li>• AA staff is available for participation at and committed to the training activities</li> <li>• AA staff is available for participation at and committed to the training activities</li> <li>• AA staff is available for participation and committed to the study tours</li> </ul>
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*OVERALL OBJECTIVE: Indicate the global strategic objective which goes beyond the immediate scope of the project but to which the project can contribute. The overall objective should be linked to the general sector reform in the Beneficiary country, as agreed in the framework of the definition of cooperation with the EU. These are the changes in the political, social, economic and environmental global context which will stem from interventions of all relevant actors and stakeholders in the project. These require the involvement of third parties that were not direct beneficiaries of the intervention. Hence, changes are indirectly influenced by EU Intervention.*

*Specific PROJECT OBJECTIVE(S): Identify the specific objective(s) that shall be achieved through the implementation of the Twinning project. These are the effects on the political, social, economic and environmental areas targeted by EU intervention as well as changes in behaviour of Beneficiaries of EU intervention.*

*MANDATORY RESULTS/OUTPUTS: Describe each of the results that shall be achieved by the project, as outlined in the Twinning Fiche. Each mandatory result/output should correspond to a "project component". Please include one line per component.*

*INDICATORS: (with relevant baseline and target data): Provide an indication of how the achievement of each component of the mandatory results (from sub results per component to outcomes (specific objectives) and to impact (overall objective) will be measured. Make sure that the indicators define the following, as appropriate: 1. Value of measurement (Quantity or Quality); 2. Baseline and target (values and times); 3. Actors in charge of data collection and reporting; 4. Target Group; 5. Deadline for reporting; 6. Place. Baseline and target data, as indicated in the Twinning Fiche, to be mentioned in brackets next to each indicator.*

*SOURCES OF VERIFICATION: For every component, specify the sources of information from which evidence can be obtained that the targets have been achieved: e.g. independent reports, surveys, Official Journal, Commission reports, etc RISKS: Mention external factors which can potentially hinder the successful implementation of the project, including any event beyond the control of the main actors involved. ASSUMPTIONS: Specify the external conditions and/or third parties initiatives which can influence the implementation of the project to the point that only their fulfilment can guarantee its success. These are the necessary and positive conditions that allow for a successful cause-and-effect relationship between different levels of results.*

### Annex 3. List of relevant Laws and Regulations

- The Framework Agreement between the European Commission and the Republic of Serbia on the rules on cooperation regarding the financial aid of the European Commission to the Republic of Serbia, in accordance with the rules of the instruments of pre-accession assistance (Official Gazette of the Republic of Serbia, no. 124/07),
- The Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the instrument for pre-accession assistance (IPA II) (Official Gazette of the Republic of Serbia, no. 19/2014),
- Financial Framework Partnership Agreement between the European Commission And the Republic of Serbia (Official Gazette of the Republic of Serbia international agreements, no. 6/2022),
- The Sectoral Agreement between the Government of the Republic of Serbia and the European Commission setting out provisions for the management and implementation of Union financial assistance to the Republic of Serbia under the instrument for pre-accession assistance in the policy area "Agriculture and Rural Development" (IPARD), adopted in November and signed in December 2015.
- The Financing Agreements concluded between the European Commission and the Republic of Serbia for IPA I, IPA II and IPA III programmes.
- Decree on establishing the Audit Authority Office of EU Funds (Official Gazette No. 41/2011 and 83/11).
- Decree on Appointing the Audit Authority in Serbia no. 110-10696/2013.
- The Decree on Appointing the Audit Authority for Auditing the Management system for Pre-accession Assistance programmes of the European Union under Instrument of Pre-accession Assistance, adopted in October 2015.
- Decree on the Management of EU Pre-Accession Assistance Programmes under Component I of the Instrument for Pre-Accession (IPA) – Transition Assistance and Institution Building for the Period 2007-2013, enacted by the Government Decision No 110-1568/2019 dated 14 February 2019.
- Decree on the Management of Programmes of Pre-Accession Assistance under the Instrument for Pre-Accession (IPA II) for the period 2014-2020 (Official Gazette of the RS No 10/2019).
- Decision on the Appointment of the Responsible Persons and Bodies in the Management of EU Pre-Accession Assistance Programmes for the Period 2014-2020, Government Decision No 110-1569/2019 dated 14 February 2019. Decree on the implementation of the Cross – Border cooperation and transnational programmes in cooperation with Member States countries within IPA II 2014-2020 framework (Official Gazette of the RS No 37/2018)
- The Decree on the management of the European Union’s pre-accession assistance programmes under the Instrument for Pre-Accession Assistance (IPA III) for the 2021-2027 period (referred to as IPA III Decree), adopted on 12 April 2023 by the Government of the Republic of Serbia and published in the Official Gazette of the Republic of Serbia No 29/2023 dated 13 April 2023
- The Decision on the Appointment of the Responsible Authorities, Bodies and Persons in the Management of EU Pre-Accession Assistance Programmes for the Period 2021-2027, adopted by the Government of the Republic of Serbia and published in the Official Gazette of the Republic of Serbia no. 34/23 from 28 April 2023;
- Bilateral Agreements with IPA countries Montenegro, Bosnia and Herzegovina and the Republic of North Macedonia (CBC)
- Financing Agreements
- Public Financial Management Reform Program for the period 2021-2025 was adopted by the Government of the Republic of Serbia on June 24, 2021.