Avrupa Birliği Bakanlığı
IPA II Teknik Destek Projesi

Ministry for EU Affairs
Technical Assistance for IPA II

"Project implementation and control environment under IPA II"

01 – 02 December 2016

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"IPA II: Taking EU funding to the next level"

Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

IPA II
(2014 - 2020)

EY Building a better working world

Today's agenda

1. Management verification
- Document based
  - Verification of Inception&Interim reports – exercise
- On-the-spot checks
2. Contract management
- Negotiating with Contractor
- Modification – case exercises
- Breach, termination, suspension
3. Internal Control system
4. Risk assessment and NIPAC role during implementation

Management verification

Sound financial management

- Funds spent in accordance with principles of economy, efficiency and effectiveness
- Principle of economy: resources used shall be made available in due time, in appropriate quantity and quality and at the best price.
- Principle of efficiency: best relationship between resources employed and results achieved.
- Principle of effectiveness: attaining the specific objectives set and achieving the intended results.

Sound financial management

- <u>Sound financial management</u>, should verify:
  - relevant operation, activities are used with the objectives of the programme,
  - the expenditure declared has actually been incurred in accordance with applicable rules,
  - the products or services have been delivered in accordance with the approval decision and
  - the invoices submitted are correct.

Management verification

- Part of the internal control system of the Contracting Authority to ensure that the processes for which it is responsible are being properly carried out and are in compliance with the relevant rules and regulations
- Shall be carried out before the related expenditure is declared to the next level
- CA to establish a system and procedure for both administrative and on-the-spot verifications as well as the required records and documents

Responsibilities

- Project Management Units and Financial Management Units are responsible for management verification:
  - The PMU and FMU are responsible to carry out administrative and on-the spot verifications
  - According the established procedures in line with the Manual;
  - Recording the verification in the relevant check-lists;
  - Ensuring the sound financial management;
  - Keeping reliable accounting and storage systems

Management verification

- <u>Verification of expenditures</u> shall cover:
  - administrative,
  - financial,
  - technical,
  - physical aspects and
  - performance aspects of operations.

Management Verification

- **Administrative:**
  - Completeness of the documentation provided by the Contractor;
  - Documentary evidences for the work performed, including reports, documentary evidence: eg. list of trainees, attendance lists, photos from training sessions, etc
  - Reports and check-list received from the Monitors;
  - Documents in the MIS;
  - On-the-spot verification reports and checks lists (if applicable)
  - Rules of origin
  - Reports and check-lists received from the Institutional Beneficiaries;

Conclusions on performing the technical verification

- Whether the <u>delivery of services</u> is according the contract conditions and applicable national and Community rules;
- Whether the delivery of services is within the <u>eligible period</u> according to contract conditions;
- Conformity of <u>supporting documents</u>-acceptance documents, approval of reports, pictures and list of participants (for seminars/trainings) and of the existence of an adequate audit trail;
- Whether the services/activities are provided for the <u>target groups</u> according to contract conditions;
- Whether envisaged <u>outputs and results</u> have been delivered;
- Whether <u>modifications</u> in the contract are stated correctly;
- Whether <u>publicity and visibility</u> rules are respected;
- Whether there are indications for <u>double-financing</u>;
- Whether there are indications for <u>irregularity</u>.

Management Verification

- Technical apects
  - Ensuring that the contractor performs the tasks in accordance with the pre-defined deadlines and to the standard of quality required.
  - Approving the reports of contractors ("read and approved") checking for accuracy, completeness and conformity with the conditions of contract and the contractors regarding technical implementation .

- Physical aspects
  - In case of tangible outputs

Lead institutions in verifications

- Involved partially in the verification procedures, execute control on implementation of the operation:
  - Supervision of the implementation of the operation
  - Control of the technical progress of the project
  - Monitoring of the achievements/specific outputs: for Global Price contracts crucial!
  - Following and reporting the overall progress of the Operation and submits annual "Progress Report" and "Final Component Report"

Verification process

- <u>Key steps</u>:
  - Checking implementation of contracts, administrative aspects:
    - PMU: technical reports along with supporting documentation and evidences of project results and outputs (administrative verifications): for GP contract essential to verify!
    - FMU: financial reports verification (financial verification of expenditure): for GP contract not relevant (except incidental expenditures).

Checking implementation of contracts

- <u>Service contracts</u>:
  - Review of activities performed vs. planned (PMU): not obligatory for GP contract. It can be checked, however the OS should consider the needed work input.
  - Review of outputs/deliverables produced/ vs. planned (PMU): crucial for GP contract!
  - Review of incidentals (PMU and FMU): incidentals are possible for GP contract, then should be checked.
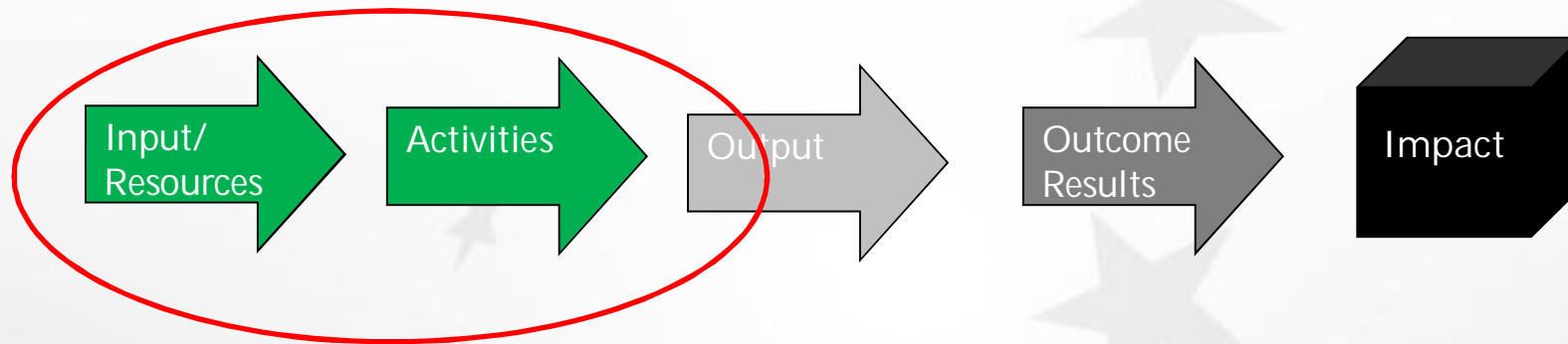 - Checking time-sheets (PMU and FMU): not applicable for GP contract.

Focus/control areas

- ## Fee based
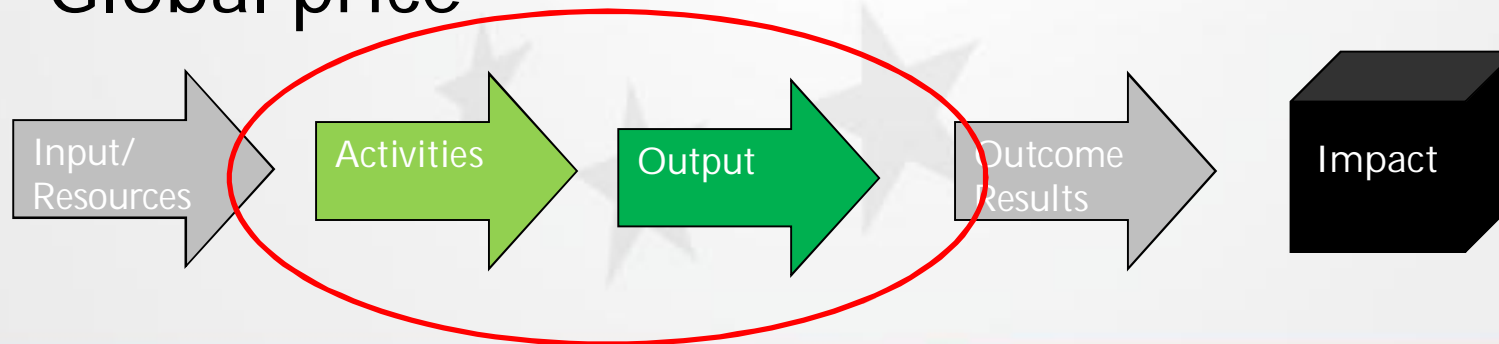
| Input/Resources | → | Activities | → | Output | → | Outcome Results | → | Impact |

(Input/Resources and Activities circled in red)

- ## Global price

| Input/Resources | → | Activities | → | Output | → | Outcome Results | → | Impact |

(Activities and Output circled in red)

Level of indicators

- What longer term improvements are we aiming at? (national goal) = impact
- What improvements are aimed at by the end of the strategy period? = outcomes, results
- What strategic programmes should be the focus of the national response? = outputs
- What financial, human, material, and technical resources are needed? = inputs

The logic from project aspect

- Trainers mobilisation in social inclusion sector – input
  - Number of expert days/(M€)
- produces some (physical) outputs, which are the direct result of a certain operation,
  - Number of trainings delivered/no. of disabled trained
- beneficiary obtains some advantages, results
  - Enhanced skills, increased potential of disabled (exams)
- intervention will affect not only final beneficiaries, but socio-economic environment and in long term - impacts
  - Employment rate increased, social inclusion enhanced

Verification areas

- Input: budget, incidentals, key experts
- Activties: Review of activities performed vs. planned (PMU): not obligatory for GP contract. It can be checked, however the CA should consider the needed work input.
- Output: reports, deliverables, milestones
- Results: very limited, only if measurable during project lifetime
- Impact: out of scope

Verification of output

- Existence and quality of deliverables
  - By means of report verifications
  - Continuous verification of delivered outputs (not only at reporting)
  - Through on-the-spot checks
- Timeliness of deliverables (milestones)
  - By means of report verifications
  - By regular (not only Steering Committee) meetings

VERIFICATION OF INCEPTION REPORTS

Reminder of content of the ToR

1. BACKGROUND INFORMATION
2. OBJECTIVE, PURPOSE & EXPECTED RESULTS
   2.1. Overall objective
   2.2. Purpose
   2.3. Results to be achieved by the Consultant
3. ASSUMPTIONS & RISKS
4. SCOPE OF THE WORK
   4.1. General
   4.2. Specific activities
   4.3. Project management
5. LOGISTICS AND TIMING

Reminder of content of the ToR *(Cont'd)*

6. REQUIREMENTS

  6.1. Personnel

  6.2. Office accommodation

  6.3. Facilities to be provided by the Consultant

  6.4. Equipment

7. REPORTS

8. MONITORING AND EVALUATION

  8.1. Definition of indicators

  8.2. Special requirements

9. PUBLICITY AND VISIBILITY

Reminder of content of Technical Proposal

Annex III. Organisation and methodology
1. RATIONALE
- Comments, opinion on key issues , risks and assumptions
2. STRATEGY, ORGANISATION AND METHODOLOGY
- Outline of the approach, list of proposed tasks, Inputs and outputs.
3. BACKSTOPPING AND INVOLVEMENT OF ALL MEMBERS OF THE CONSORTIUM
- Input from each member, distribution of tasks and responsibilities
- Support facilities,back-stopping (quality systems and knowledge capitalisation)
- Subcontracting arrangements
4. TIMETABLE OF WORK
The timing, duration of the proposed tasks
- Milestones
- Work plan indicating envisaged resources to be mobilised
5. LOG FRAME

Inception Report verification

- Definition
  - Report produced at the end of the Inception period defining a project's workplan (plan of operations) for the remainder of its duration.

- Objectives
  - Reports on inception activities
  - Provides elaborated details on methodology and activities compared to technical proposals
  - Sets milestones, defines deliverables
  - Plans activities (and resources) for the whole duration of the project
  - Plans detailed activities (and resources) for the forthcoming reporting period

Inception Report verification

- Essentials
  - Once approved binding to all parties
  - Danger of contradiction between ToR/Technical proposal and Inception Report
  - 'Tool' for modifying Technical proposal for the Consultant
  - 'Tool' for modifying ToR for the Beneficiary
  - Defining values of deliverables
  - Result of joint work of CA/Beneficiary and Contractor

Content of the Inception Report

- Review of project design
- Detailed activities in the inception phase, including project management issues
- Workplan
  - for the entire duration of the project
  - detailed activities for the next reporting period
  - Definition of all deliverables
  - Timeschedule, milestones
  - (use of resources)
- Annexes relevant to the report

Template of an Inception Report

1. Executive Summary
2. Policy and Programme context – the current situation
3. Project objectives and review of project design
   3.1 Overall Objective
   3.2 Specific Objectives (Purposes)
   3.3 Expected Outputs and Activities
   3.4 Key Issues on the Project Design
   3.5 Target Groups
   3.6 Review of the Risks
4. Inception phase activities
5. Implementation phase
   Review of (non-inception) activities to date and planned activities, Milestones and Outputs

6. Workplan (descriptive part)
  – Changes in the Original Work Plan
  – Updated Risk Management Plan
7. (Resources Used / To be Used)
8. Reporting
9. Monitoring, review and evaluation arrangements
10. Recommendations
ANNEXES: Workplan (table format: Activities, outputs/deliverables, milestones), Logframe, minutes

Scope of the verification

- What information do we seek?
- Which documents do we use for checking the Inception Report?
- How are we proceeding?

Scope of the verification

- What information do we seek?
  - What has been changed?
  - What is planned to be done?
  - What has been done so far?
- Terms of Reference
- Technical proposal
- Project manager must be familiar with the essential parts and structure of both documents

Review of project design

- Proposed modifications supported by
  - Risk analysis and counter-actions
  - Description of current situation vs ToR Background info
  - à recommended to request explicitly from Consultant
- Concrete working methods
- Some examples for training activities:
  - training methodologies to be used for the specific training activities: lecture-type, working groups, on-the-job, mentoring
  - selection methods of target groups: regional, order of registration
  - Tools: entry/exit evaluation, exams, certificates

Verification of Review of project design

- Compare Overall and Specific Objectives (3.1 and 3.2) with ToR 2.1 and 2.2 – no changes allowed
- Compare Expected Output (3.3) of Inception Report with ToR 2.3 – if changes detected, must be justified by Policy and Programme context (2.), Key Issues (3.4), Review of the Risks (3.6) and Updated Risk Management Plan (6.2)
- Coherence verification between Review of the Risks (3.) and Updated Risk Management Plan (6.2)

Workplan

- Name of the activity with reference number of the Technical Proposal
- Name of the deliverable identical to the name in Technical Proposal
- Description of the activity
- Deadlines, Milestones
- (Experts and man-days)

Verification of Workplan

Activities and indicators

- Verification of coherence between revised Workplan (Annex), changes in Workplan (6) and Workplan in Technical Proposal

- Compare Specific Activities in Expected Outputs (3.3) with ToR 4.2 and Technical Proposal

- Compare list of indicators in Expected Outputs (3.3) with ToR 8.1 and with Technical Proposal

- Coherence verification of Expected Results (3.3), Workplan (Annex) and Planned Activities in Implementation Phase (5.)

Verification of Workplan *(Cont'd)*

Resources

- Compare Key experts' involvement in Resources (7.) of Inception Report with Requirements/Personnel in Tor (6.1)

- Compare staff allocation in Resources (7.) of Inception Report to Technical Proposal

Exercise – Verification of the Inception Report
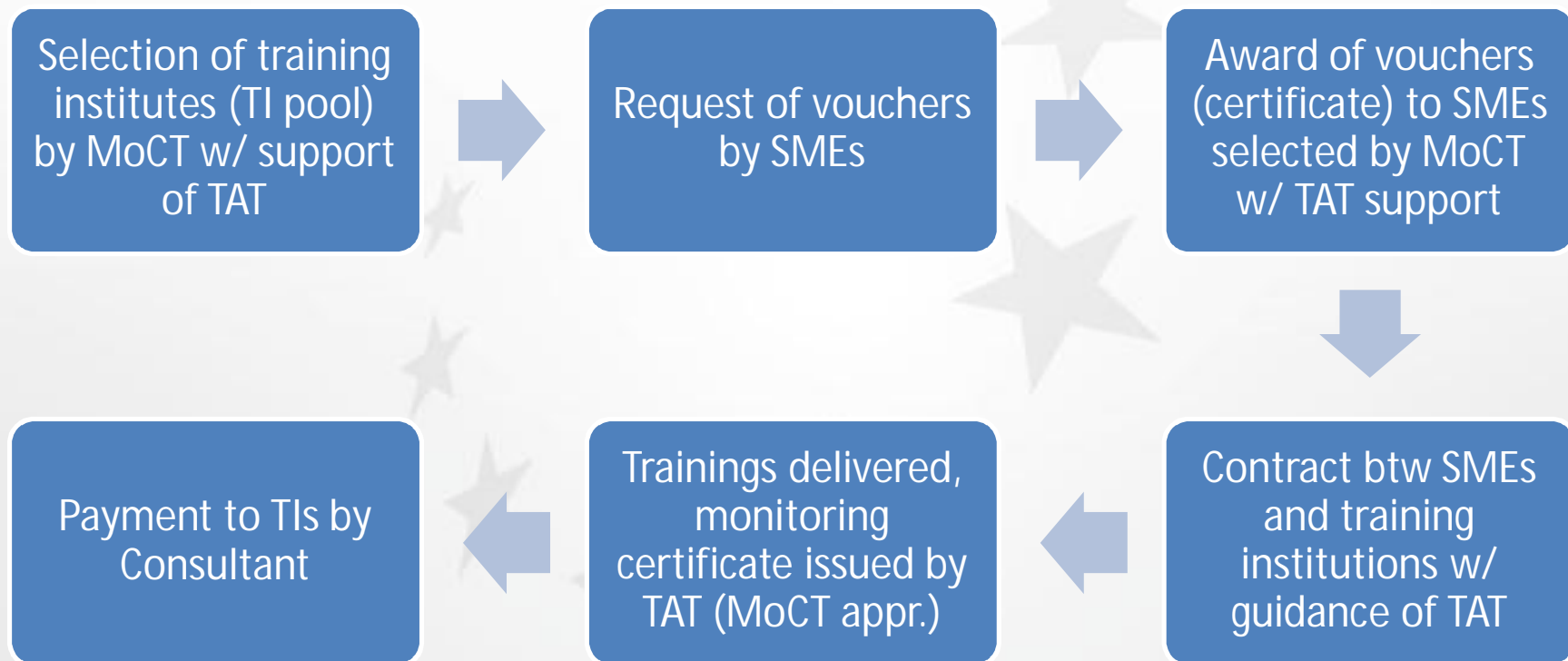
Please assess:

- Activities,
- Output
- Resources and
- Timing by using the following distributed documents:
  – Terms of Reference (2., 4.1, 4.2, 8.1)
  – Extract from the Technical Proposal
  – Extract from the Inception Report

The Voucher Programme

Selection of training institutes (TI pool) by MoCT w/ support of TAT

→

Request of vouchers by SMEs

→

Award of vouchers (certificate) to SMEs selected by MoCT w/ TAT support

↓

Payment to TIs by Consultant

←

Trainings delivered, monitoring certificate issued by TAT (MoCT appr.)

←

Contract btw SMEs and training institutions w/ guidance of TAT

Exercise - Findings

Activities: TP 2. Strategy/Activities Proposed vs IR 3.3 Expected Outputs vs ToR 4.2

- No activity for Web site update (TP and IR), although ToR foresees it under Act. 1.4
  - Assessment: although not mentionned under specific indicators, it should be there
- Former 2.1.2 Conducting surveys in TP is missing in IR
  - Related output is missing too, should be reincluded
- No sample based TNA (TP and IR) under Act. 2.1
  - Core activity as others build on it (VP implementation) – ToR Act. 2.1
  - ToR defines deadline too: Q1 à should be included

Exercise - Findings

Activities (cont'd)
- New activities included for Study visits (3.1.2)
  - Assessment:
    - Not in contradiction with ToR
    - Does not modify objectives or purposes
    - Investigate if really necessary and does not delay other activities
- 3.2.3 activities from implementation to ‚assistance'
  - In line with ToR, but step back from TP: ask for comparison of activity description
- New activities included for project management
  - Assessment:
    - Not in contradiction with ToR
    - Does not modify objectives or purposes
    - Might cause problems in input allocation

Exercise - Findings *(Cont'd)*

Output: TP 2. Strategy/Activities Proposed vs. IR 3.3 Expected Results vs. ToR 4.2

- 1.1 Conferences: changed location, less participants and shorter duration in IR than in TP
  - Assessment: in line with ToR, but TP is binding + financial advantages!
- 1.3 events: less conferences for longer duration
  - Assessment: only 400 partners reached (vs 600 in ToR), and smaller regional coverage ensured – should be as in TP
- 3.2.1 Only 15 provinces, instead of 15+7 in TP, and only 12 in IR – should be aligned to ToR
- 3.3 (Dev. Of Training Pr.) should be more specific as ToR is too vague

Exercise - Findings *(Cont'd)*

Time schedule: TP 2. Strategy/Activities Proposed vs. IR 3.3 Expected Outputs
- Prolonging start, extending duration, and shifting completion of activities:

Activity	Duration (month)	Completion (month)
0.3 Inception report	From 1 to 2	From 2 to 3 (vs ToR)
1.4.2 Web site	3	From 6 to 16
2.1.2 (.3 in TP) Data processing	From 1 to 2	From 7 to 8
2.2.1 Draft LFA Report	From 2 to 4	From 9 to 12
2.2.2 Final LFA Report	1	From 10 to 13
3.1.1 VP methodology	2	From 3 to 13

Exercise - Findings *(Cont'd)*

Time schedule *(Cont'd)*: TP 2. Strategy/Activities Proposed vs. IR 3.3 Expected Results vs ToR 4.2

- Act.1: Opening, info days and seminars all in month 3 + Closing, event fairs and dissemination events all in month 30
- Assessment
  - Danger of cumulation of events in logistics from effectiveness aspects

Exercise - Findings *(Cont'd)*

Time schedule *(Cont'd)*:

- 1.4.1 Printed and AV materials ready in last month (TP and IR) vs contiunous need in ToR

- 2.1.3 LFA&TNA (2.1.2 in IR) in Q3 vs Q1 in ToR

- 2.2 LFA Report 3/5 (TP/IR) months after LFA vs 1 month in ToR

Exercise - Findings *(Cont'd)*

Time schedule *(Cont'd)*:

- 3.2.3.1 TI selection (month 21) should be at least when 3.2.3.2 Awarding vouchers (month 19)
- 3.2.4.1 VP methodology coincides with award of vouchers (m 19) - too late
- 3.2.4.2 Online DTB system in month19 vs Q2 in ToR (act. 3.2.3)
- 3.3.1 Modernised curriuculum: 9 months too much, completion 1 m after Voucher award too late
- 3.3.2 Handbooks, etc. 2 months too short, and too late in month 20
- Assessment:
  - schedule must be aligned with ToR
  - VP related activities (3.2) too late

Exercise - Findings *(Cont'd)*

Resources TP 2. Strategy/Input Table vs. IR 7. Resources

- KE 1 days increased in Project management and decreased in project activities
- KE 2 – 3 days decreased
- Overal KE days from 600 to 540
- ONKE days increased from 1200 to 1360
- Assessment
  - Contribution of KE 1 reduced in activities – shift to project management from technical content
  - Replacement of KEs involvement by ONKE – danger of shift from senior to junior expertise
  - Decrease of KE input in Component 3. is not compensated, overall input reduced

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Project management issues

- Communication channels: who contacts who – designation of counterparts between Consultant and Beneficiary team members
- Committees, working groups:
  - designation of committees (Steering, advisory etc. and WGs)
  - role, scope and members of committees/WGs
- Approval procedures for Consultant's outputs with indicating needs of prior consultation with Beneficiary (e.g. training curriculum, study tour programme)

Verification of Project management issues

-   Verification of coherence between project management issues treated in Inception Report (3.4 or 5. or 9. or under separate heading) with Project Management in ToR 4.3 and with Technical Proposal

Activities in the Inception Phase

- Name of the activity with reference number of the workplan
- Name of the deliverable identical to the name in workplan
- Description of the activity
- Deadline/status

Verification of Inception Phase activities

- **Internal coherence**
  - Verification of coherence between Inception Phase activities (4.), Expected outputs (3.3), and Workplan (Annex)
  - Compare related indicators of Inception Phase activities (4.) with list of indicators in Expected outputs (3.3)
  - Verification of coherence between Implementation Phase (non-inception) activities to date (5.), Expected Outputs (3.3), and Workplan (Annex)
  - Compare related indicators of Implementation Phase (non-inception) activities to date (5.) with list of indicators in Expected Outputs (3.3)
- **Comparison with TP and ToR chapters (see Workplan exc.)**

VERIFICATION OF INTERIM REPORTS

Relevant documents and interconnections

- Terms of reference – Objectives, main activities and results
- Technical proposal – Organisation and Methodology, Milestones
- Inception Report – Expected outputs, Workplan
- Contract amendments
- (Previous Interim Reports)

Interim Report Verification

- Definition
  - Report of work accomplished during a specified time period
- Objectives
  - Describes technical progress;
  - Compares actual progress with the agreed work plan and activities;
  - Suggests revisions if necessary;
  - Identify problems that emerged or potential issues that may create problems;
  - Suggests necessary precautions and remedial actions;
  - Presents activities for the forthcoming reporting period.

Interim Report Verification

- Essentials
  - More information and data to verify compared to Inception Report
  - Not only ToR and Proposal to consider, but also the Inception Report
  - Addenda and contract modifications
  - Project and Financial management approach equally important

Scope of the verification

- What information do we seek?
  - What has been done so far?
  - Is it in line with Work plan?
  - Is there any element endangering the project?
  - Are remedial actions proposed adequate?
  - Are the planned activities in line with Work plan?
- Terms of Reference
- Technical proposal
- + Inception Report!
- + any amendment to the Contract

Content of the Interim Report

- Activities undertaken
- Problems and remedial actions
- Planned activities
- Annexes relevant to the report
- + Supporting documents (GC 26.2)
- Invoice if relevant
- Financial report - not for GB, but a calculation should be presented justifying the invoiced amount

Template of an Interim Report

1. Project Synopsis

2. Executive summary

3. Implementation Framework

   3.1 Institutional set-up and overall project organisation

   3.2 Staff

   3.3 Monitoring and coordination arrangements

Template of an Interim Report
(Cont'd)

4. Project Performance and impact

4.1 Activities planned and implemented

(4.2 Resources Management (Human resources, and incidentals))

4.3 Progress made (Inception and Project activities)

4.4 Problems encountered

6. Workplan for next period

6.1 Activities schedule, including milestones and resources/ responsibilities

6.2 Overall Implementation Schedule (incl. indicators)

7. Conclusions & Recommendations

Activities undertaken

(Chapter 3: of Interim Report)

- Name of the activity with reference number of the workplan
- Name of the deliverable identical to the name in workplan
- Description of the activity
- Deadline/status
- (Resources allocated to activities)

Verification of Activities undertaken

- Compare activities undertaken to Workplan of Inception Report
  - were all activities undertaken that figure in Work plan?
  - was any other activity undertaken in the period compared the Work plan?

Verification of Input

- Analysis of resources used compared to Inception Report
  - is the allocation of resources in line with the Inception Report's relevant chapter (Resources Used)?
  - is the allocation of resources in line with the amount of activities undertaken?
  - is the involvement of key experts is as planned in the Inception Report?
  - Is the balance of expert categories in line with Inception Report

Verification of Output and Timing

- Compare indicators/milestones of activities undertaken to Inception Report's relevant chapter and ToR (8.1)
- Analyse timing of activities
  - Milestones to be reached
  - Completion rate of activities proportionate to project lifetime

Problems and Remedial Actions

- Coherence verification between findings of verification of activities undertaken and activities planned, and the problems listed
- Coherence verification between planned activities and remedial action
- Assessment of remedial actions
  - do they give appropriate remedies to problems?
  - who shall take the remedial actions – Consultant or Beneficiary?

Final cross-check for coherence

- Project objective, purposes and expected results not changed compared to ToR, and approved Inception Report

- Target groups and beneficiaries not changed compared to ToR, and approved Inception Report

- Indicators not changed compared to ToR, and approved Inception Report

1. Assess Interim Report's Chapters 4.1 *'Activities planned and implemented'*, Chapter 6.2 *'Overall Implementation Schedule'* and 4.2.1. *'Human Resources Used'* in terms of:
   – Activities
   – Outputs
   – Timing
   – Indicators
- by using the following distributed documents:
   – Terms of Reference
   – Extract from the Inception Report
   – Extract from the Interim Report

ASSUMPTIONS

– Inception Report was approved as submitted

– The Interim report covers the activities up to month 24 (80%)

Exercise Interim Report - Findings

- **Activities with longer duration and delayed :**
  - 3.1.1 VP methodology completed in month 20 instead of 13;
  - 3.2.3.1 and 3.2.3.2 TI selection and voucher awards – should have been completed already
  - 3.2.4.1 VP implementation monitoring methodology – should have been completed already; (and how 3.2.4.2 DTB system could have been developed without?)
- **Activities with shorter duration and delayed:**
  - 3.3.1 and 3.3.2 Curriculum and material on new curriculum:
  - à Started later, less time available for preparation – quality concerns
  - à First trainings started without curriculum
- **Activtity not yet started: 3.2.4.3 processing certificates and payments – possible payment system problem with Contractor**
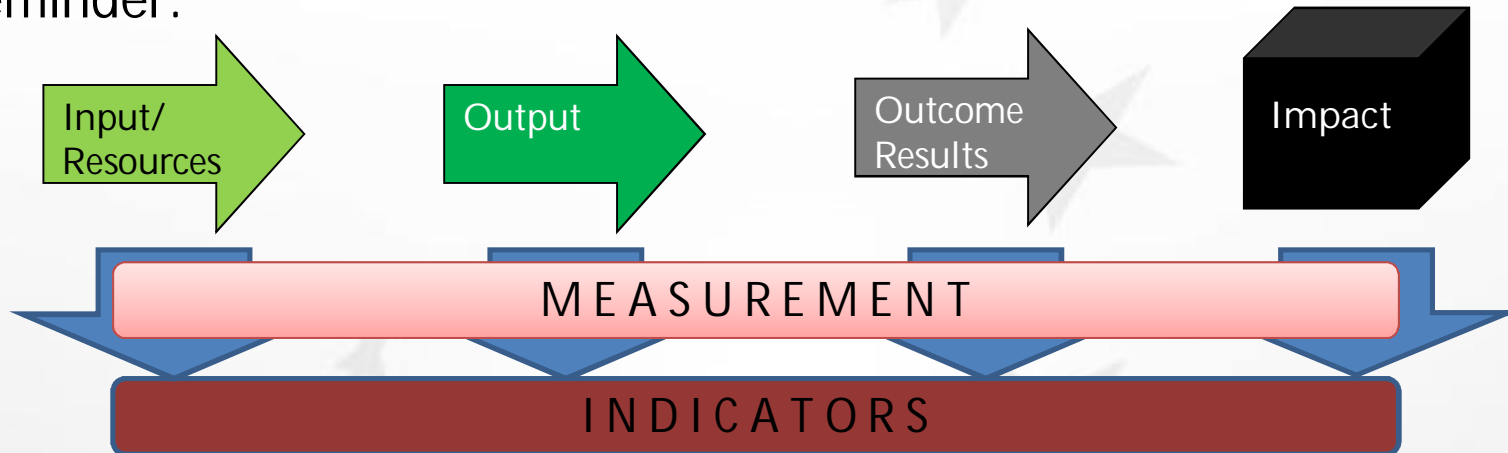
Indicators

- Reminder:

Input/Resources → Output → Outcome Results → Impact

MEASUREMENT

INDICATORS

- Input indicators?
- Output or indicator? What to verify?
- Sources of information:
    - ToR 8.1 Definition of indicators
    - + 4.2 Specific activities!
    - + Technical Proposal and Inceptio Report
- Result and Impact indicators

Assessment of indicators

Activity	Indicators in ToR 8.1	Status of indicators in IR
1.1.1	Number of participants in opening conference: at least 250 participants in total, 1 day	completed
1.1.2	Number of participants in closing conference: at least 250 participants in total, 1 day	planned for month 30
1.2.1	Number of information days for employers: 4 information days in 4 provinces (1 day each), at least 600 employers in total	completed
1.2.2	Number of event fairs for employers for dissemination of lessons learnt: 4 event fairs in 4 provinces (1 day each),at least 600 employers in total	planned for month 30
1.3.1	Number of awareness raising seminars social partners / service providers: 4 seminars in 4 provinces (1 day each); at least 600 social partners / service providers in total	completed
1.3.2	Number of dissemination events: 4 events in 4 provinces (1 day each); at least 600 social partners / service providers	planned for month 30
1.4.1	Number of printed and audio-visual materials developed throughout the project as specified in Activity 1.4 under 4.2 of the ToR	planned for month 30
1.4.2	*A web-site covering all kind of outputs and materials to be developed throughout the project*	*completed*

Assessment of indicators

Activity	Indicators in ToR 8.1	Status of indicators in IR
2.1	Conducted Labour Force Analysis targeting 3500 accommodation establishments and 892 food and beverage establishments all over Turkey with MoCT licence	completed
2.2	**A Labour Force Analysis Report**	**completed**
2.3	Number of dissemination conference on Labour Force Analysis with stakeholders: 1 conference in Ankara for 1 day, at least 300 participants in total	completed
3.2.1	Number of information conferences for the introduction of the VP: 22 conferences in 15 provinces in 12 NUTS II regions and 7 provinces with high tourism potential (1 day each), at least 2200 participants in total	completed
3.2.3.4	Number of employers to be trained during the VP: 500 employers in total	50 employers trained
3.2.3.4	Number of employees to be trained during the VP: 1000 employees in total	100 employees trained
3.3	**New modernized curriculum and materials developed for MoCT DG Training and Research**	**planned for month 25**

Assessment of indicators

- Confirms conclusions of time schedule assessment

- Website cannot be considered completed as continuous update is required by ToR

- As some trainings are completed, the lack of monitoring certificates and payments show system problem

Result indicators

- ,<u>At the end</u> of this operation, The Operating Structure expects the following developments to occur in the tourism sector: ,

- ,... after one year of operation completion...'

à Not project verification scope

à Monitoring&Evaluation Unit and SMC shall examine

Question 2. What supporting documents you consider necessary to request from the Consultant?

Supporting documents

Activity	Indicators in ToR 8.1	Supporting documents
1.1.1	Number of participants in opening conference: at least 250 participants in total, 1 day	
1.1.2	Number of participants in closing conference: at least 250 participants in total, 1 day	
1.2.1	Number of information days for employers: 4 information days in 4 provinces (1 day each), at least 600 employers in total	
1.2.2	Number of event fairs for employers for dissemination of lessons learnt: 4 event fairs in 4 provinces (1 day each),at least 600 employers in total	- List of participants (with breakdown to gender) - Agenda, - Presentations (CD), - Minutes, summaries
1.3.1	Number of awareness raising seminars social partners / service providers: 4 seminars in 4 provinces (1 day each); at least 600 social partners / service providers in total	
1.3.2	Number of dissemination events: 4 events in 4 provinces (1 day each); at least 600 social partners / service providers	
2.3	Number of dissemination conference on Labour Force Analysis with stakeholders: 1 conference in Ankara for 1 day, at least 300 participants in total	
3.2.1	Number of information conferences for the introduction of the VP: 22 conferences in 15 provinces in 12 NUTS II regions and 7 provinces with high tourism potential (1 day each), at least 2200 participants in total	

Supporting documents

1.4.1	Number of printed and audio-visual materials developed throughout the project as specified in Activity 1.4 under 4.2 of the ToR	Somebody should count - rely on OB
1.4.2	A web-site covering all kind of outputs and materials to be developed throughout the project	Confirmation from OB
2.1	Conducted Labour Force Analysis targeting 3500 accommodation establishments and 892 food and beverage establishments all over Turkey with MoCT licence	Minutes, notes on each of them
2.2	A Labour Force Analysis Report	The report
3.2.2	Number of employers to be trained during the VP: 500 employers in total	At least: list of participants; here: certificates
3.2.2	Number of employees to be trained during the VP: 1000 employees in total	
3.3	New modernized curriculum and materials developed for MoCT DG Training and Research	The materials (CD)
1.4.1	Number of printed and audio-visual materials developed throughout the project as specified in Activity 1.4 under 4.2 of the ToR	Somebody should count - rely on OB

Verification of outputs

- Desk control
- On-the-spot checks

Verification of outputs

- 'Obvious outputs'
  - Conferences, events, trainings
  - Documentary verification – for important actions consider ex-ante check of materials
  - + on-the-spot checks

Verification of technical outputs

- Written material (analyses, reports, studies)
- IT developments
- Classical CA/IB dilemma in MSs too:
  - Staff is dealing with adminsitrative matters – no technical knowledge, but has approval responsibilities
  - Several complementing measures

à rely on Institutional beneficiary, formalise ,read and approved' tasks

à use independent experts

à use Prof. Google

Verification of output of comprehensive actions

- Widespread activity, tangible output, but impossible to 100% verify the work done e.g. monitoring visits, or surveys

à Seek evidence from target group (signed visit minutes)

à ad-hoc OTS checks based on monitor's plan

On the spot checks

On-the-spot verifications

- <u>On-the-spot verifications</u> are carried out in order to check
  - the reality of the operation
  - delivery of product/service in full compliance with the terms and conditions of the contracts: "products/services" (outputs, reports, training, software, etc.) shall be checked for GP contracts,
  - physical progress: important for GP contracts if there are "(semi)-physical" products (e.g. software development),
  - respect of community rules on publicity

Annual plan for on-the-spot verifications

- <u>Annual plan</u> shall be updated regularly, depending on:
  - monitoring reports by the PMU monitoring experts
  - specific events that have been recorded (lack of progress, conflict events during the implementation, etc.)
  - suspects raised in irregularities, etc.

On-the-spot visits

- When:
- Usually when the operation is well under way
- For operations involving several milestones before completion (e.g. test runs for software development)
- For operations with little or no physical evidence after completion: verifications during the implementation without prior notice (for seminars, trainings...)

On-the-spot visits to IBs

- Systems (accounting and storage)
- Verification practices to confirm reality and quality of outputs
- Information and publicity
- Horizontal issues

On-the-spot visits

- Essentials
  - Most important tool for verifying technical implementation
  - Most efficient tool for discovering problems
  - Most reliable source of information
- Project manager (+ technical expert)
  - Mandate
  - Minutes

On-the-spot visits

- Some aspects for training/event OTS visit
  - Participants
    - number
      - at the beginning and at the end
      - compared to indicators
    - list of participants filled and how regularly during the training
    - target groups represented
  - Length of the event
  - Curriculum/agenda presented compared to originally agreed
  - Distributed materials: quantity and quality
  - Training tools used (entry/exit tests, exam, certificate given)

Final conclusion of the Exercise

- Serious delays threatening project results
- Possible actions:
1. Forcing Contractor to speed up
2. Modifying the contract

CONTRACT MANAGEMENT

Negotiating with Contractor

- Only if objective chance exists to complete the project

- Assessment of causes of delays (Contractor? IB? CA?)

- Need full support of IB – commitment in continuation

- Almira case

Force positions

- Seek support from EUD
- Financials:
  - No payment
  - Bank guarantee (valid until completion)
- Procurement
- Informal references

The bank guarantee issue

- ‚Payment shall be made without objection or legal proceedings of any kind, upon receipt of your first written claim (sent by registered letter with confirmation or receipt) stating that the Contractor has not repaid the pre-financing on request or that the Contract has been terminated.'

- ‚We waive the right to be informed of any change, addition or amendment of the Contract.'

Procurement issues

- ## PrAG 2.3.3 Exclusion criteria

  , c) they have been guilty of grave professional misconduct <u>proven by any means which the Contracting Authority can justify</u>'

- ## PrAG 2.3.4 Regulatory penalties

  ,Candidates, tenderers and applicants, who have [...] made substantial errors, committed irregularities or fraud may be excluded from participation in all procurement [...] procedures financed by the EU for a maximum of five years ... [...] following an adversarial procedure'

  , A substantial error or irregularity is an infringement of the contract ...'

CONTRACT MODIFICATION

Basic principles and forms

'Legal' references

- Practical Guide
  - 2.10 – Basic rules / Modifying contracts
  - 2.3.6 – Other essential points
  - 3.5. – Modifying service contracts
- General Conditions:
  - Article 20. Amendment of the contract
- Basics:
  - 'Contracts may need to be modified' (not evident from Public Procurement directives), but two conditions:
    - during their duration (execution vs implementation period)
    - if the circumstances have changed (since the initial contract was signed)
  - Retroactivity in special circumstances

Approach

1. Forms
- Addendum
- Simple notification
- Administrative order
- (Negotiated procedure)

2. Assessment of modification:
- Importance/effect of changes on project
- Timing

3. Procedures

Forms of contract modification

Addendum, Administrative Order or simple notification?

- Addendum
  - For 'Substantial changes'
  - Must be signed by the contracting parties
  - Typical cases:
    - Change in total contract amount,
    - (Replacement of key expert)
    - Change of implementation period,
    - (Budgetary changes of more than 15% of total budget (cumulated))
  - Deadline for Consultant to submit request to the Contracting Authority: 30 days before effect

Forms of contract modification
(Cont'd)

- Written Notification
  - Changes of address
  - Changes of bank account,
  - (Changes of auditor)
  - From Contractor to the Contracting Authority
  - Right of the CA to oppose

Forms of contract modification
(Cont'd)

- **Administrative Order**
  - Everything that is not addendum or notification
  - Modification does not affect objectives, purposes and scope of the contract
  - (Financial impact is limited to:
    - a transfer within the Fees,
    - *or* between the fees and the provision for incidental expenditures and the provision for expenditure verification (latter cannot be decreased)
    - *and* involving a variation of less than 15% of the original amount (or as modified by addendum) for the total fees/provisions line.)
  - Variations can be: additions, omissions, substitutions, changes in quality, quantity
  - Initiated by Contracting Authority

Forms of contract modification
(Cont'd)

- Extension of activities already under way:
  - Complementary services
    - not included in the main contract;
    - unforeseen circumstances;
    - necessary to perform the contract;
    - ~ technically and economically inseparable from the main contract;
    - serious inconvenience for the Contracting Authority;
    - aggregate amount does not exceed 50% of the value of the principal contract.
  - Additional services
    - repetition of similar services under the initial contract
    - procurement notice
      - was published for the initial contract
      - possibility of negotiated procedure and estimated cost indicated
    - value and duration cannot exceed initial value and duration

Extension of activities *(Cont'd)*

- Negotiated procedures (PrAG 3.2.4.1) for commiting additional and complementary services
- Resulting addendum or new contract
- No need:
  - additional works, supplies or services ≤ 50%
  - unforeseen event ≤ 50%
  - value of modification < EUR 300 000 (Sce, Sup); < EUR 5 000 000 (works) AND ≤10 % of the initial contract value (Sce, Sup); ≤15 % works;

Case 1

- Completion date of an Activity has been postponed by 3 months compared to Inception Report Work plan within implementation period
- Shall the contract be modified, and if yes by which form (Addendum, AO, notification, or addendum/new contract by negotiated procedure)?
- Answer:

Case 1

- Answer: no need for modification, since does not affect basic purpose of the contract and no financial impact

Case 2

- Name, address and contact person of Consultant changes.
- Do we need any modification? If yes, which one?
- Answer:

Case 2

- Answer: since basically legal personality of Consultant changes, i.e. the Contracting Party, it shall be considered as a substantial modification, so an Addendum is required. CA needs to verify if the new company is indeed legal successor of former one.

Case 3

- ToR: Series of workshops for disseminating sectoral policy (Policy Paper prepared by a previous project) and for preparing operational manuals, as well as series of trainings. In the course of the implementation new EU Directive is published, which implies the re-drafting of the original Policy Paper and the operational manuals in the form of workshops. Moreover, as a result of a workload analysis carried out, new staff is proposed to be recruited making part of target groups for workshops and trainings. Original contract value is 850 KEUR, additional costs estimated by Consultant are 450 KEUR. There are de-commited IPA funds available to cover financing. Is a contract modification justified, and if yes in what form shall be submitted? What procedural steps are to be taken?

- Answer:

Case 3

- Answer: workshops on policy design not included in the main contract; unforeseen circumstances; necessary to perform the contract; technically and economically inseparable from the main contract à complementary services justified for the policy paper (but not necessarily for additional trainings).

- Steps: requesting EUD to allocate remaining IPA funds to the project (assuming timing within commitment period). Convince EUD that the conditions of complementary services are fulfilled (not clear-cut, see above). IB/CA shall argue that ToR objectives will not be met otherwise.

- Launching of negotiated procedure: 450KEUR>50% of contract value à price shall be re-negotiated below 425KEUR. Addendum or new contract can be signed as a result of the procedure.

Case 4

- At the request of the IB Activity N (a series of training for 100 staff on new procedures) shall be delivered to additional 100 staff due to new recruitments. The additional costs will be allocated by the OB from national budget. Is a contract modification needed (contract amount increased not from EU funds)? If yes, what form?

- Answer:

Case 4

- Answer: No matter where the additional amount is financed from. Additional service conditions fulfilled. Negotiated procedure can be launched provided it has been foressen in PN (it is wise to always foresee it), and additional amount < original contract amount.

CONTRACT MODIFICATION –
Assessment of contract
modification

Approach for assessing modification

Content

- Assessment of importance of changes
  - Principles
  - Changing: ToR, Technical Proposal, Special Conditions, (experts)
- Assessment of timing of changes
- Not altering award conditions
- Justification

Approach for assessing modification

- Two-fold approach: importance and timing of changes
- General Principles:
  - Related to all type of changes
    - Must not alter the award conditions
    - 'Justified reasons' need to be presented by Consultant and examined by CA
    - The purpose must be closely connected with the nature of the project
  - Related to importance of changes
    - 'Major changes' (e.g. 'fundamental' alteration of the ToR') not allowed

    (but: GC. 20.2 'where the amendment does not affect the *basic purpose* of the contract [...] the Project Manager shall have the power to order any variation)

    - 'Substantial changes to the contract must be made by means of an addendum.'

Assessing importance of changes

- Conclusion: 'major changes' not allowed, 'substantial changes' allowed (2.10)
- What substantial changes are?

  à That are not major and therefore may result in contract modification
- What major changes are?
    - not affecting basic purpose i.e. (?) ToR 2.1 and 2.2

  à only example in PrAG: Fundamental modification of ToR
- What fundamental modification of ToR is?

  Not defined à subjective judgement à 'Thin ice' area à always risky to change ToR, should be avoided
- But: ToR does need to be modifed in many cases

Changing the ToR

Some points of consideration:

- 'Irrelevant' articles:
  - 1. Background information
  - 3. Assumption and risks
  - 5.2 Commencment date and period of implementation (refers to Special Conditions)

Changing the ToR *(Cont'd)*

- Articles that are unlikely to change:
    - 4.3 Operation management (responsible bodies, management structure, type of project meetings)
    - 6.1.3 Support staff and backstopping
    - 6.2 Office accomodation
    - 6.4 Equipment (usually there is none)
    - (6.6 Expenditure verification)
    - 7. Reports
    - 8.2 Special requirements (usually none or not substantial)
    - 9. Publicity and visibility

Changing the ToR *(Cont'd)*

Articles that are relevant and risk to be modified – Negative approach:

- Must not be modified:
  - Objective, Purpose (points 2.1 and 2.2)
  - 4. Scope of the work / 4.1 General / 4.1.1 Project description (components)
  - (6.1.1 Key experts (type of KEs not requirements))
  - (6.3 Facilities provided by Consultant (costs to be covered from fees) – see alteration of award conditions))

Changing the ToR *(Cont'd)*

Articles that are relevant and risk to be modified – Negative approach:
- Should not be modified:
  - 2.3 Results to be achieved
  - 4.2 Specific activities
  - 6.1.2 Other experts
  - (6.5 Incidental items (budget can be modified))
  - 8.1 Indicators
- Still risky to modify:
  - 4.1.2 Geographical area
  - 4.1.3 Target Groups
  - 5.1 Location

Hint: keep ToR structure and make the changes on sub-activity level – but problematic if ToR too specific à avoid too specific ToRs

Changing the Technical Proposal

- Identical approach as for ToR:
  - Components, key experts, facilities to be provided and indicators must not change
  - Results, activities, other experts only with Beneficiary's consent
- Limitations: ToR and award conditions intact

- What if ToR and TP in contradiction?
à Correct it in the Inception Report

Changing the Special Conditions

In theory is possible:

- (2). Contract value (GC 20.1) – in practice: downwards only, but better to avoid
- Art. 19. Start date and period of implementation – see section on timing
- Art. 29. Payments and bank account
  - Bank account: simple notification
  - 29.1 Payment schedule pre-financing up to 40%
    - Very risky in light of award criteria
- Any other terms cannot be modified

Replacement of experts

- Consultant's initiative
  - Death, illness, accident
  - Other reasons beyond the Consultant's control (e.g. resignation, etc.).
- Contracting Authority's initiative
  - if expert is inefficient or does not perform its duties under the contract
  - based on written and justified request - Consultant shall provide observations
- New expert
  - must possess at least equivalent qualifications and experience
  - remuneration to be paid cannot exceed the originally budgeted

Replacement of experts
(Cont'd)

- Consequences of failure of proper replacement
    - Termination of contract
    - Contracting Authority conditionally approves provided that the remuneration will be renegotiated
    - In case of key experts (and those listed in the Contract) application of liquidated damages up to 10% of the remaining fees if no replacement proposed within 15 days

Approach for assessing modification

- Two-fold approach: importance and timing of changes
- General Principles:
  - Related to timing of changes
    - Contracts may need to be modified during their duration (PrAG 2.10) / Contracts can only be modified within the execution period of the contract (PrAG 2.10.1)
    - if the circumstances affecting project implementation have changed since the initial contract was signed.
    - Requests for contract modifications must be made well in advance to be signed before execution period
    - Extension of period of implementation must enable final payments to be completed before the expiry of the Financing agreement under which the initial contract was financed – important in case of complementary and additional services financed from another FA

Approach for assessing timing of modification

- What is contract duration?
  - Execution period: from contract signature until final payment, and not later than 18 months after the end of the implementation period.
  - Implementation period: from the signature, or alternative date if specified in the Special Conditions, until all tasks have been carried out.
  - Limitation: Disbursement deadline in Financing Agreement
- Retroactive effect
  - Exceptional circumstance
  - Within execution period
  - Risk of the Consultant during the period between effect and approval
- What to do with changes between tendering and contracting?
  - Legal gap, no formal solution

Not altering award conditions

- Basic condition to approve contract modification
- What are the award conditions?
  - Technical criteria (max. 100 points) – 80%
    - Rationale: 20
    - Strategy: 40
    - Back-up function and the involvement of consortium members: 20
    - Timetable of activities, incl. the number of expert days proposed: 20
  - Price (max. 100 points) – 20%

Not altering award conditions
(Cont'd)

- No change shall put the Consultant in a more favourable situation (in a more unfavourable either)
- If changes result more favourable situation – need of compensation on other terms (activities); e.g.
  - Less input in one activity – more on another
  - Cancelled (sub-)activites compensated by new ones
  - Less participants in one training – more on another
  - Delayed completion of one activity – anticipated completion of another
- Difficult to quantify

Not altering award conditions
(Cont'd)

- Input:
  - Impossible to evaluate shift between different expert categories (Consultant's margin not known),
    - but it is likely that local experts are more 'profitable' à watch out for expert category balances all over the project
  - Key expert change very delicate since high-weighted in evaluation
    - Stick to ToR's objective requirement

Not altering award conditions
(Cont'd)

- **Activities and output:**
  - Don't touch main results and core activities (components)
- **Timing**
  - Supposing earlier completion deadlines mean higher points
  - Need of compensating delayed activities
    - Problematic if delays beyond Consultant's scope
    - Proportionality – minor delays can be accepted provided cumulated delays remain also minor

Not altering award conditions
(Cont'd)

- **Changes directly affecting price (or cash-flow)**
  - Modifying incidentals (introducing new items): does not effect directly Consultant's margin since reimbursed at actual costs, but:
    - \+ Eases incidental part within fees
    - \- Reduces fee budget if re-allocation is needed
  - Modifying payment schedule – impact on cash-flow à impact on Consultant's financing costs

Justification

- 'There must be justified reasons for modifying a contract.' (PrAG 2.10.1)
- Request:
  - Presenting reasons and circumstances
  - Demonstrating the changes' 'non-major' nature
  - Demonstrating changes not affecting award conditions (ideally)
- Circumstances:
  - Unforeseen by Parties
  - Beyond the scope of Parties
  - Incurred after contract signature

Justification *(Cont'd)*

- 'Good' reasons
  - Anything clearly beyond the scope of the Parties
  - Vis major, crisis situation
  - New EU legislation to be transposed in local legislation and/or isntitutional set-up
  - New local regulations (beyond the Beneficiary's scope)
- 'Bad' reasons
  - Capacity problems (of either sides)
  - Administrative delays
  - Elections (foreseeable)
  - Non-availability of experts
  - New local regulation in the competence of the Beneficiary

Case 6

- Due to changes in national legislation, the involvement of an additional Key Expert is required to assist in the prepataion of implementing regulations. Can the contract be modified, and if yes, by what form?

- Answer:

Case 6

- Answer: since KEs are subject of evaluation, such a modification would result in altering award conditions, therefore no additional KE can be approved. Tasks should be carried out by senior STEs. Moreover, legislative changes shall be assessed whether they are out of Beneficiary's scope

- Additional sub-activity implies additional incidental item (per diem for experts at off place of duty missions), since considerably more travels will be needed. Shall the contract be modified, and if yes, by what form?

- Answer:

Case 7

- Answer: While request is reasonable it is very risky to modify incidental items, since all direct costs that are not eligible from incidental budget should be covered by global price; new incidental item implies reduction of direct cost share within global price and hence increases Consultant's margin à alteration of award conditions

- Request of extension of implementation period due to Beneficiary's organisational re-structuring following verification audit recomendations coinciding with post-election re-structuring. Shall the contract be modified, and if yes, by what form?

- Answer

- Answer: It should be modified, but justification not solid. Referring to elections shall not be emphasised. Re-structuring is within the scope of the Beneficiary à safer to find additional reasons, clearly beyond Beneficiary's scope (e.g. legal changes not due to Beneficiary initiatives). New implementation period shall be checked against execution period – payment deadlines shall be taken into account

Case 9

- Consultant requests increase of pre-financing from 20% to 30% due to unfavourable exchange rate fluctuations and labour tax increase. Shall the contract be modified and if yes in what form?

- Answer:

Case 9

- Answer: Special Conditions 7. Payment Schedule should be modified by Addendum, but justification is not solid: exchange rate fluctuations may reverse in future, and tax increase cannot be offset by higher advance.

BREACH, TERMINATION, SUSPENSION

Breach of the Contract

- Definition: Either party commits a breach of contract where it fails to discharge any of its obligations under the contract.
- Consequences:
  - Damages:
    - General: The sum, not stated previously in the contract, awarded by a court or arbitration tribunal, or agreed between the parties
    - Liquidated: The sum stated in the contract as compensation payable by either party to the other for any specific breach identified in the contract.
  - Termination – formal and final suspension of contractual positions

Termination of the Contract

- Some cases (GC. 36)
  - If no payment within 3 years after signature (automatically)
  - Consultant fails to carry out the services substantially in accordance with contract
  - Consultant refuses or neglects to carry out administrative orders
  - Assignments without CA approval
  - Bankruptcy, misconduct, fraud, corruption – res judicata
  - Serious breach of other EU contract
  - Fails to provide guarantees or insurance

Termination by CA

- Tasks of the CA:
  - 7 days notice
  - Completion of services at the expense of the Consultant
  - Certification of the value of services due to the Consultant at termination.
  - Recovery of extra costs and losses, or
  - Pay balance due to the Consultant
- Tasks of the Consultant:
  - Bring the services to a close to keep costs to a minimum

Termination by Consultant

- No automatic termination
- 14 days notice
- Cases:
  - Payment failure
  - CA fails to meet its obligations (after repeated reminders); or
  - Suspension by CA for more than 90 days without specified reasons or not due to the Consultant's default.
- CA shall pay loss, but = or < than contract value

Termination of contract due to delays

- Delays:
  - Contracting Authority is entitled to liquidated damages for every day in delay
  - Daily rate: dividing the contract value by the number of days of the period of implementation of the tasks.
  - If liquidated damages exceed more than 15%, of the contract value, the Contracting Authority may terminate the contract and complete the services at the Consultant's expense.
  - It implies:
    - Certification of value due to Consultant
    - Recovery of extra costs from Consultant

Suspension of the Contract

- Substantial errors, irregularities or fraud: CA shall suspend payments/execution of contract.
- If Consultants's fault: refusal of payments / recovery of amounts
  - In proportion to the seriousness of the errors, irregularities or fraud.
  - Also if committed by the Consultant in another related contract

INTERNAL CONTROL SYSTEM

Internal Control System

The Internal Control System consists of five components:

ü Control Environment

ü Risk Assessment

ü Control Activities

ü Information & Communication

ü Monitoring

Internal Control Elements

ü **Control Environment**

ü Risk Assessment

ü Control Activities

ü Information & Communication

ü Monitoring

Internal Control Environment

- Is the attitude and actions of the board and management regarding the significance of control within the organization

- Provides the discipline and structure for the overall system of internal controls

Control Environment

Includes:

- Integrity and Ethical Values
- Management's Philosophy & Operating Style
- Organizational Structure
- Assignment of Authority & Responsibility
- Human Resource Policies & Practices
- Competence of Personnel

Control Environment
Integrity and Ethical Values

- *Institutional objectives*, and how they are achieved, are based on preferences, value judgments and management styles - Mission statement
- *Ethical values* must be clearly communicated
- *Codes of conduct* must be defined in written policy & procedures

Control Environment
Management's philosophy and operating style

- *Real* management *concerns* can often be *evaluated* in terms of *how violators are dealt with*, i.e. the messages sent by leader's actions in such situations quickly *become* accepted behavior.

- Organizational values cannot rise above the integrity and ethics of the people who *create, administer* and *monitor* them.

Control Environment
Organizational Structure

- Provides the framework for achievement of objectives, through proper planning, executing, controlling, and monitoring
- Depends on the administration's philosophy
- The appropriateness of depends on various factors, such as size and type of activities

Control Environment
Assignment of authority and responsibility

- Determines the degree to which individuals & departments are encouraged to use initiative in addressing issues and problem solving, as well as the limits of their authority

- Delegation of Authority (Empowerment)

- Placing control for certain decisions at lower levels of the organization, to individuals closest to everyday activity

Control Environment
Assignment of authority and responsibility

- Policies and procedures should be written
- Policies and procedures should be provided to all departments and staff
- Expectations for compliance with policies and procedures should be communicated to all departments and staff

Control Environment
Human resource policies and practices

- Human resource practices send messages to employees regarding expected levels of integrity, ethical behaviour and competence

- Integrity, ethics, and competence must be exercised in ... *Hiring, Training, Evaluating, Promoting, Compensating;*

- Disciplinary action should be consistently applied to all employees.

Control Environment
Competence of people

- Competent people must be hired
- Lines of authority and responsibility clearly established, documented in written job descriptions and procedures manuals
- Organizational charts provide a visual presentation of lines of authority
- Job descriptions should be periodically updated to ensure that employees are aware of the duties they are expected to perform.

Internal Control Elements

ü Control Environment

ü Risk Assessment

ü Control Activities

ü Information & Communication

ü Monitoring

Risk Assessment

- Risk is the uncertainty of an event occurring that could have an impact on the achievement of objectives.

- Risk is measured in terms of consequences and likelihood.

Risk Assessment

External Factors:

- Economic changes
- Changing student & community needs
- New/changed legislation & regulations
- Technological developments
- Natural catastrophes
- Competitive conditions

Risk Assessment

Internal Factors:

ü New Personnel

ü Low Morale

ü Competency & Integrity of Personnel

ü New or Revamped Information Systems

ü Size of Organization

ü Complexity & Volatility of Activities

ü Geographical Dispersion of Operations

ü Changes in Management Responsibilities

Risk Assessment

After the risk factors have been identified, they must be

evaluated or analyzed in terms of risk

Risk Assessment
Risk Analysis

Includes:

- Estimating the Significance of the Risk;

- Assessing the Likelihood (or Frequency) of the Risk Occurring;

- A determination must be made on how to manage risk, i.e. an assessment of actions that can be taken and their relative cost

Risk map

Likelihood	Consequences				
	Insignificant (Minor problem easily handled by normal day to day processes)	Minor (Some disruption possible, e.g. damage equal to $500k)	Moderate (Significant time/resources required, e.g. damage equal to $1million)	Major (Operations severely damaged, e.g. damage equal to $10 million)	Catastrophic (Business survival is at risk damage equal to $25 Million)
Almost certain (e.g. >90% chance)	High	High	Extreme	Extreme	Extreme
Likely (e.g. between 50% and 90% chance)	Moderate	High	High	Extreme	Extreme
Moderate (e.g. between 10% and 50% chance)	Low	Moderate	High	Extreme	Extreme
Unlikely (e.g. between 3% and 10% chance)	Low	Low	Moderate	High	Extreme
Rare (e.g. <3% chance)	Low	Low	Moderate	High	High

Internal Control Elements

- ü Control Environment

- ü Risk Assessment

- ü Control Activities

- ü Information & Communication

- ü Monitoring

Control Activities

Control activities are the policies and procedures

that help ensure that

management directives are carried out.

Control Activities

Generally, control activities (procedures) fall within five broad categories:

ü Authorisations

ü Segregation of Duties

ü Recording

ü Safeguarding

ü Reconciliations

Control Activities
Authorizations

- Transactions must be authorized and executed in accordance with management's intent
- Authorization to initiate or approve transactions should be limited to specific personnel
- Authorizations can be limited by type of transaction or amount of transactions

Control Activities
Segregation of Duties

- Segregation of duties is adequate when no one person is a position to both initiate and conceal errors and/or irregularities in the normal course of their duties without detection

- Provide that one employee does not have responsibility for all phases of a transaction

- Different people should be responsibility for:
  - Authorising transactions
  - Recording transactions

Control Activities
Recording

- *Documents* and *records* must be *properly designed* to provide reasonable assurance that ...
  - Assets are properly controlled;
  - Transactions are properly recorded in the correct account, amount, and period
- Transactions should be properly documented
- Records should be retained in an organized manner

Control Activities
Safeguarding

- Measures should be taken to safeguard the access to and use of both assets and records

- Achieved through physical security & reconciliation of assets to records

- Assets should be physically secured

- Access to assets should be limited to designated authorized personnel

Control Activities
Reconciliations

- Are independent checks and internal verification procedures designed to help provide assurance that the other four control procedures are achieved

- The person performing the reconciliation (or verification procedures) should be independent from the individuals originally responsible for preparing the data

Internal Control Elements

ü Control Environment

ü Risk Assessment

ü Control Activities

ü Information & Communication

ü Monitoring

Information and Communication

- The purpose of the information and communication system is to help ensure that employees are aware of:

  - The unit's goals and objectives

  - How the unit's goals and objectives are to be accomplished

  - Who is responsible for the specific tasks to accomplish them

Information and Communication

- The information & communication system must provide administrators with reports containing *operational, financial, and compliance* information for progress monitoring and decision making

- Pertinent information must be identified, captured and communicated to appropriate personnel on a timely basis

- The *quality of information* received and/or given *influences* the *quality of decisions*

Information and Communication

Once information is identified, captured, and processed it is reported *formally* and *informally* through both manual and computerized information systems

Internal Control Elements

ü Control Environment

ü Risk Assessment

ü Control Activities

ü Information & Communication

ü Monitoring

Monitoring

Monitoring Includes:

ü Supervising

ü Observing

ü Testing

ü Reporting to Responsible Individuals

Monitoring

Monitoring can be *ongoing* monitoring activities, *separate evaluations* or a *combination* of the two

ü Ongoing monitoring occurs in the normal course of operations, inclusive of regular supervisory activities

ü The *scope* and *frequency* of separate evaluations depend primarily on *risk assessment* and the *effectiveness* of the ongoing monitoring procedures

Monitoring

Monitoring activities include:

- Reviews of financial reports such as:
  - Comparisons of budgeted to actual revenues and/or expenditures
  - Comparisons of current to prior months and/or years activities
- On-the-Spot Checks of Transactions to Ensure Compliance With Policies and Procedures
- Reviews of Outstanding Encumbrances

Risk assessment and the role of NIPAC during implementation

Risk assessment

- <u>Criteria based on</u>
  - complexity of the programme,
  - the budget of the individual project,
  - the experience of the beneficiary in management of previous projects
  - Subjective criteria

  Microsoft Office
  Excel munkalap

- <u>Risk Assessment Strategy</u>
- <u>Annual plan</u> for monitoring visits
  - planned and exceptional
  - OTS Visit Plan (internal)

Risk assessment

- ## Source of infomation

  - ### Formal

    - Reporting
    - MIS
    - SMCs

  - ### Semi-formal: monitoring visits

  - ### Informal

    - Practice of monthly/biweekly meetings

Mitigation role of NIPAC

- Continuous exercise of risk assessment – re-categorisation of projects/programmes
- Individual contingency plans and schedule
- Allocation of resources to strict follow-up
- 'Manual control'
- System of 'project doctors'