

EU Structural Funds: Multi-country Internal Audit Programme (MIAP) - Proposal

This annex presents a private initiative focused on integration and more complex solutions of European Structure Funds 2000 - 2006 in the Czech republic. This paper and Logframes studies were finished as a follow up in a on the of task output CZ 9705-01-02-02 „Assistant to the Director of the European Integration Department“ in relation to task CZ 9705-01-01-03 „Task force for the MRD and Working Group 10“.

Attached Logframes:

- (Logframe 3): Multi-country Internal Auditing Programme (MIAP) for Candidate Countries (CC)
- (Logframe 2): Technical assistance in building a State Treasury (ST) system
- (Logframe 1): Technical assistance for internal auditing implementation at the National Fund (NF)

Introduction

The proposal is further detail in the output of Phare project CZ 9705-01-02-02 focusing on increasing absorption capacity in the CR (defined as - the ability of state administration to plan and implement foreign assistance) within the pre-accession period and after the CR enters the EU. It is prepared in correlation to the background programme documents of the (NPAA, AP, RR, NDP, OP)¹ as well as the multi-country Special Preparatory Programme (SPP)² for CC (pre-accession programmes 1998) primarily focusing on the legislative and institutional framework of the implementation for programmes (JMC, MSC, JCC, NAO, NAC, MMC, CFCU, NF, IA, AS etc.)². The proposal incorporates the main principles of the EC document “Phare 2000 Review”. The proposal concerns the state administration reform programme and activities involving building self-administration in the CR (foremost the sections concerning the implementation of the State Treasury (ST) involving administration, management and control of public finances at the state, regional and municipal levels).

The subject of Internal auditing implementation in individual CC has many common characteristics. For this reason, to avoid unnecessary expenditures and in many cases counterproductive activities, partnerships should be initiated between the public and private sectors to standardise financial and performance technologies also needed to harmonise these technologies with those currently used and being developed in EU member states. The proposal promotes the idea that fast and effective economic transformation of CC can be successful if the CC proves that their state, regional and municipal administrations (state administrative and self administrative bodies) are capable of planning and implementing foreign assistance. For this reason, the proposal focuses on the integration of co-operative partnerships amongst CC within the framework of the Phare programme, foremost its section concerning Institution Building (IB).

Areas of co-operation for MIAP:

- Assistance in co-ordinating and integrating existing and future programmes and projects (EU programmes: Taiex, Twinning, technical assistance; National programmes: ministerial, regional and municipal development programmes)
- Co-operative assistance and co-ordination of Candidate Country activities (utilising the transfer of know-how from EU member states, seminars, conferences and public relations assistance),
- The involvement of universities and the support of growth in the consultant industry (utilisation of expert capacities, education, re-qualification, training and preparing future generations to administer the financial framework for state administration and self administration in an international environment).

Professional activities of the MIAP:

- Financial planning (realisation of budgetary rules and related directives and regulations, obtaining sources, provide ex-ante controls and the preparation of procedures in entering agreements concerning the co-financing of programmes and their projects),

¹Abbreviations: NPAA –National Programme for the Adoption of the Acquis; AP-Accession Partnership; RR-Regular Report; NDP-National Development Plan; OP-Operational Plan;

²Abbreviations: SPP-Special Preparatory Programme; JMC-Joint Monitoring Committee; MSC-Monitoring Sub-Committee; JCC-Joint Co-ordination committee for the CBC Programme; NAO-National Authorising Officer; NAC-National Aid Co-ordinator; MMC-Management and Monitoring Committee for the NDP; CFCU-Central Finance and Contract Unit; NF-National Fund; IA-Implementing Agency; SA-Sapard Agency.

- Financial management and control (compliance with co-financing agreements, preparation of standardised procedures for tender selections including contracts and regular controls during the realisation of projects until they are completed),
- Impact evaluations (ex-post programme controls, procedures for budgetary rules, related directives and procedural regulations, the standardisation of programme administration and implementation of state, regional and local development programmes).

MIAP objective and expected outputs:

The objective of MIAP is to support state, regional and local activities in the area of Economic and Social Cohesion/infrastructure (ESC) on the basis of internal auditing within the scope of the above mentioned areas of co-operation and professional areas.

The outputs of the programme in individual Candidate Countries should be focused on assisting in the building of systems for monitoring, internal auditing and investment assessment of investments made into ESC co-financed by the EU and/or other foreign programmes.

Programme objective:

Integrate and standardise the administrative preparation, realisation and assessment of the ESC programmes of future member EU states. Current mechanisms of integration and direction of legislative and institutional changes in Candidate Countries are not adequate due to the broad scope of the problem (the more detailed inputs required the more difficult it is to implement the required changes). This is a natural result of the integration process, where a shift from general provisions to addressing specific individual problems concerning public investment is taking place.

In this sense, it is an analogy of the same auditing processes applied in EU member states in the management and control of investments using Structural Funds (foremost Directive 2064/97 regarding mandatory auditing). The only difference being that apart from the financial and performance auditing of Pre-structural Funds (Phare, Ispa, Sapard) in Candidate Countries, it is also necessary to assist in the building of mechanisms, which will allow the Candidate Countries to apply the above mentioned directive after their accession into the EU. The EC has allocated sufficient funds and mechanisms within the Phare programme to provide for a programme of this nature.

The MIAP proposal addresses the most problematic phases of public financing (programme financial planning, financial management and control of the implementation of programmes and their projects and impact assessment of realised programmes) from the side of the beneficiary and should complete the newly introduced system of Assessment Cells (AC) for the control of investments made from Pre-structural Funds (Assessment Cells – AC for the assessment of the Phare, Ispa, and Sapard programmes in the Candidate Countries), which is being introduced by the EC in the Candidate Countries this year.

Overview of the basic activities:

The activities of the MIAP are aimed at assisting the authorities and institutions of state administration and self administration in the Candidate Countries in meeting the auditing requirements specified in Directive 2064/97 after their accession into the EU and in the broader framework of completing the tasks specified in the Acquis (specifically the financial framework for the transformation of state administration and the implementation of self administration) and include:

- Organisational activities (the application of current and prepared legislation, Institution Building, training and schooling of managers in the area of public financing)
- Informational (IT for the support of financial planning, management and control and for monitoring and assessment of development programmes, assist in creating a transparent environment for internal and external auditing activities and for public relations)
- Financial (securing sources of funding and assistance in the structure of co-financing: state budget, EU assistance and other public and private sources of funding domestic and foreign)
- Economic (ensure the effectiveness of planned and realised regular and capital expenditures, development programmes and their assessment ex-ante, interim, ex-post, the assessment of value gained from realised investments)
- Technical (methods and procedures for the planning, realisation, control, auditing and assessment of regular and capital expenditures integrated into development programmes that make use of EU Structural Funds both before and after the CR becomes an EU member state), and other tasks.

The Programme Contractor:

The EC should be the administrator of the MIAP with one of the Candidate Countries authorised as the integrator and co-ordinator of activities for the individual countries. The Czech Republic should apply to occupy this position and should prove its suitability by completing two technical assistance programmes (Logframes 1 and 2) listed in the annex.

Programme Realisation, schedule and expenses (for the CR):

Annex**	Name	Schedule	Phare (Th. EUR)
Logframe 1	Internal audit of the National Fund	03 – 10 / 2001	Limit 200
Logframe 2	Technical assistance for the implementation of the State treasury in the CR	03 – 10 / 2001	Limit 200
Logframe 3	Multi-country internal auditing programme (MIAP)	Commencement 11 / 2001	Not set ***
Overview	Overview of prepared projects related to MIAP	According to text	According to text

*Log frames 1,2,3 will be submit upon a request

**The annex contains details, which address the impact of completed tasks Phare 1997 and address the results of the multi-country SPP programme listed in Logframe format.

***A cost estimation is not within the capabilities of the text's author.

Other related programmes in the CR:

- The creation of a national development strategy (CZ9807-01, twinning MRD, ends in June 2001)
- Internal financial control and financial management (CZ9903-01-01, twinning MF, realisation 02/2001 – 06/2006)
- Phare 2000-2001 project preparation (CZ99.16, multi-country project, Project Preparation Facility – PPF, not initiated in the CR, by the end of 12/2002) and related project preparation assistance for the Ispa and Sapard programmes
- Confirm the national development strategy (CZ 2000-09-01, twinning MRD, Ministry of Industry and Trade, Ministry of labour and Social Affairs, realisation 2001 – 2003)
- Modernisation of state administration (CZ2000-08-01, twinning Ministry of Interior, realisation 2001 – 2003)
- Service Contract Forecast: Phare Programme (ZZ 0004.01.01, Preparatory Support for Extended Decentralisation and Support to Auditing Function)
- Structural Fund monitoring system (MRD project financed by the state budget 1999, 00, 01)
- Other relevant Phare programmes (Institution Building), primarily the prepared Phare programme for 2001 and bilateral co-operation with domestic and foreign bodies (the annex contains an overview, which describes this section of the text in further detail).

Related programmes should support these basic activities (outputs) MIAP: the establishment of the state treasury and set out its function within the bodies and institutions of state administration and self administration in the CR, the establishment of a monitoring and internal auditing system to assist in managing, controlling and assessing public investment in the CR should be the main activities of the MIAP.

Conclusion:

This proposal has been prepared to assist in preparing programme and technical assistance projects as stated in the final report for task CZ 9705-01-02-02 and was updated on the basis of gained inputs. This private initiative demonstrates the will of the author to integrate internal processes of a National program in a complex of a transparent and manageable entity into a project portfolio relation of each specific programme.

The goal of this work was to improve internal financial control and internal audit system of financial intervention in a framework of state budget mechanism.

This work was done by Mr. Zdenek Chalus, the Task Force Team Leader for the MRD and Working Group 10 in a time period from 15.12.2000 to 15.2.2001 in Prague.