



**NISPAcee PROJECT “ Effective Project Management in the Water Sector in Georgia:
of the EU and EBRD Methodologies”
Implementation
Supported by the SlovakAid**

Title: Audit Trails Implementing agency

Date: December , 2015

Implementing Agency for Investment Project

Audit Trail

11. December 2015

Preface

An **audit trail** is a security-relevant chronological record, set of records, and/or destination and source of records that provide documentary evidence of the sequence of activities that have affected at any time a specific procedure. Thus it ensures a transparent process of follow up and control mainly by the Donors.

This Concept Audit Trail describes relevant chronological record of documents, activities and information while managing projects financed by foreign aid. Implementation Agency (IA) is responsible to draw flow charts and always run them in a mode where it can be accessed and supervised from all users throughout the entire project cycle.

In the EU countries these Audit Trails are guided by European Commissions Decrees further transposed by state and /or local laws and regulations.

This particular Concept Audit Trail is focused on processes from pre-procurement to monitoring and reporting of a project.

The Government of Georgia is responsible for overseeing compliance with the Donors Acts, which covers the personal information-handling practices of government departments and responsible implementing agencies of foreign funds.

A dedicated Implementing Agency is committed to achieving organizational excellence, applying sound business management practices, and continually improving its performance. With respect to procurement and contract activities, the IA respects set up Audit Trails in a manner that does not compromise their independence.

The IA is responsible for procurement and contracting activities. Purchasing activities are managed by a Senior Procurement Officer and supported by a Junior Procurement Officer. For reasons of independence and solicitor-client privilege, IA has been granted independent contracting authority to enter directly into contracts with external legal agents. The procurement and contracting activities follow a separate tendering and contracting process, which is managed according to the local legislation.

The purpose of the establishment of Audit Trails was to provide assurance to the Donor on the effectiveness of governance, risk management and controls supporting the IA procurement and contracting activities.

The audit trail consists of two things:

- (1) Information about the actual data generated. It's the who, what, where, what kind, how long, and how many of the implementing processes.
- (2) Information about how was analyzed the data. This might be the actual workings or it might be a sample of transcript, codes and themes and so on – whatever is appropriate for the methods chosen.

How to keep an Audit Trail at a level of beneficiary:

1. Identification of all processes leading to expenditure (internal procedures and involved actors e.g. for staffing, purchase of services/supplies, etc.);
2. Identification of information and financial flows:
Technical (e.g. studies, technical reports, etc.);
Financial/administrative (e.g. invoices, bank statements, tender documents).
3. Identification of procedures for archiving as well as location of all documents.

How to keep an audit trail at level of project management:

1. Identification of information and financial flows:
Technical/financial (progress reports and annexes, including all Confirmations of Control, bank statements for the transfer, etc.).
Administrative (subsidy contract/partnership agreement and their amendments, Application Forms, etc.).
2. Identification of procedures for archiving as well as location of all documents.

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IA Audit Trail

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IA Audit Trail

Disclaimer:

This manual is dedicated to professionals or people with previous working experience in audit trails implementation.

Principles of drawing the flowchart:

Basic principles lying behind the concept of this Audit Trail for Procurement are those, that are described in the following documents:

- A. Practical Guide to European Commission Phare, World Bank, Standard Contracting Procedures
- B. Financing Agreement between IA and Final Beneficiary
- C. FIDIC Conditions of Contract

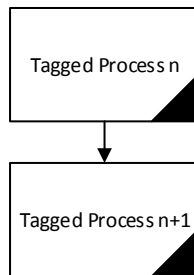
FIDIC

FIDIC is used as a format for establishing of contractual relationship and drafting of specimens

Division of processes

This Audit Trail reflects the processes according to the timely sequence of actions taken by the IA personnel ; this is reflected by arrows indicating the direction of progress of the process .

Example:

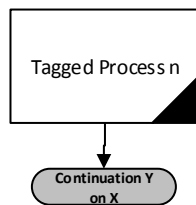


Explanation

Which means that the Process n has to be done prior to the Process n+1

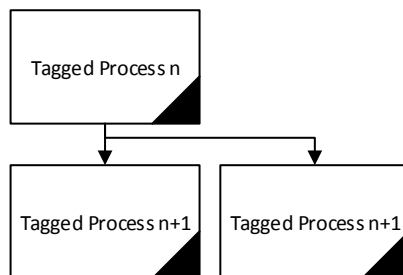
Where the description of a certain process did not fit into one page, the audit trail uses a designation „transition between processes“, where an arrow was used to indicate as to where the process was being continued, the same designation was also being used where the process was split into two processes , i.e. further developed as two or more processes.

Exaple:



Explanation

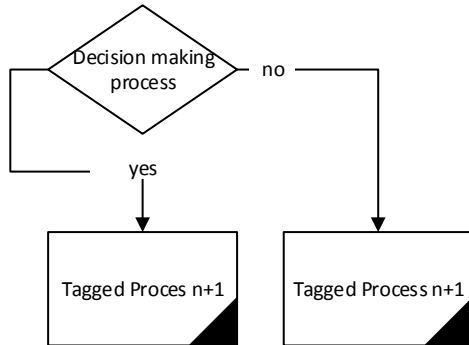
Which means that the continuation no. Y of the process is to be found on the page reflecting Process Description X



Explanation

Which means that the Process is split into several processes, two in this case, and further develops as several parallel processes

IA Audit Trail

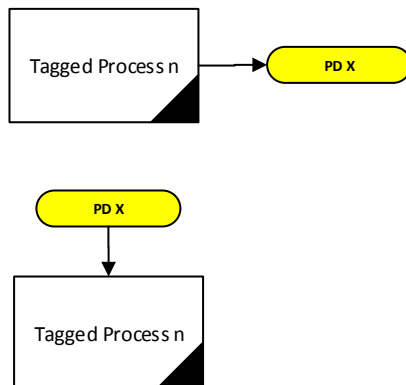


Explanation
 Which means that the Process can develop in several ways depending upon decision,

In the course of drawing the flowchart, it has been found that some parts of the processes were repeating or were performed therefore instead of drawing in the flowchart a process identical to any other process already drawn in the other process scheme twice, the audit rather provides a reference to the flowcharts of such other transaction description using a special flowchart designation.

Such designation means that the flow of actions shall be followed as per direction of the arrow .

Example:



Explanation
 Which means that the process unfolds on the page outlining the Process Description X

Explanation
 Which means that the new separate process continues from the page outlining the Process Description X

Following processes descriptions describe the situation when Ex-Ante approval from Donor is required, therefore after the successful accreditation of the Implementing Agency the processes describing seek for approval from EC will not be required to follow.

11.december 2015

IA Audit Trail

Abbreviations Used

DA – Donor Authority
PU - Programming Unit
IA - Implementing Agency
SAO - Sectoral Authorizing Officer
IA PM - Project Manager of IA
IA FM - Financial Manager IA
FB - Final Beneficiary
PM - Final Beneficiary's Project Manager
CA - Contracting Authority

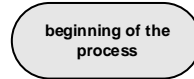
Documents and procedures

FM - Financing Memorandum
FA - Financing Agreement between FB and IA
PRAG - Practical Guide- Contracting Procedures
FWC - Framework Contract
CF - Contract Forecast
PN - Procurement Notice
TD - Tender Dossier
DIC - Declaration of Impartiality and Confidentiality
ToR - Terms of Reference
RfS - Request for Services

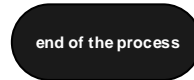
IA Audit Trail



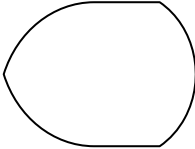
Tagged Process



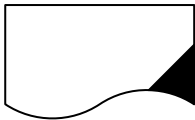
beginning of the process



end of the process



Process using data processing system



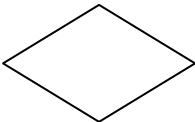
Document in paper format



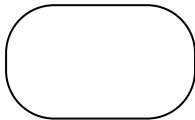
Document in paper format in duplicate



Electronic data file



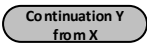
Decision-making, applied if, depending on the decision adopted, different solutions are available for advancement of the process



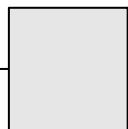
Place of storage of documents, data and information



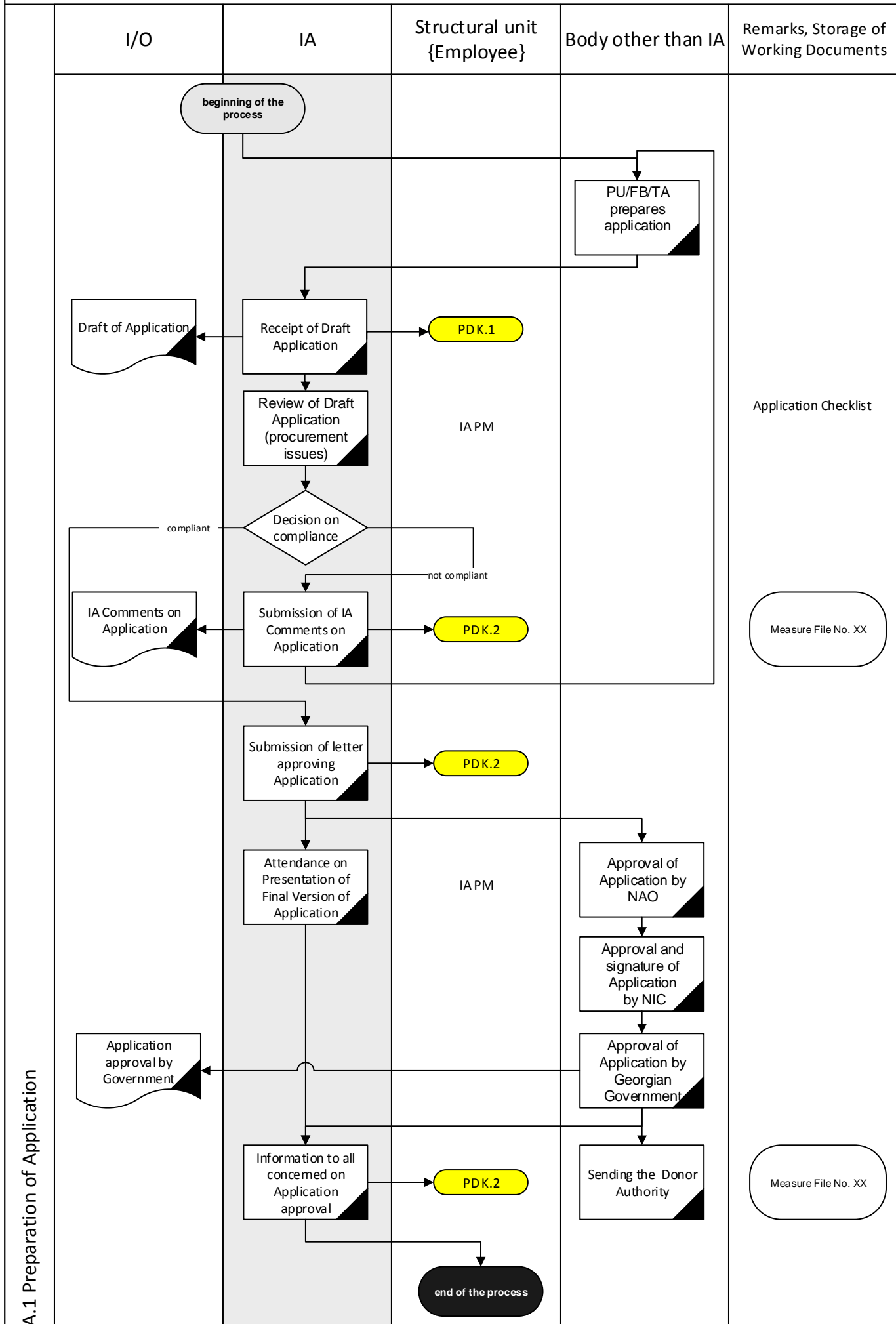
Transition between processes within the flowchart, which reflects the actions performed by IA personnel in the given Process Description



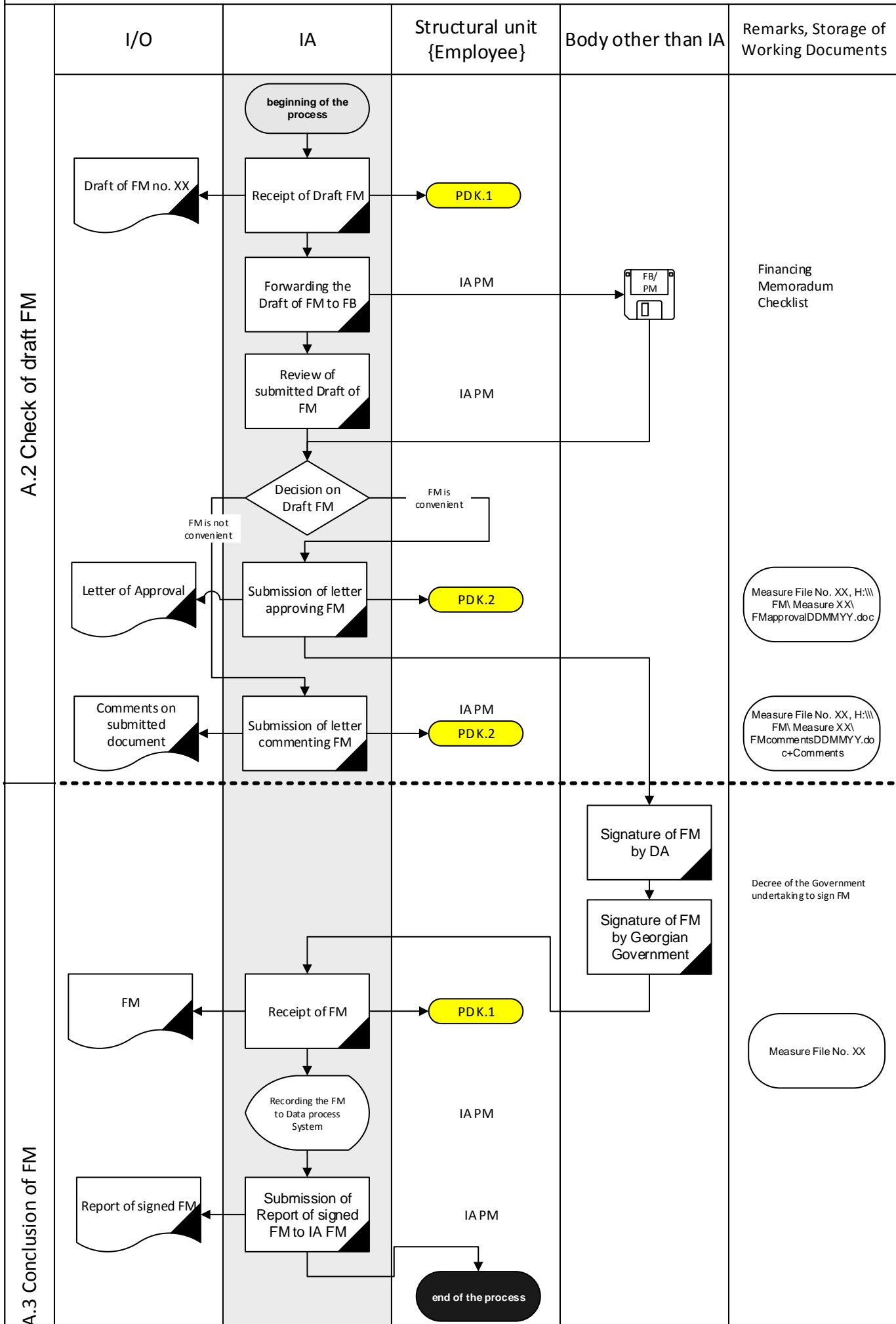
Transition between processes, where such transition is made to the part of the flowchart, which reflects the actions performed by IA personnel in a different process



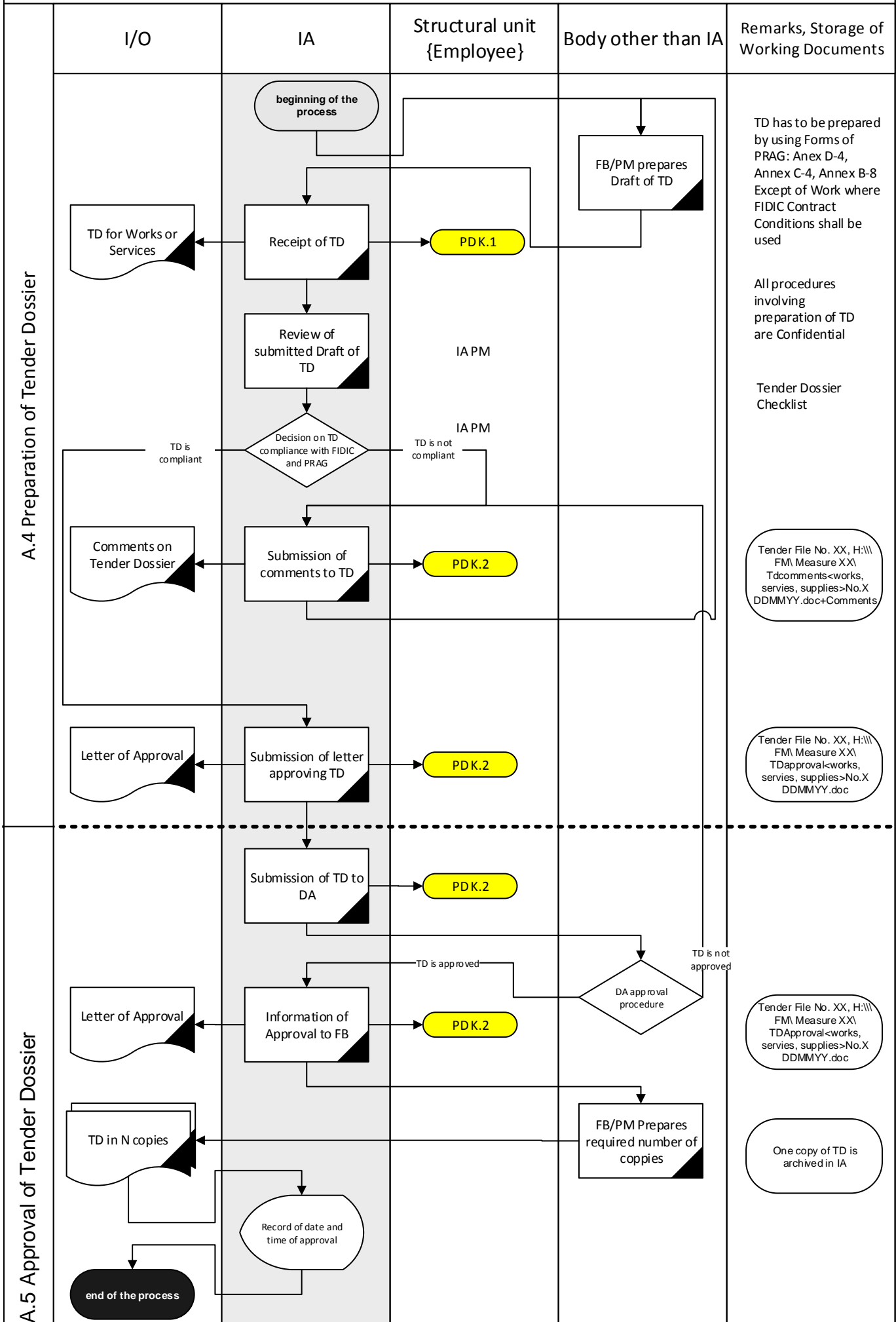
A. Pre-procurement Phase



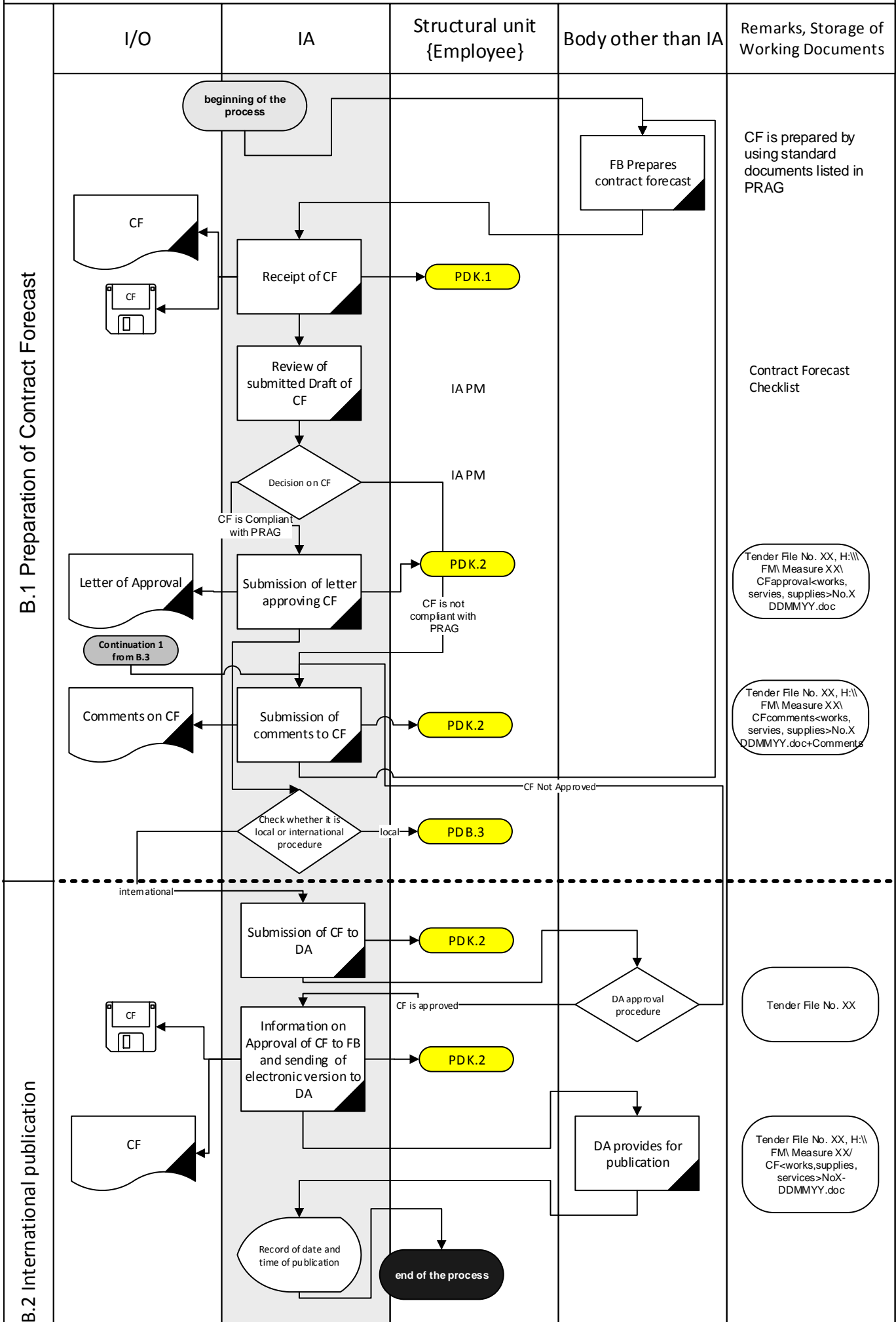
A. Pre-procurement Phase



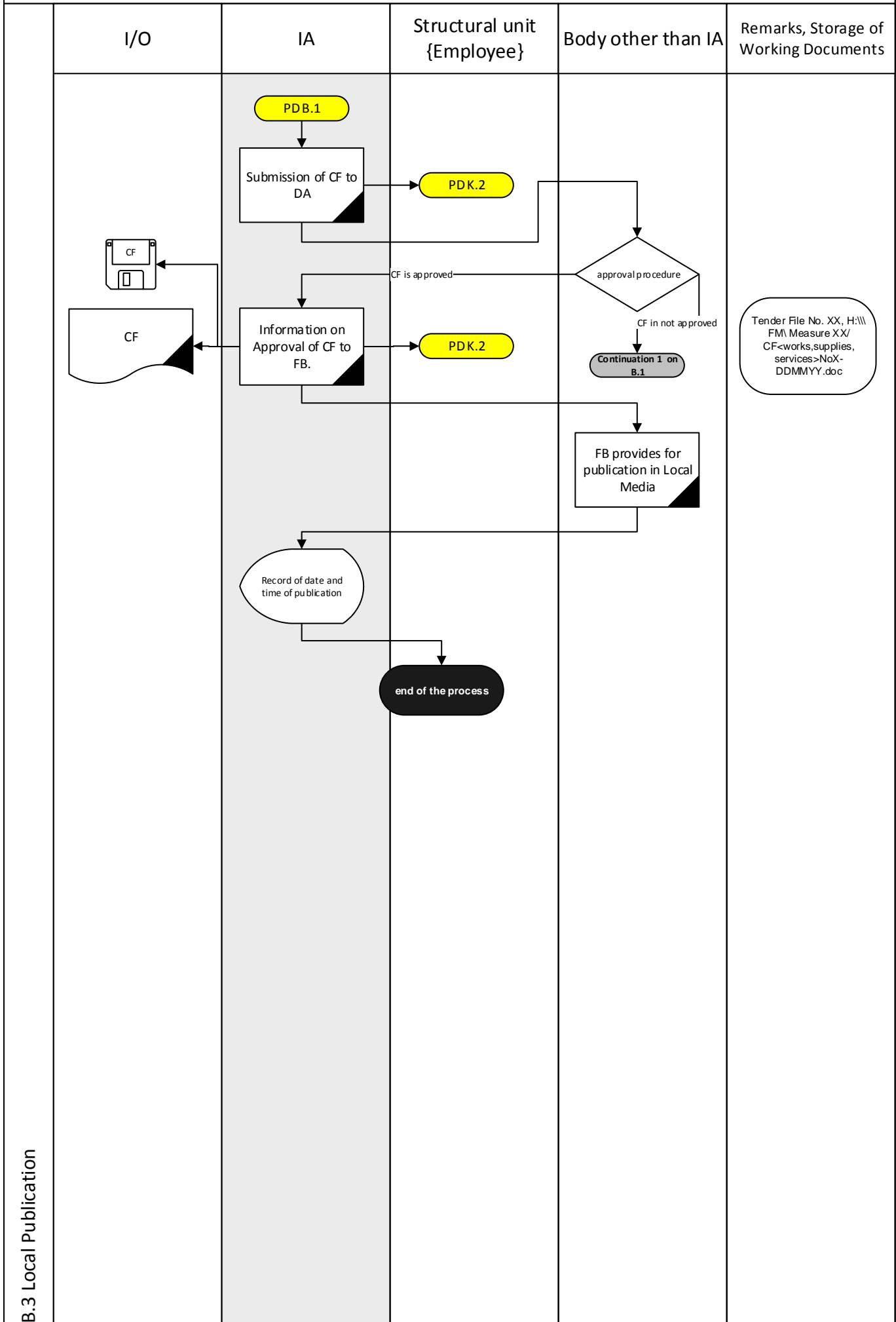
A. Pre-procurement Phase



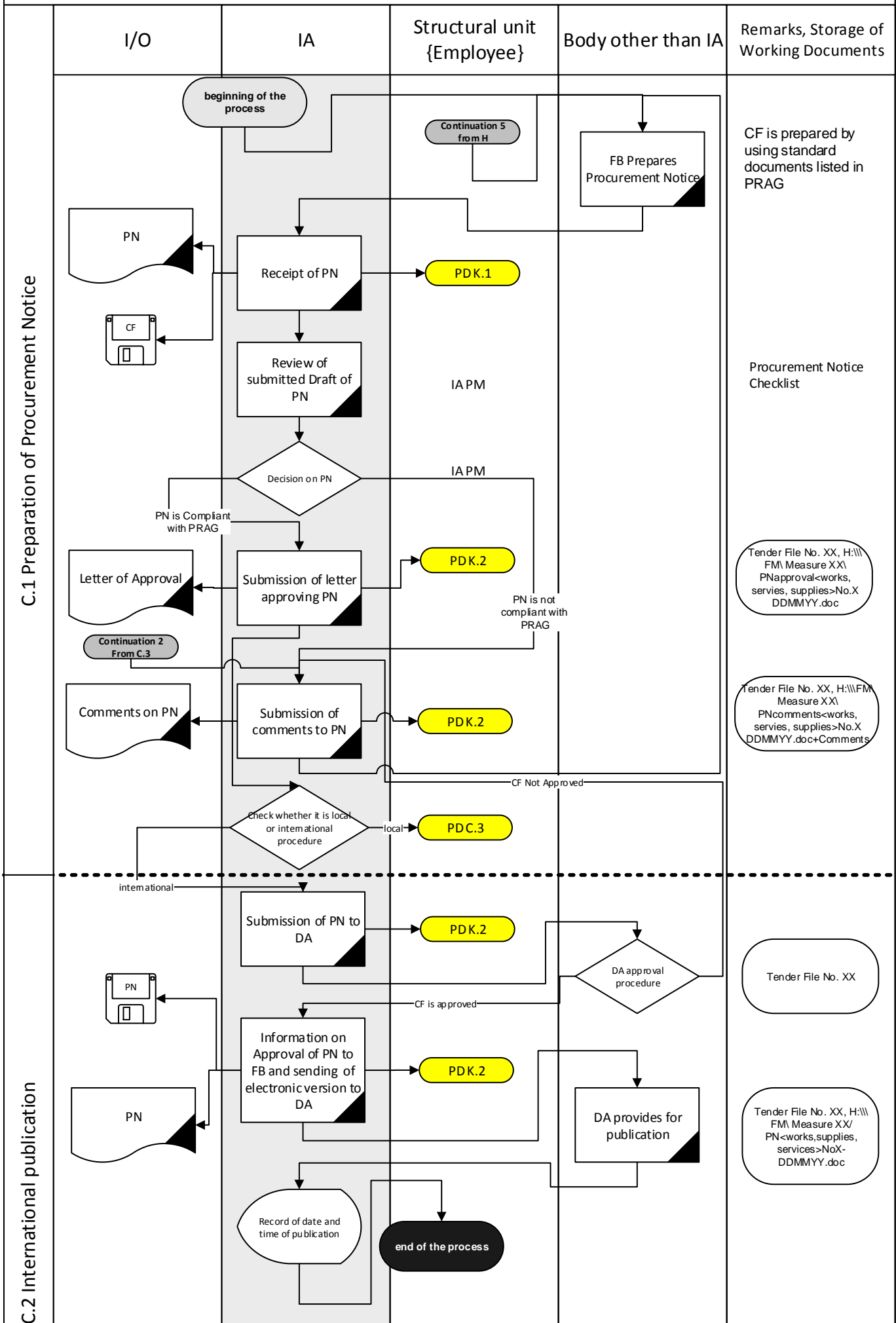
B. Publication of Contract Forecast



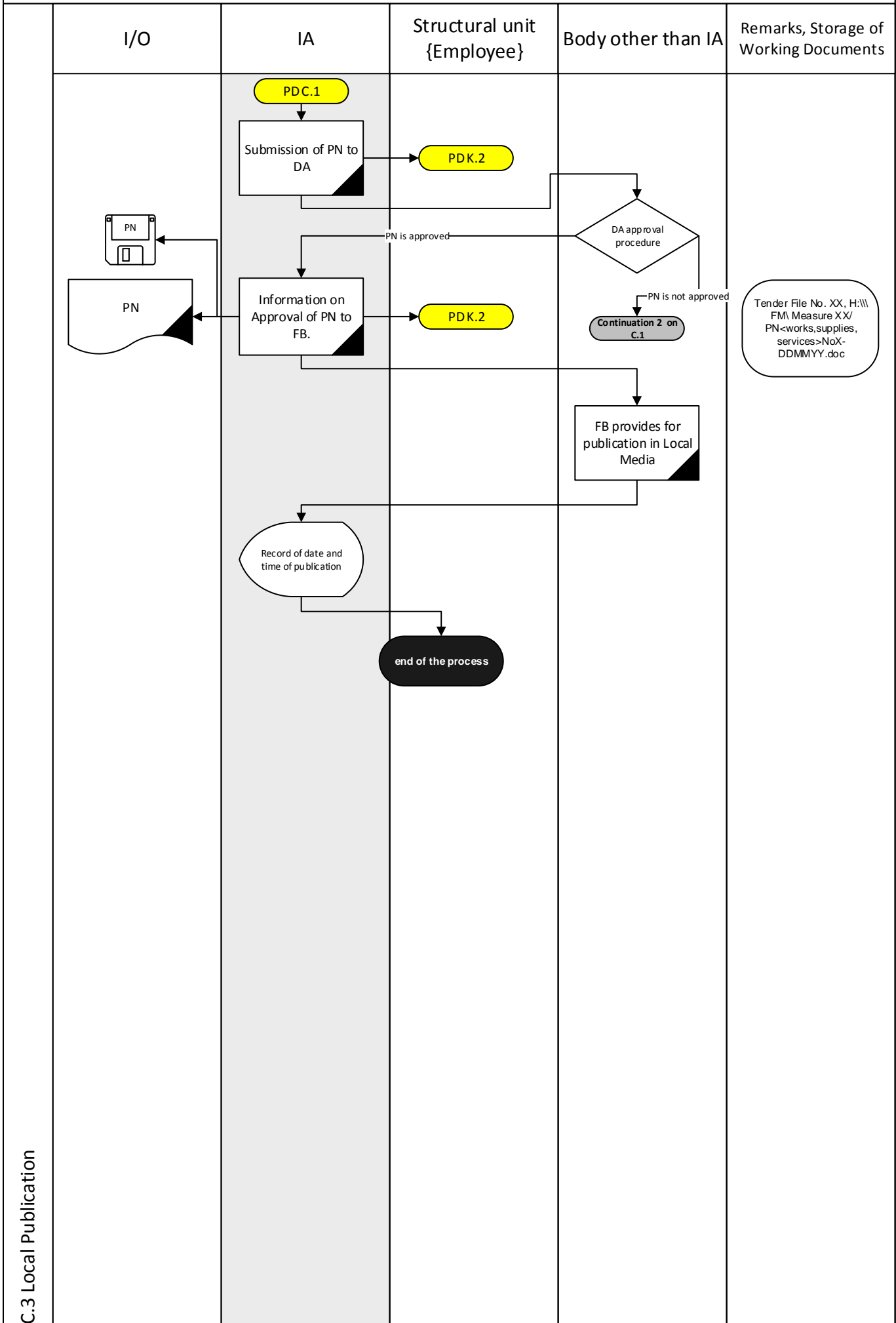
B. Publication of Contract Forecast



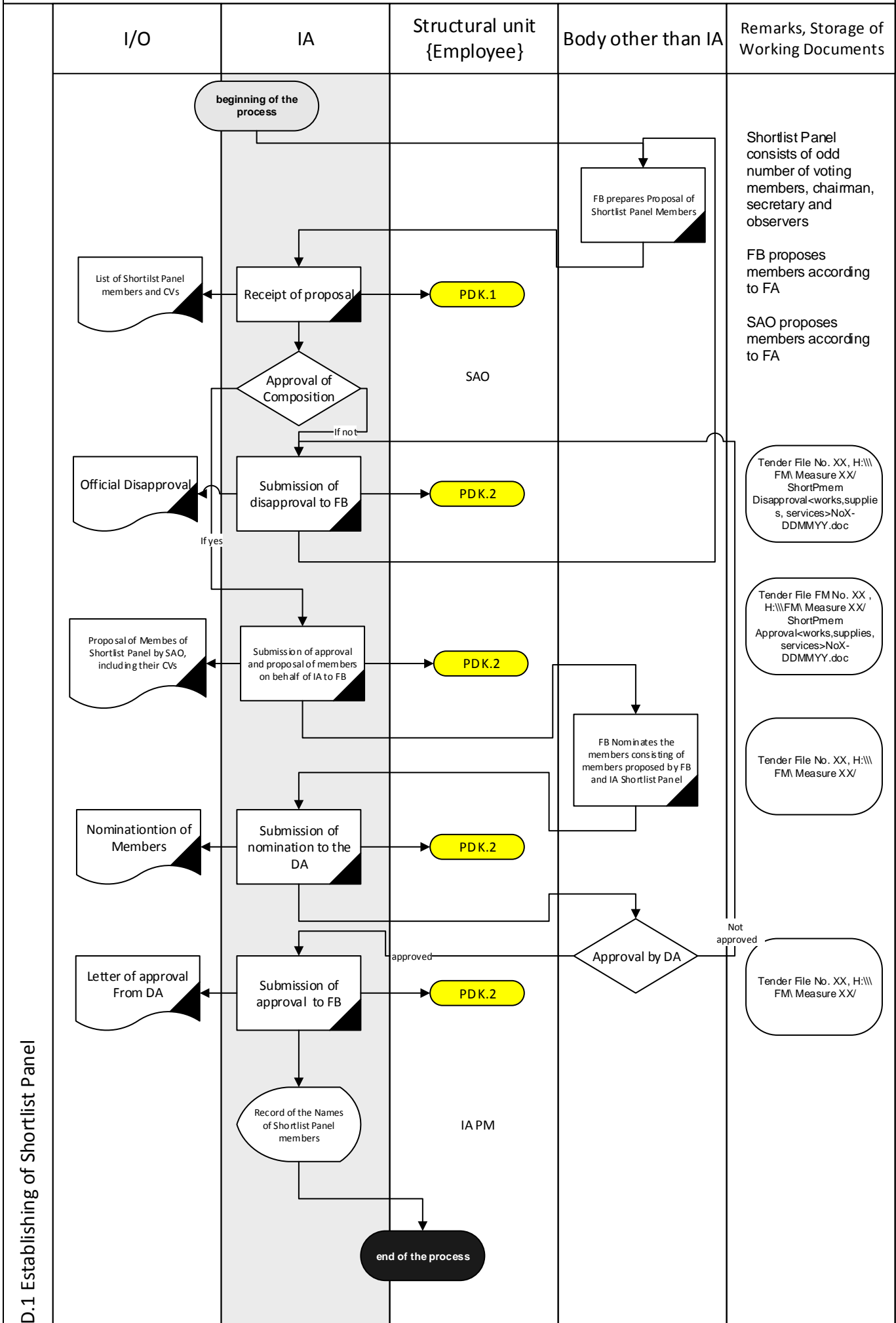
C. Publication of Procurement Notice



C. Publication of Procurement Notice

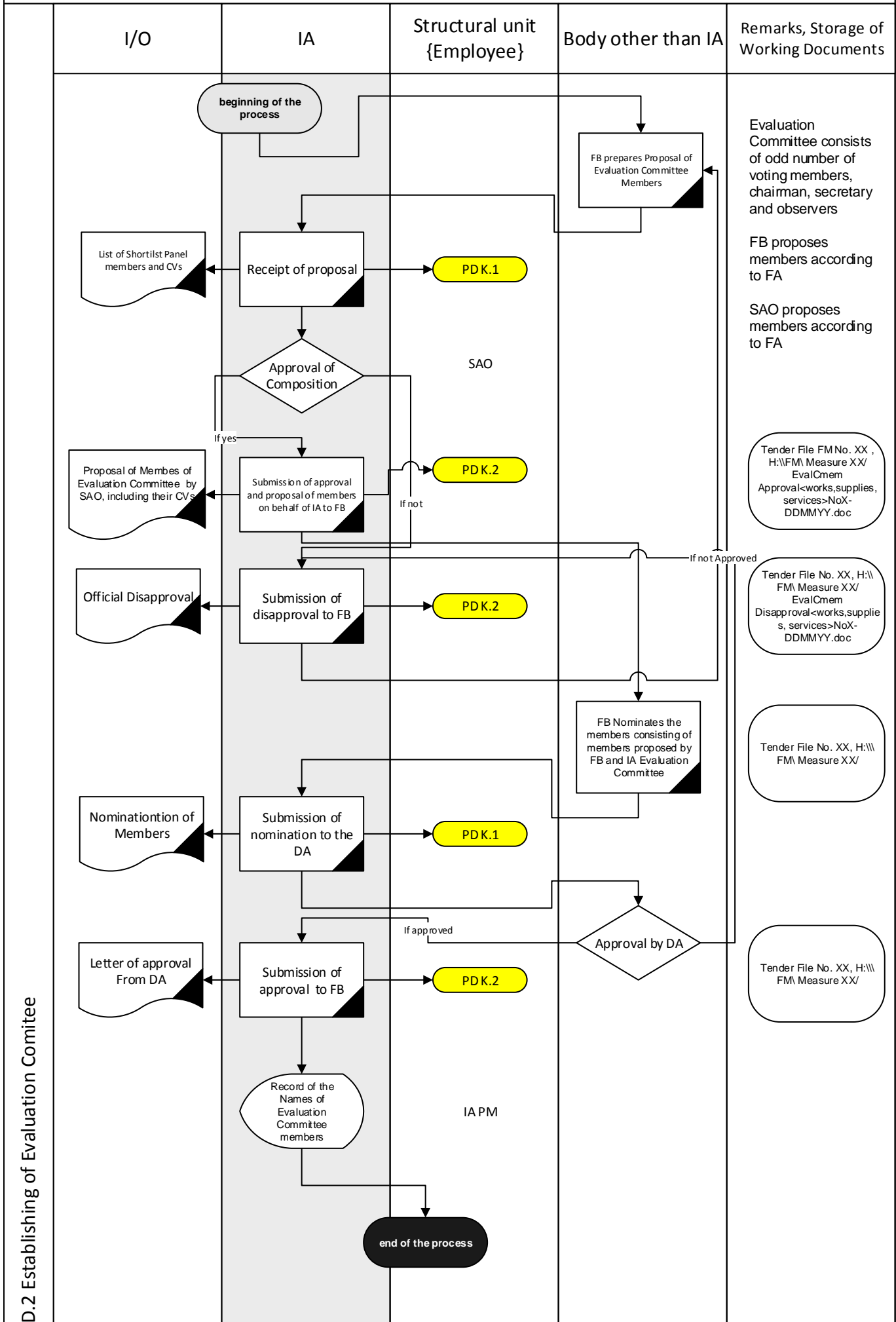


D. Establishing of the Evaluation Committee / Shortlist Panel



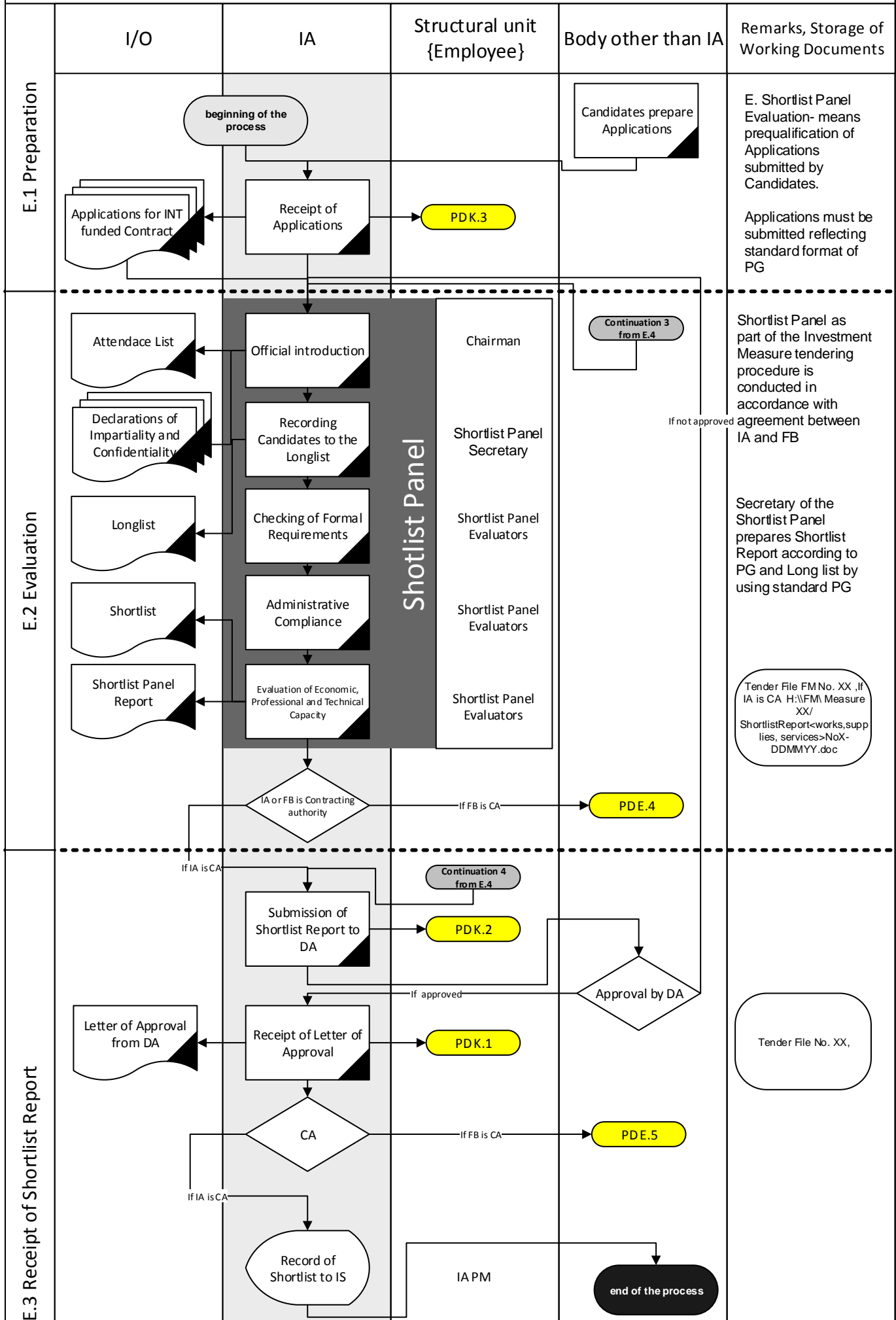
D.1 Establishing of Shortlist Panel

D. Establishing of the Evaluation Committee / Shortlist Panel

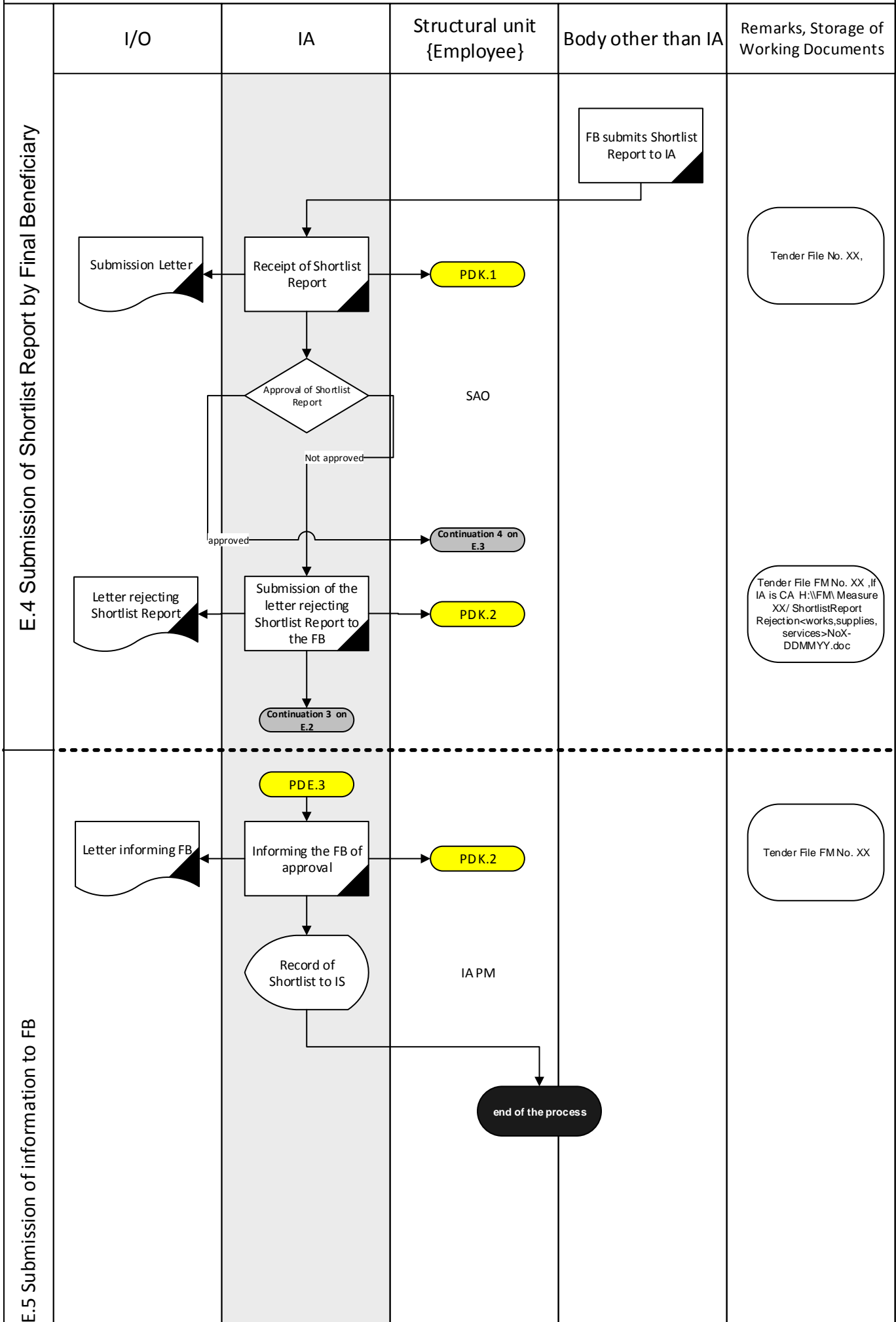


D.2 Establishing of Evaluation Comitee

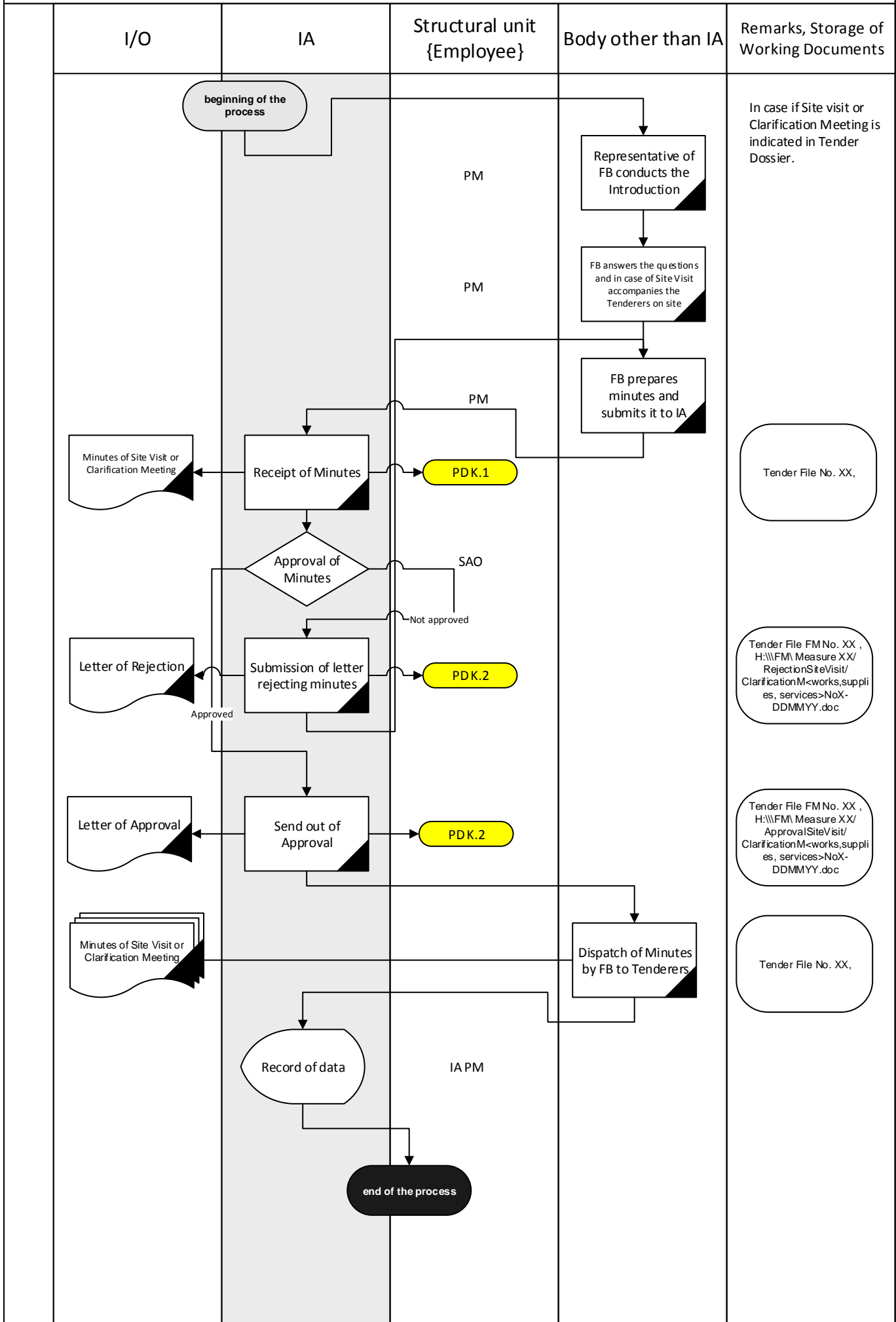
E. Shortlist Panel Evaluation



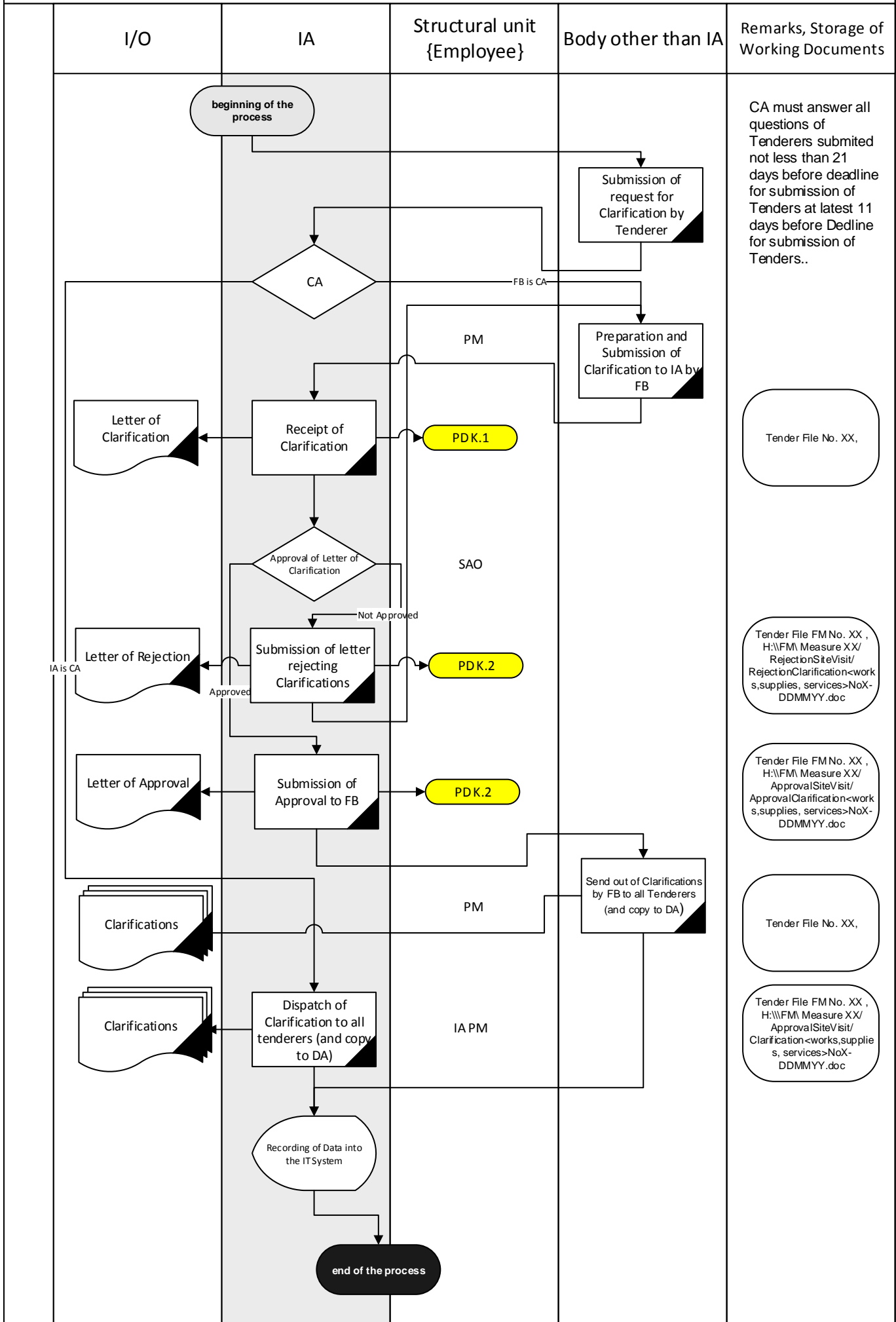
E. Shortlist Panel Evaluation



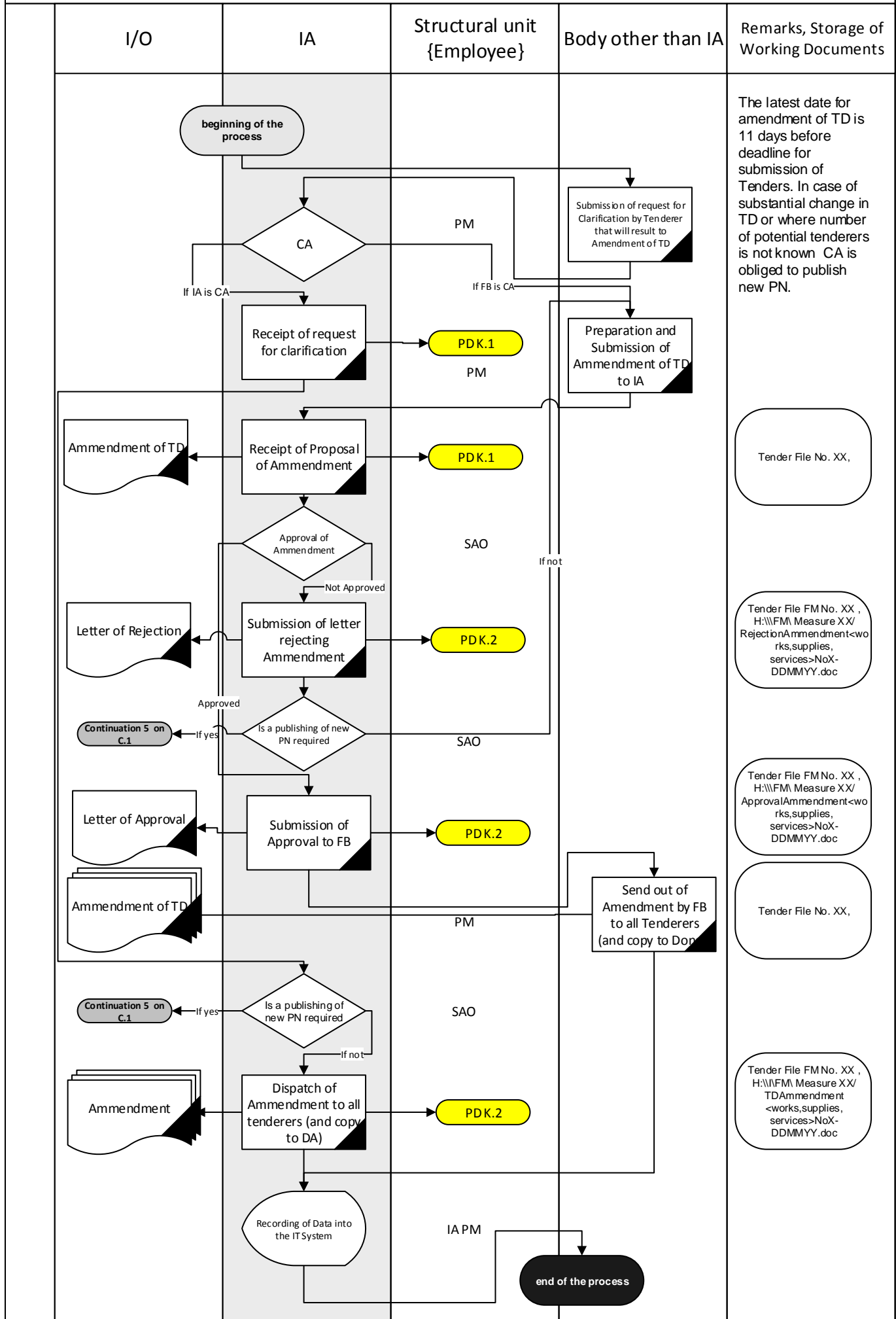
F. Site Visit/ Clarification Meeting



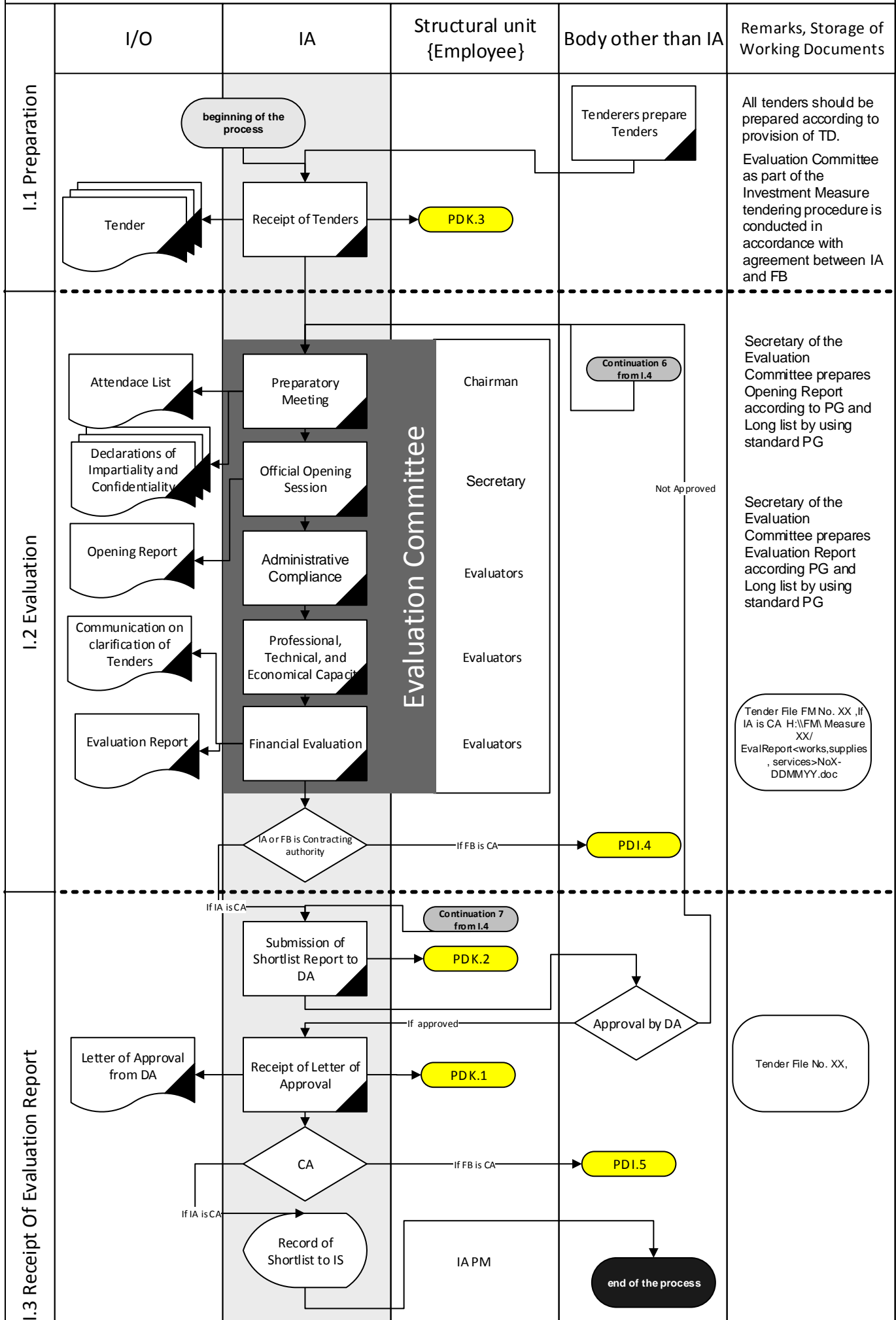
G. Letter of Clarification



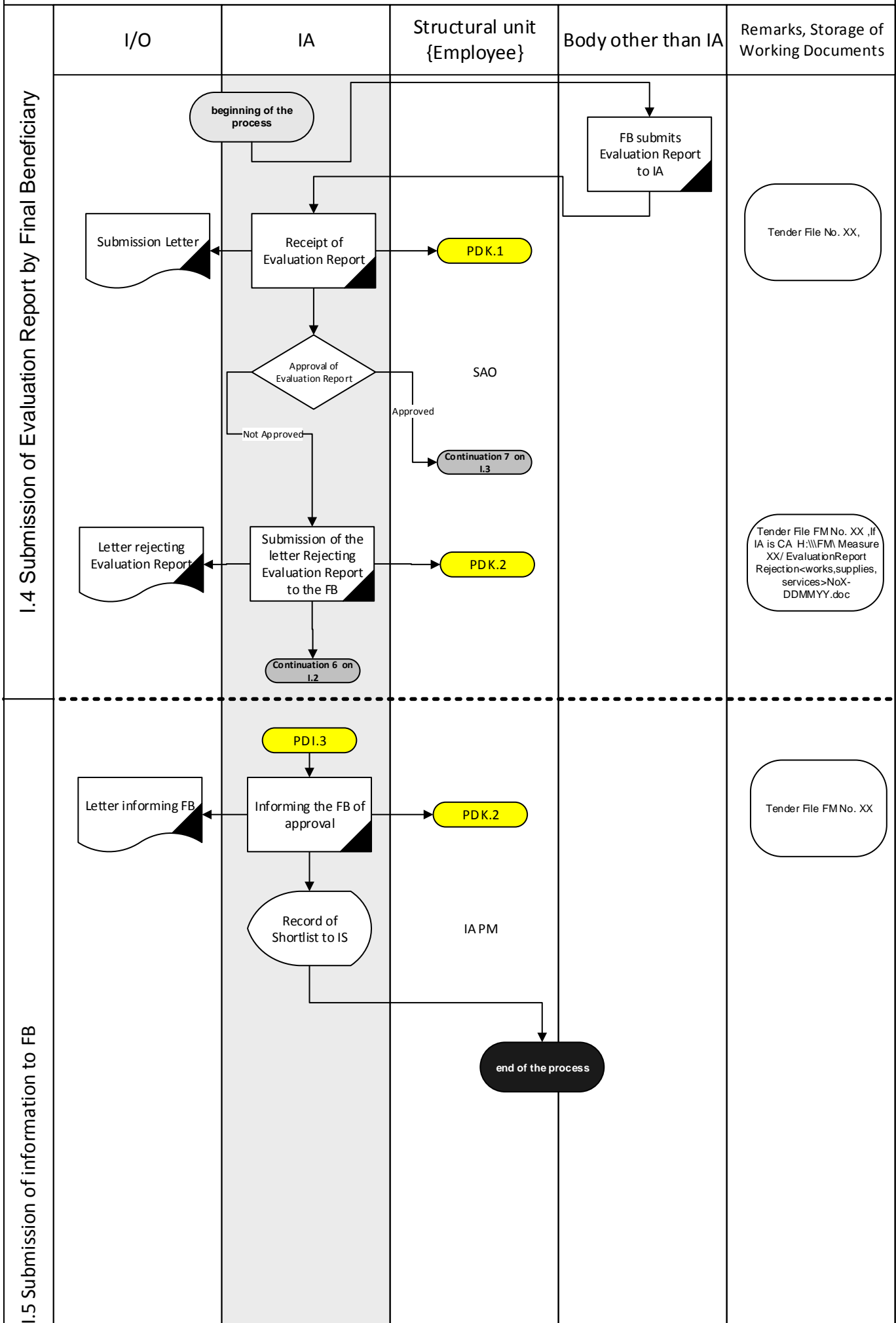
H. Amendment of Tender Dossier



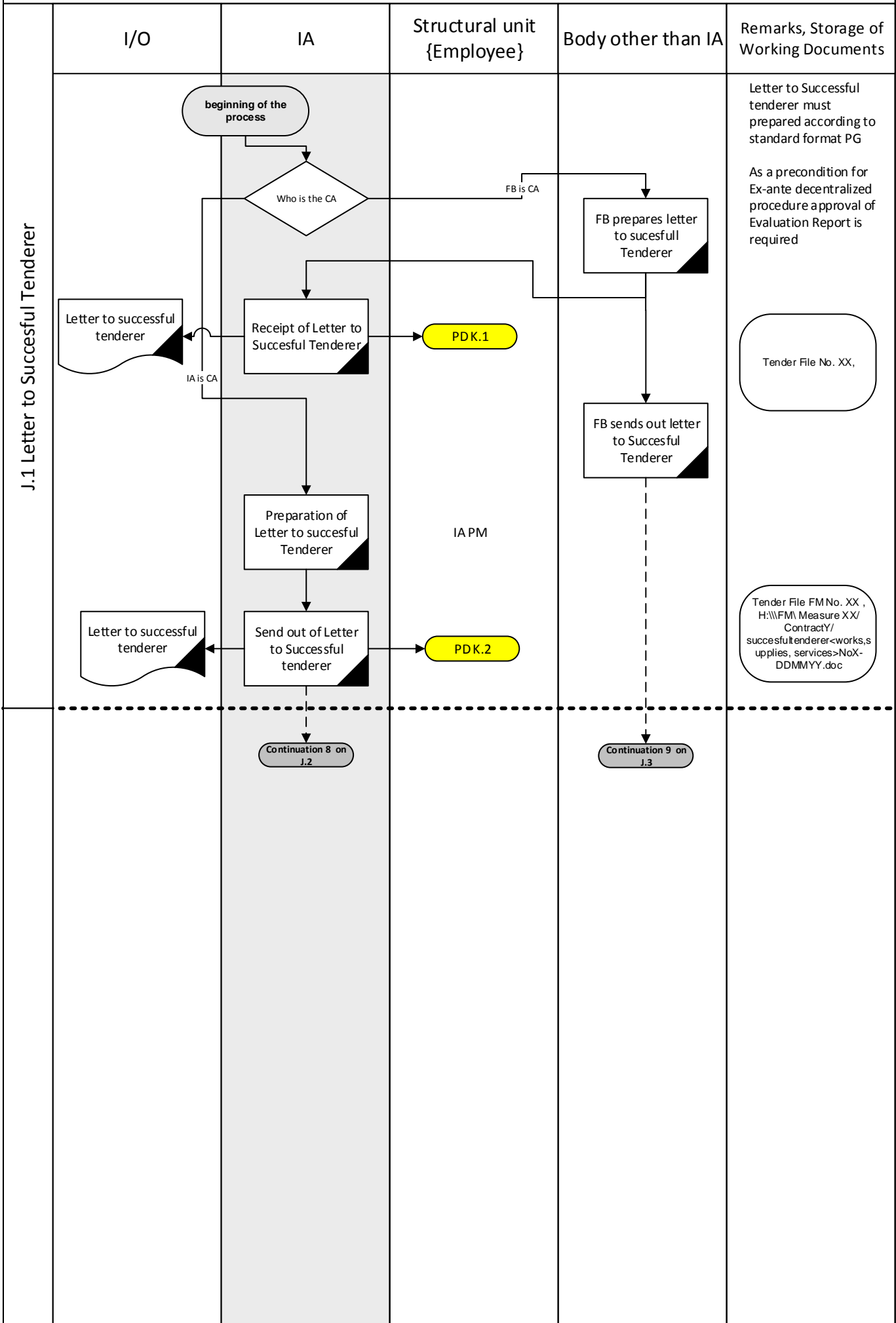
I. Evaluation



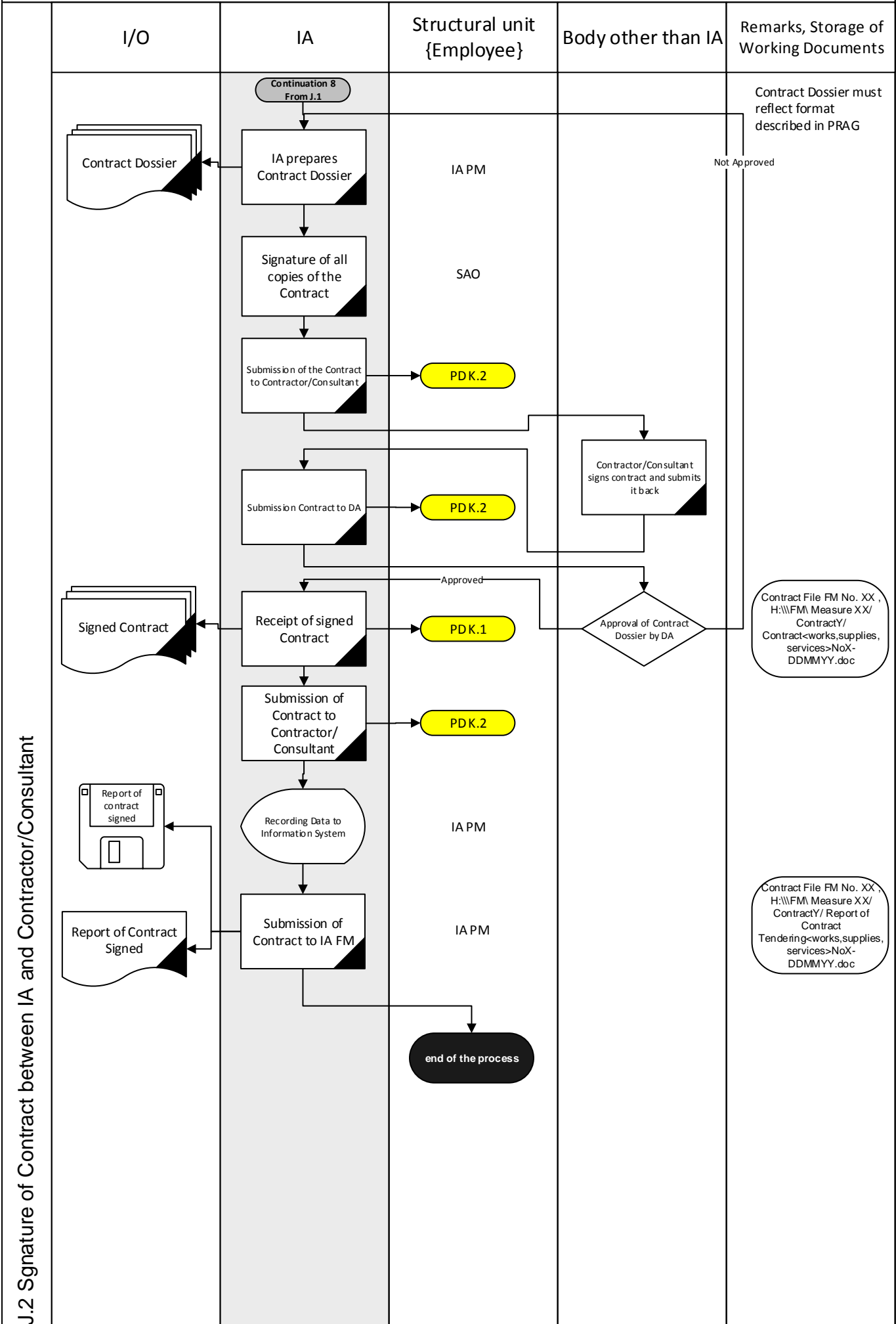
I. Evaluation



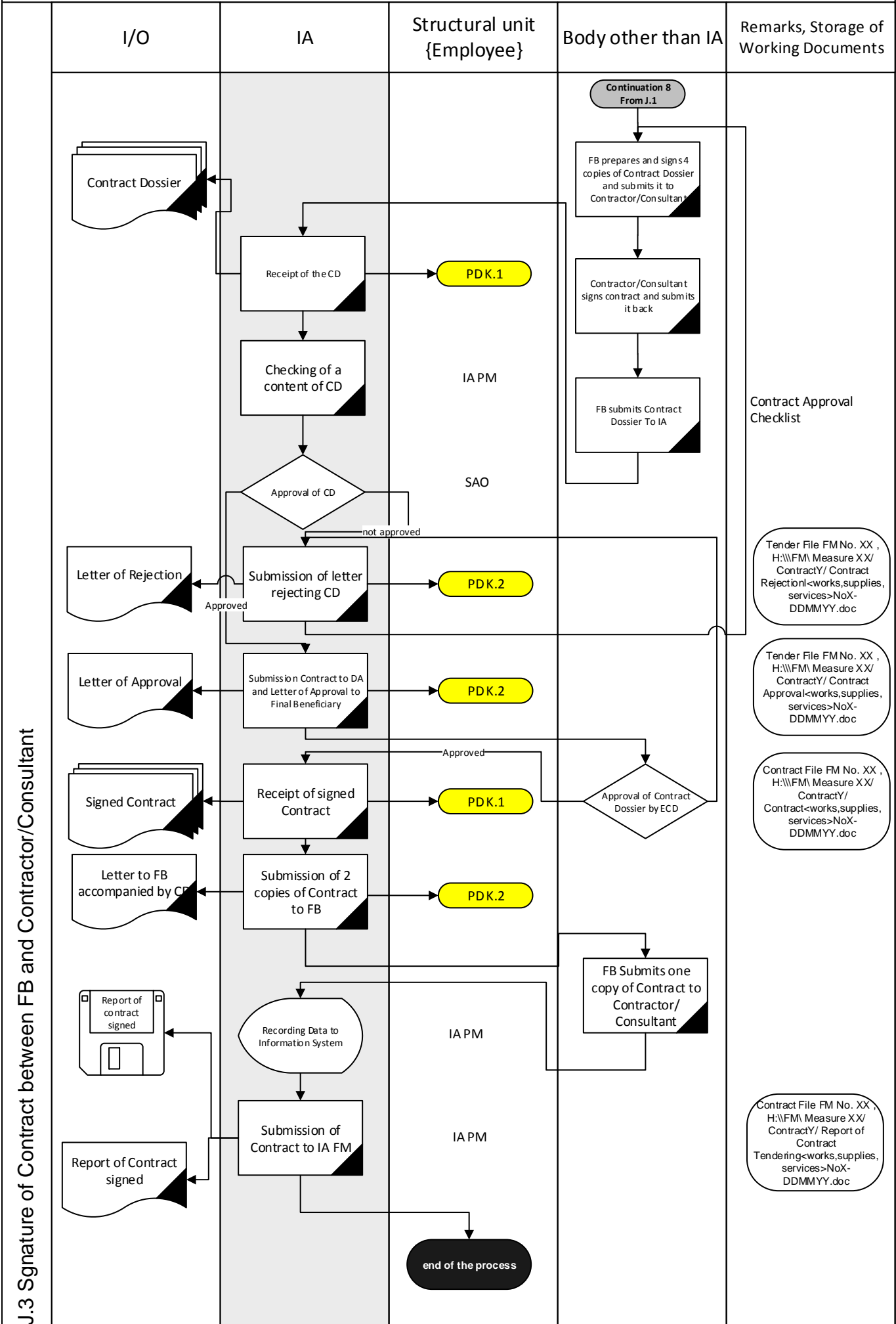
J. Contract Signature



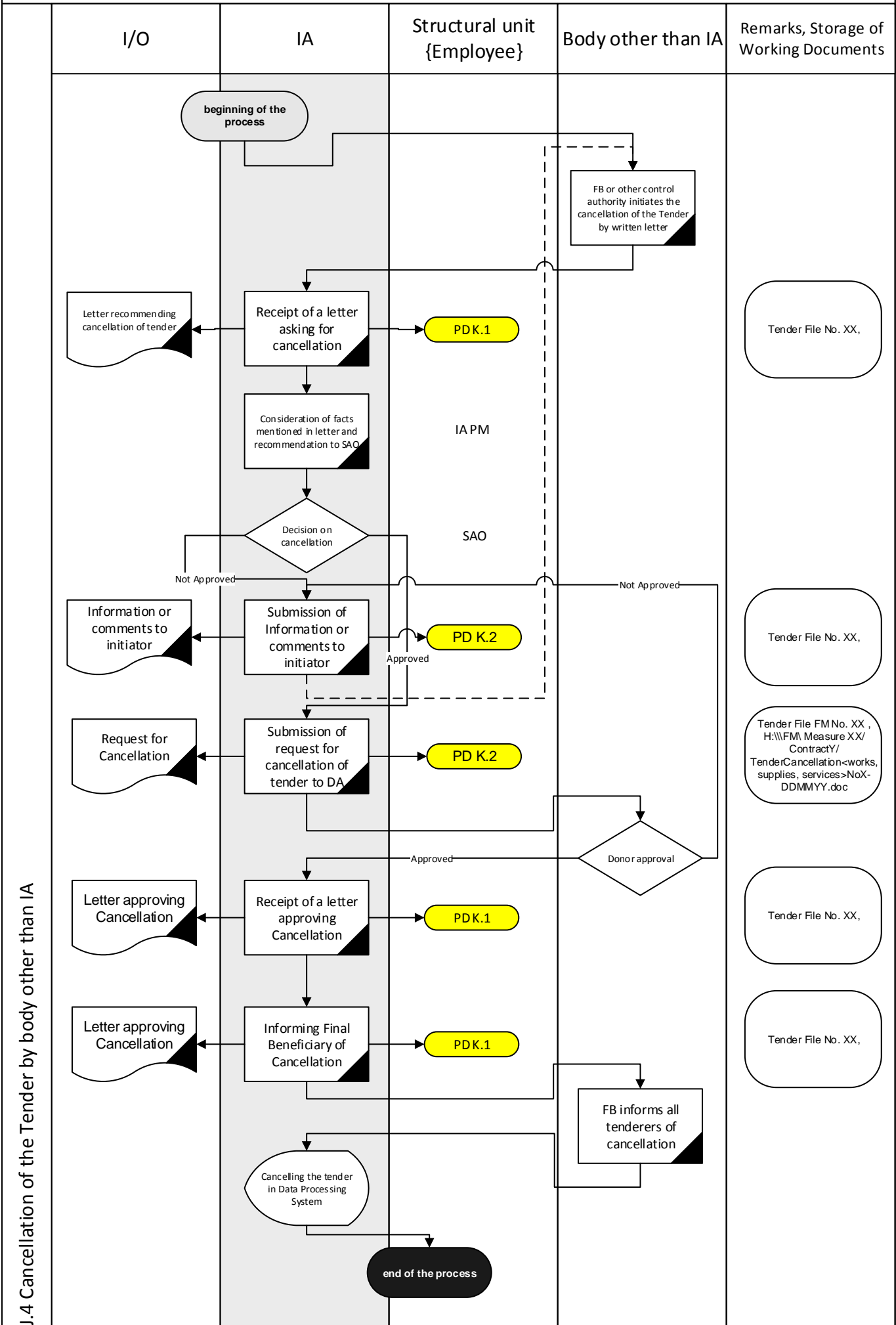
J. Contract Signature



J. Contract Signature

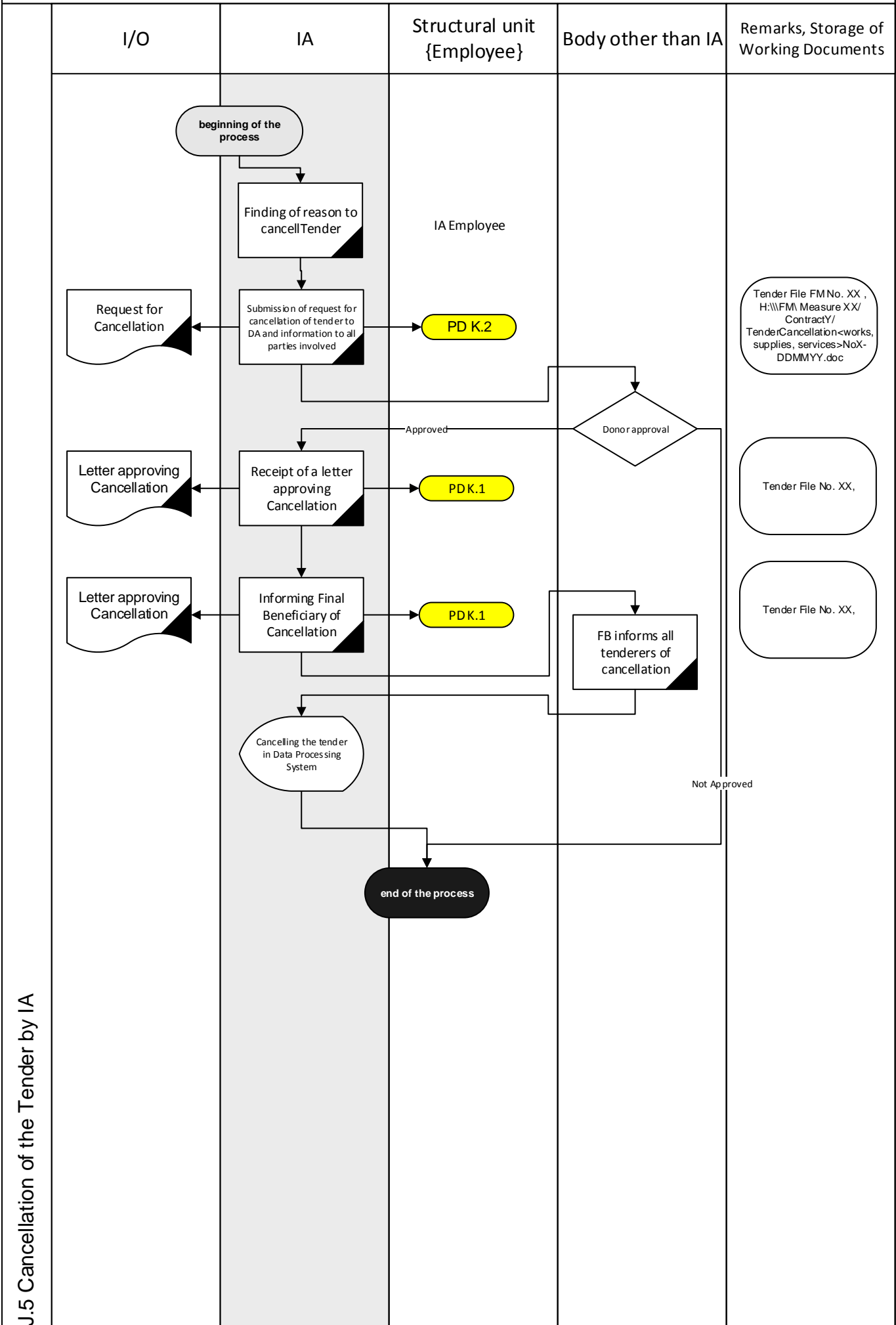


J. Contract Signature



J.4 Cancellation of the Tender by body other than IA

J. Contract Signature



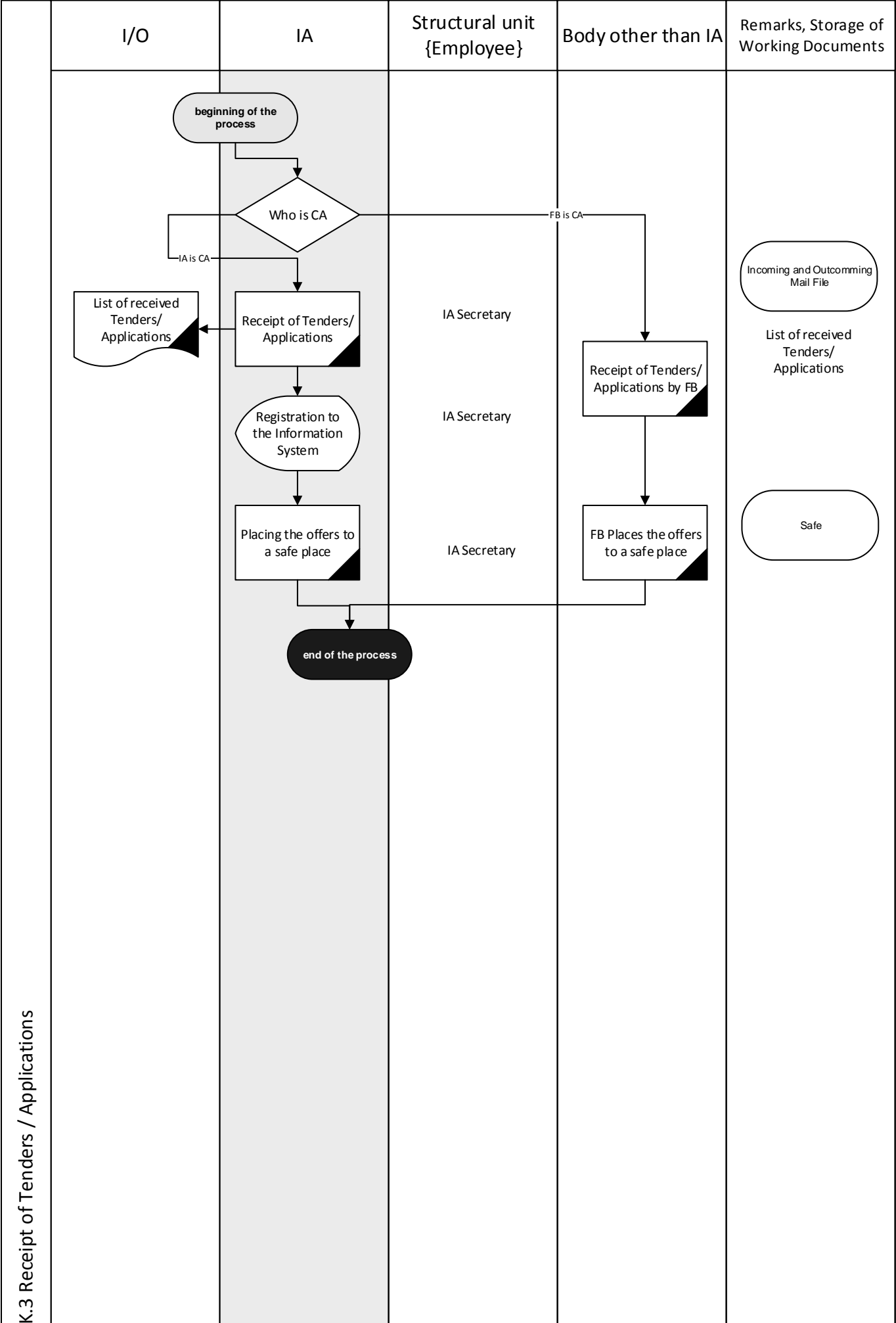
K. Miscellaneous

	I/O	IA	Structural unit {Employee}	Body other than IA	Remarks, Storage of Working Documents
K.1 Process Description Secretary - SAO			<p>IA Secretary</p> <p>IA Secretary</p> <p>SAO</p> <p>IA PM/FM</p>		<p>Incoming and Outcoming Mail File</p>

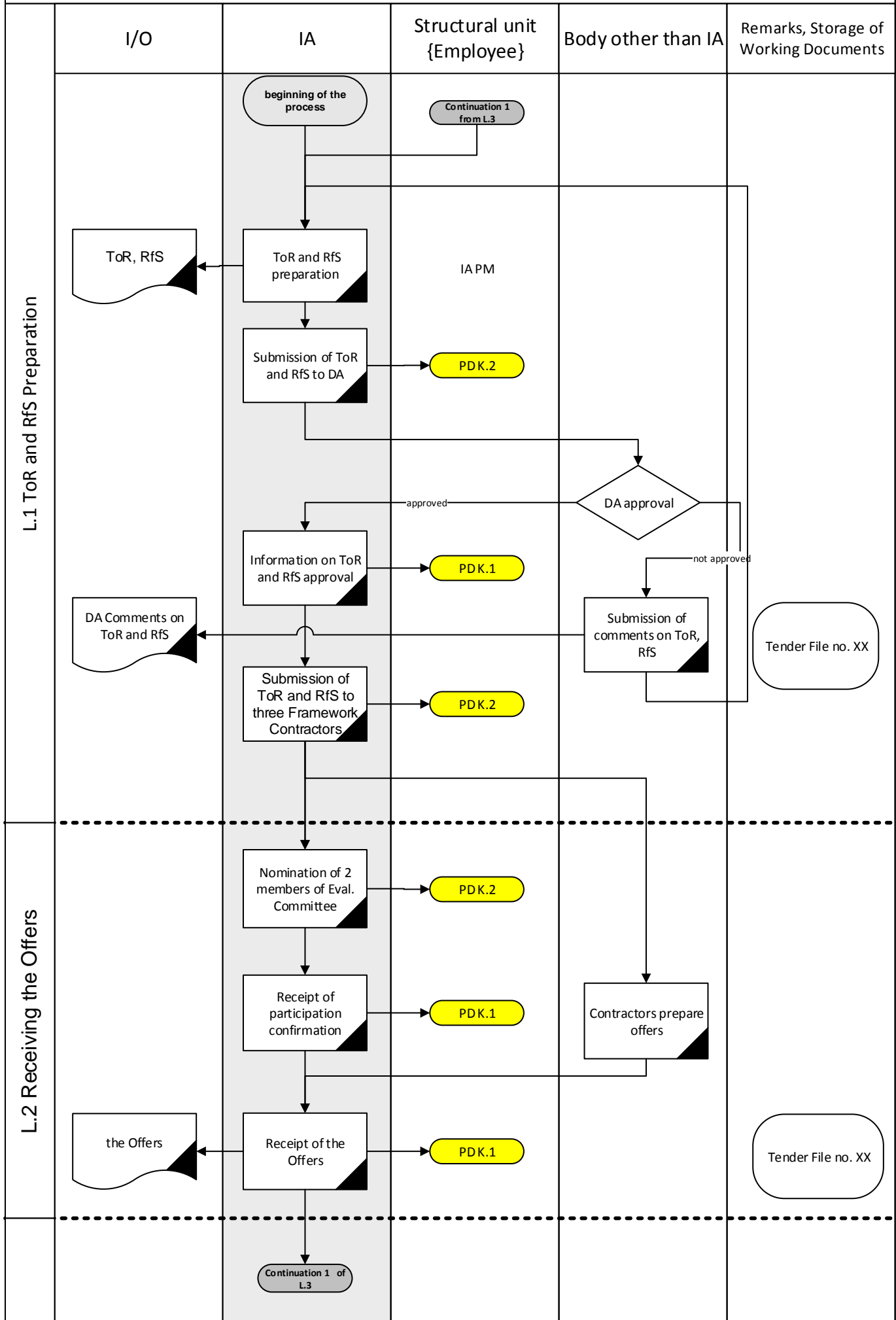
K. Miscellaneous

	I/O	IA	Structural unit {Employee}	Body other than IA	Remarks, Storage of Working Documents
K.2 Process Description SAO - Secretary	<pre> graph TD Start([beginning of the process]) --> Prep[Preparation of Document to be dispatched] Prep --> Sign[Signature of the Document] Sign --> Reg[Registration of the document and sending it out] Reg --> RegSys([Registration to the Information System]) RegSys --> End([end of the process]) Prep --> Doc[Document] Reg --> Mail[Mail] Reg --> Copy[copy of the Mail (cover page)] Reg --> Receipt[Receipt of document by external body] </pre>	<p>beginning of the process</p> <p>Preparation of Document to be dispatched</p> <p>Signature of the Document</p> <p>Registration of the document and sending it out</p> <p>Registration to the Information System</p> <p>end of the process</p>	<p>IA PM/FM</p> <p>SAO</p> <p>IA Secretary</p>	<p>Receipt of document by external body</p>	<p>Respective file according to process description</p> <p>Incoming and Outcomming Mail File</p>

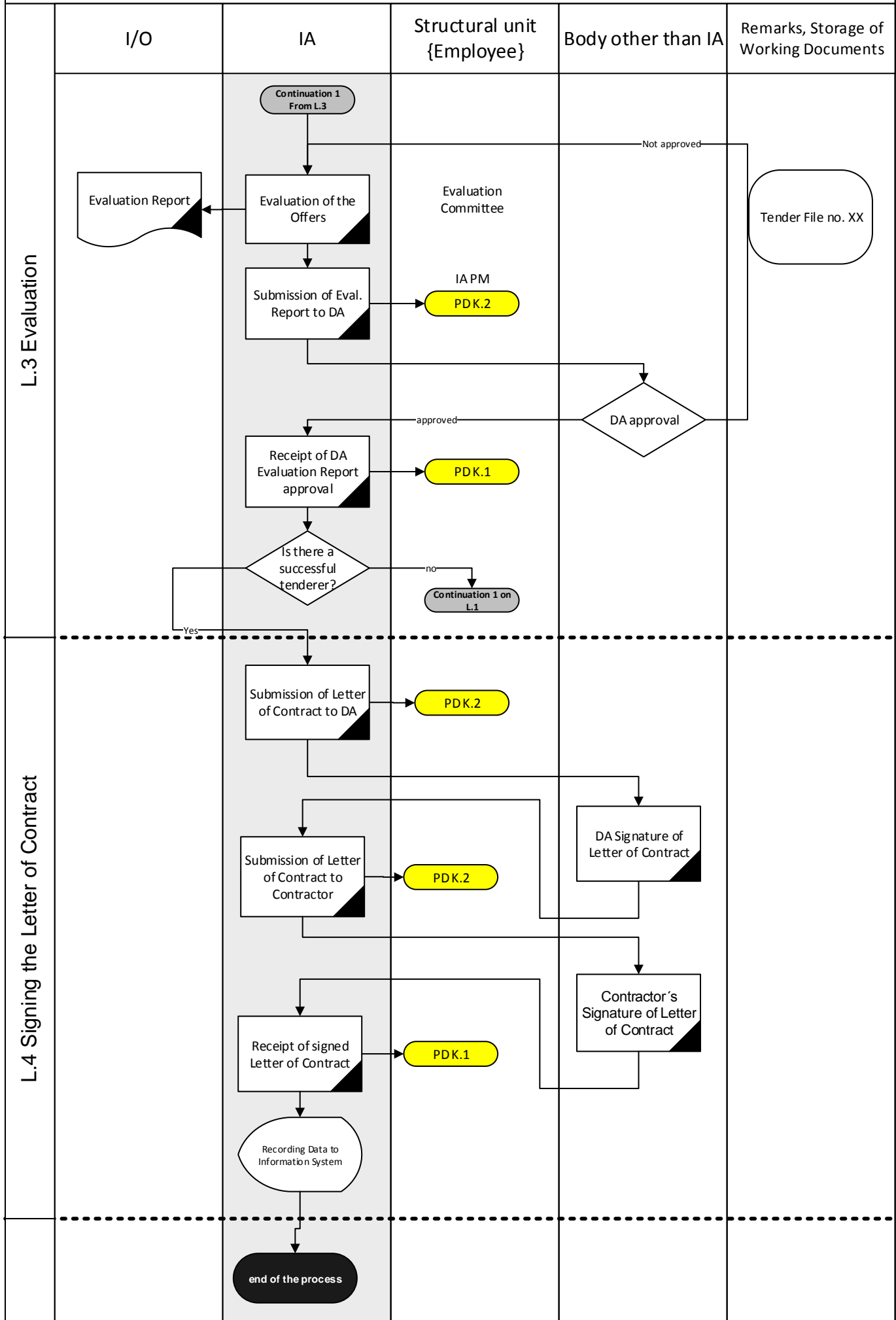
K. Miscellaneous



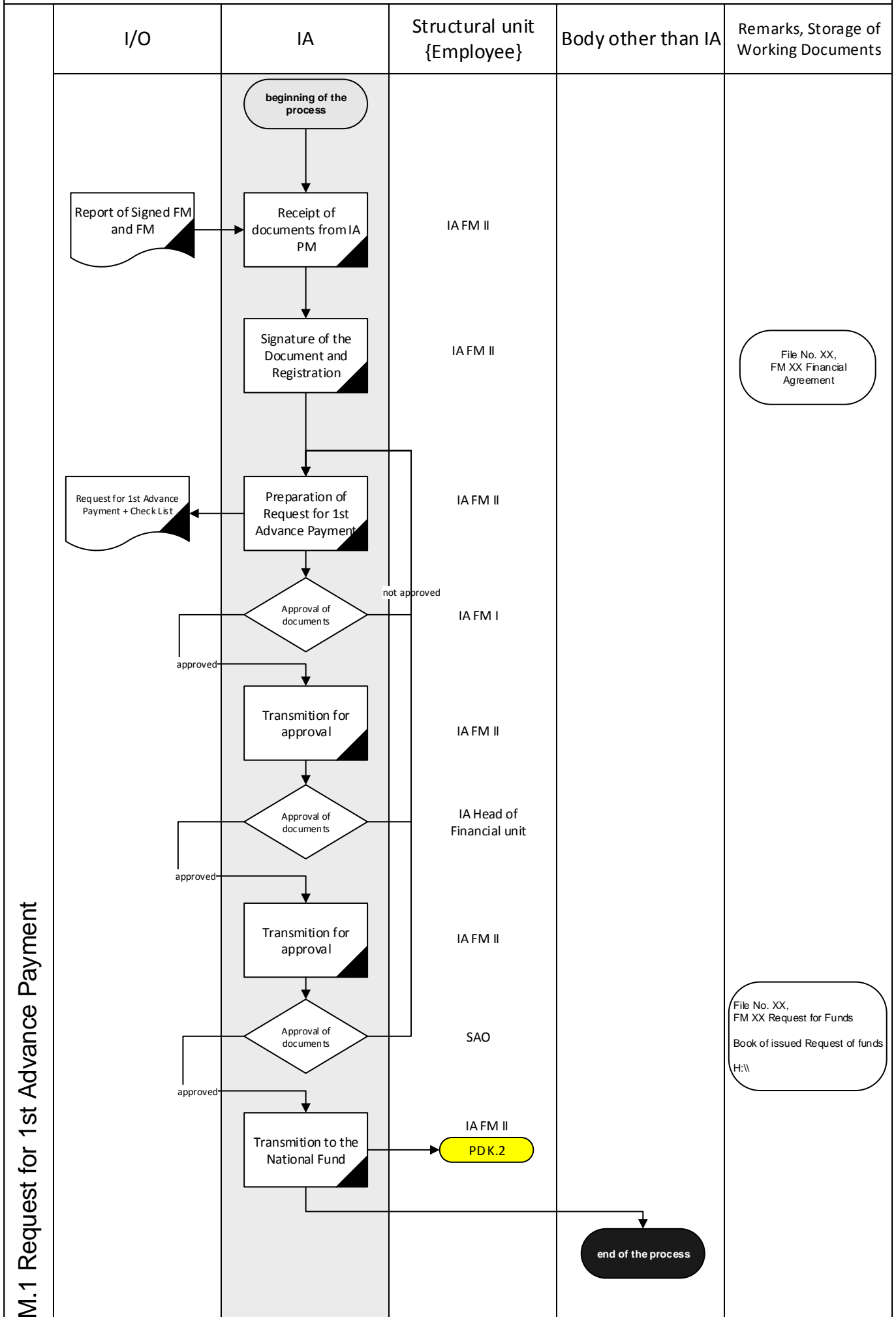
L. Framework Contract Procedure



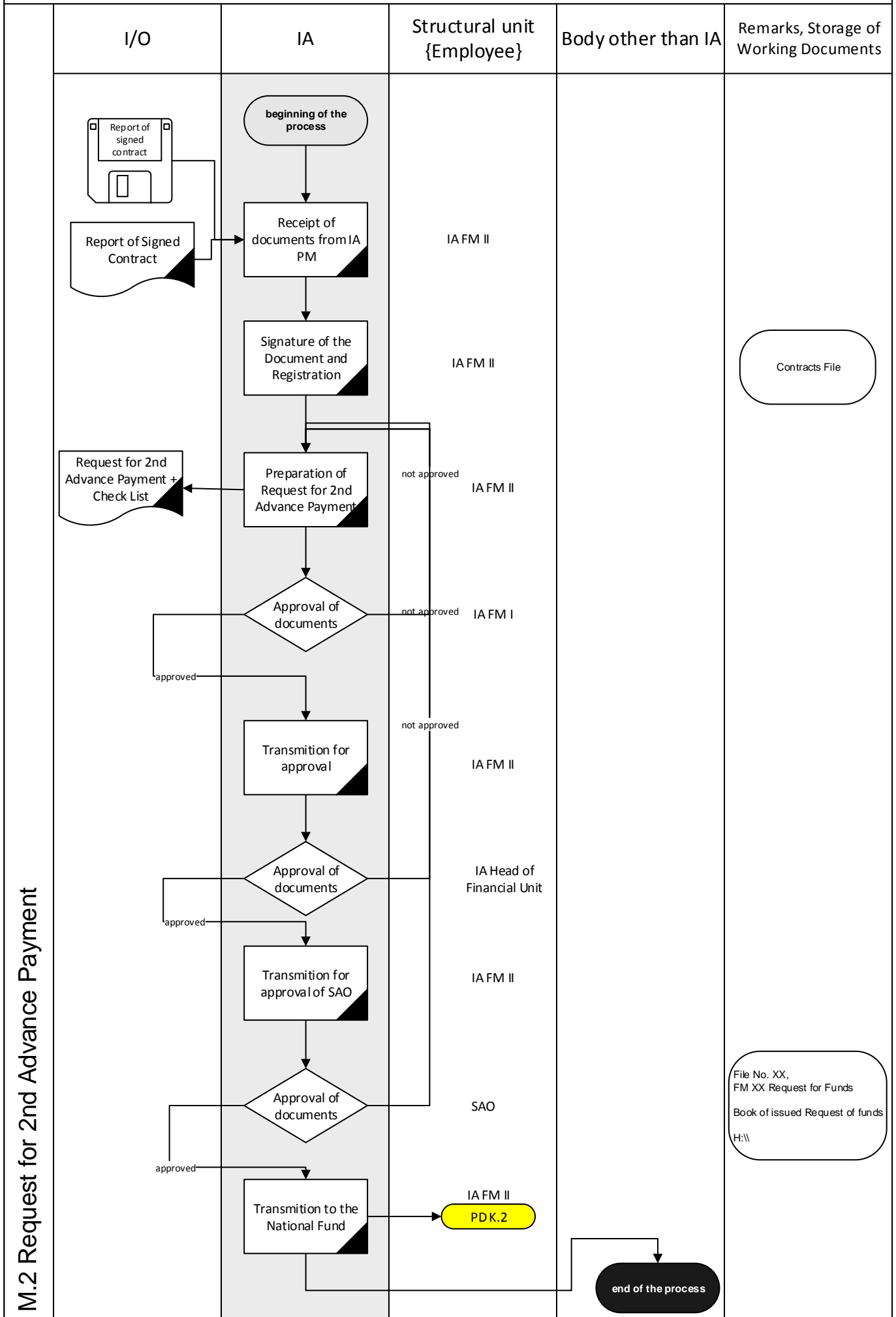
L.Framework Contract Procedure



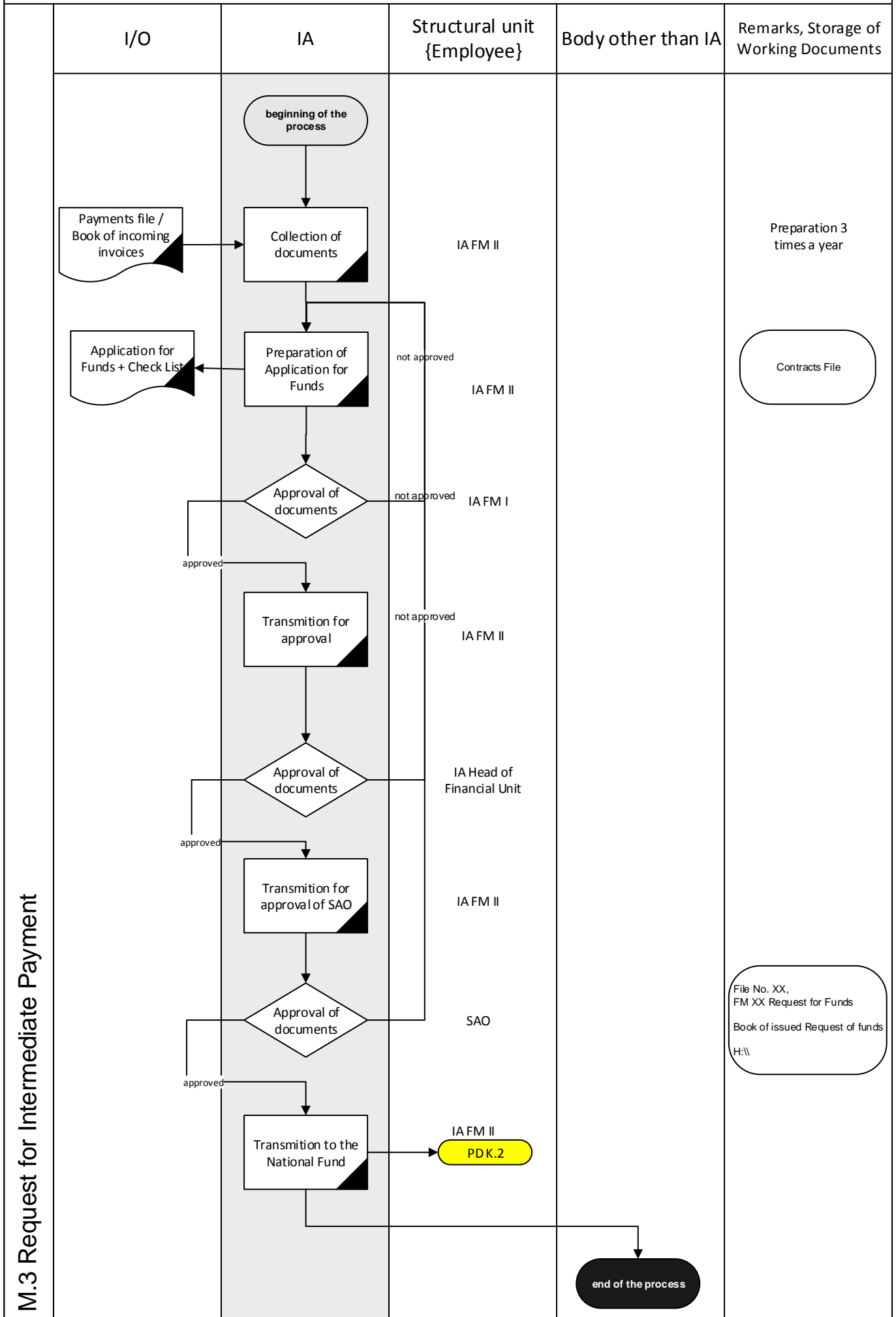
M. Financial Flows



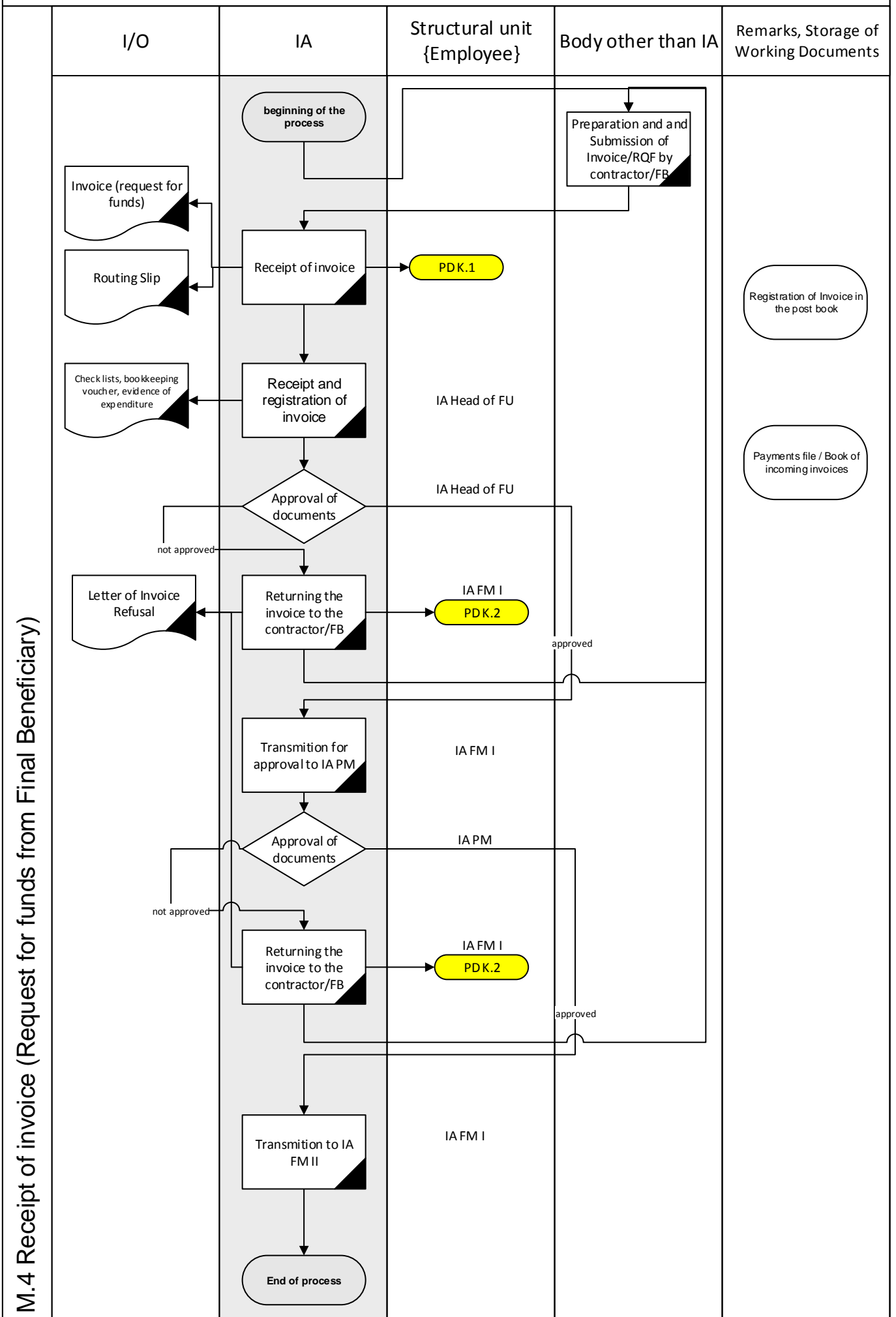
M. Financial Flows



M. Financial Flows



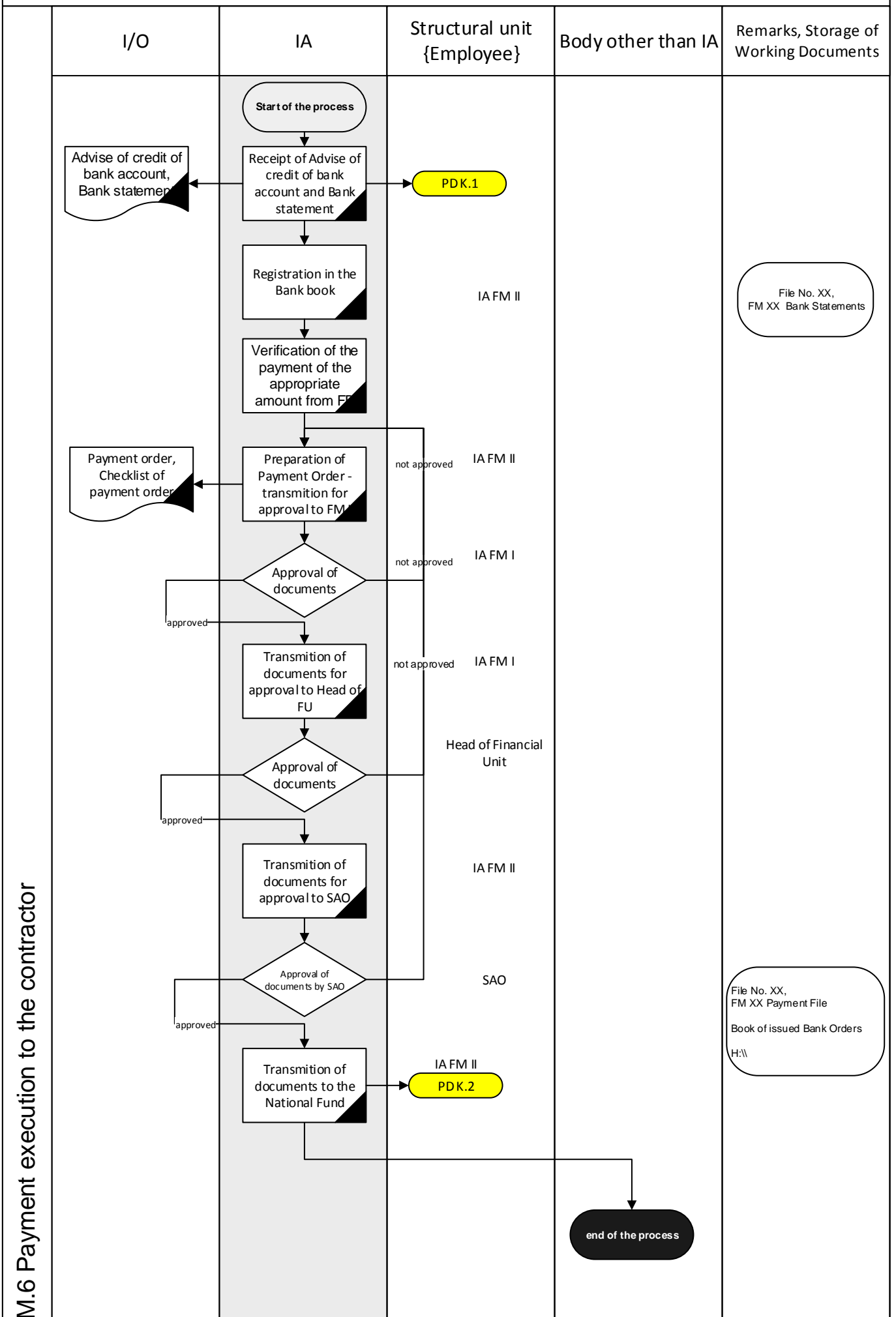
M. Financial Flows



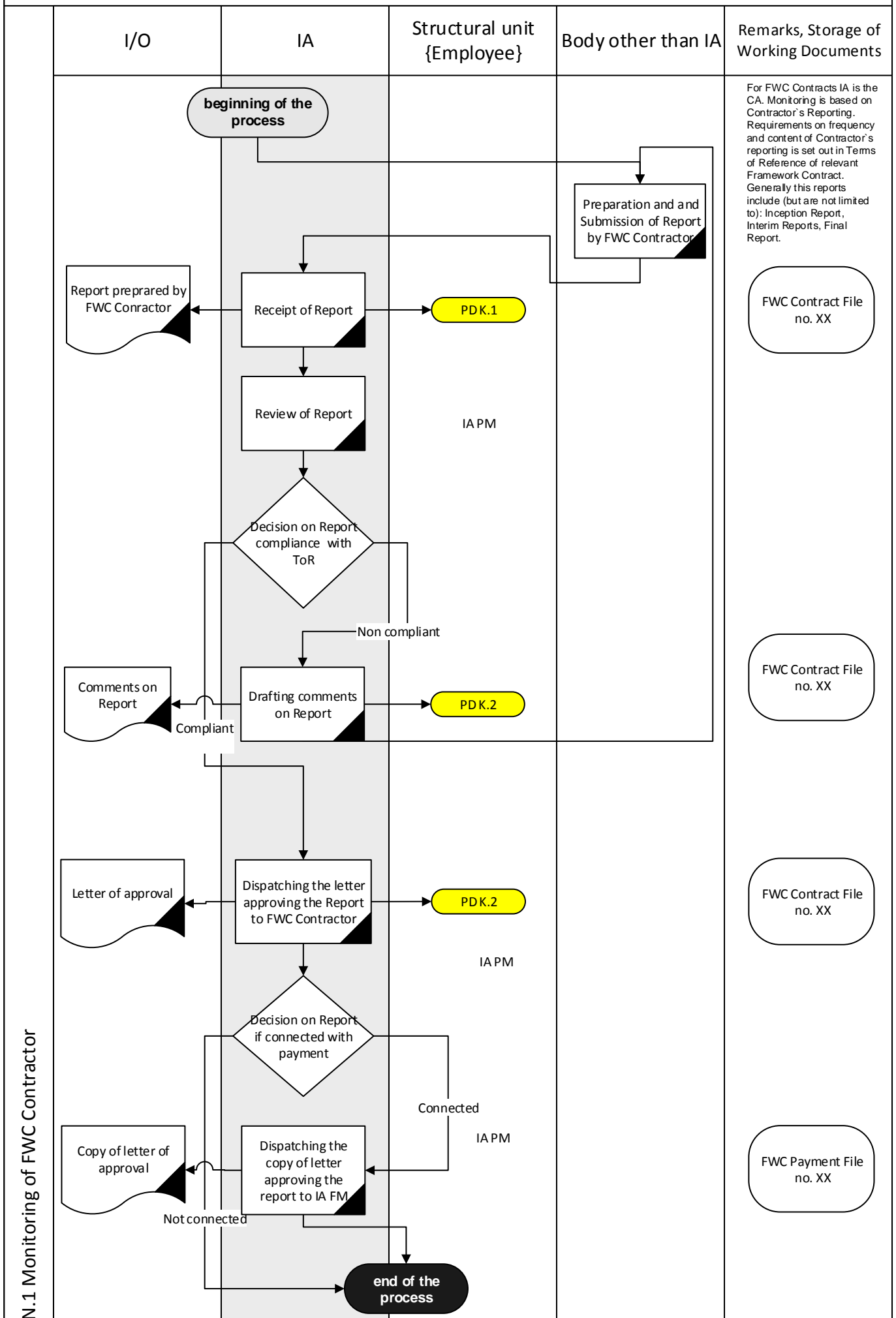
M. Financial Flows

M.5 Request for transfer of funds from the National Fund (Final Beneficiary)	I/O	IA	Structural unit {Employee}	Body other than IA	Remarks, Storage of Working Documents
	<pre> graph TD Start([Start of the process]) --> Prep1[Preparation of Application for Funds and Payment] Prep1 --> App1{Approval of documents} App1 -- not approved --> Prep1 App1 -- approved --> Trans1[Transmission for approval] Trans1 --> App2{Approval of documents} App2 -- not approved --> Prep1 App2 -- approved --> Trans2[Transmission for approval of SAO] Trans2 --> App3{Approval of documents} App3 -- not approved --> Prep1 App3 -- approved --> Trans3[Transmission to the National Fund] Trans3 --> End([end of the process]) Trans3 --> PDK2[IA FM II PDK.2] </pre>	<p>Application for Funds + Check List</p> <p>Preparation of Application for Funds and Payment</p> <p>Approval of documents</p> <p>Transmission for approval</p> <p>Approval of documents</p> <p>Transmission for approval of SAO</p> <p>Approval of documents</p> <p>Transmission to the National Fund</p>	<p>not approved</p> <p>IA FM II</p> <p>not approved</p> <p>IA FM I</p> <p>not approved</p> <p>IA FM I</p> <p>IA Head of Financial Unit</p> <p>IA FM II</p> <p>SAO</p> <p>IA FM II</p> <p>PDK.2</p>	<p>Body other than IA</p> <p>end of the process</p>	<p>Remarks, Storage of Working Documents</p> <p>File No. XX, FM XX Request for Funds</p> <p>Book of issued Request of funds</p> <p>H:\</p>

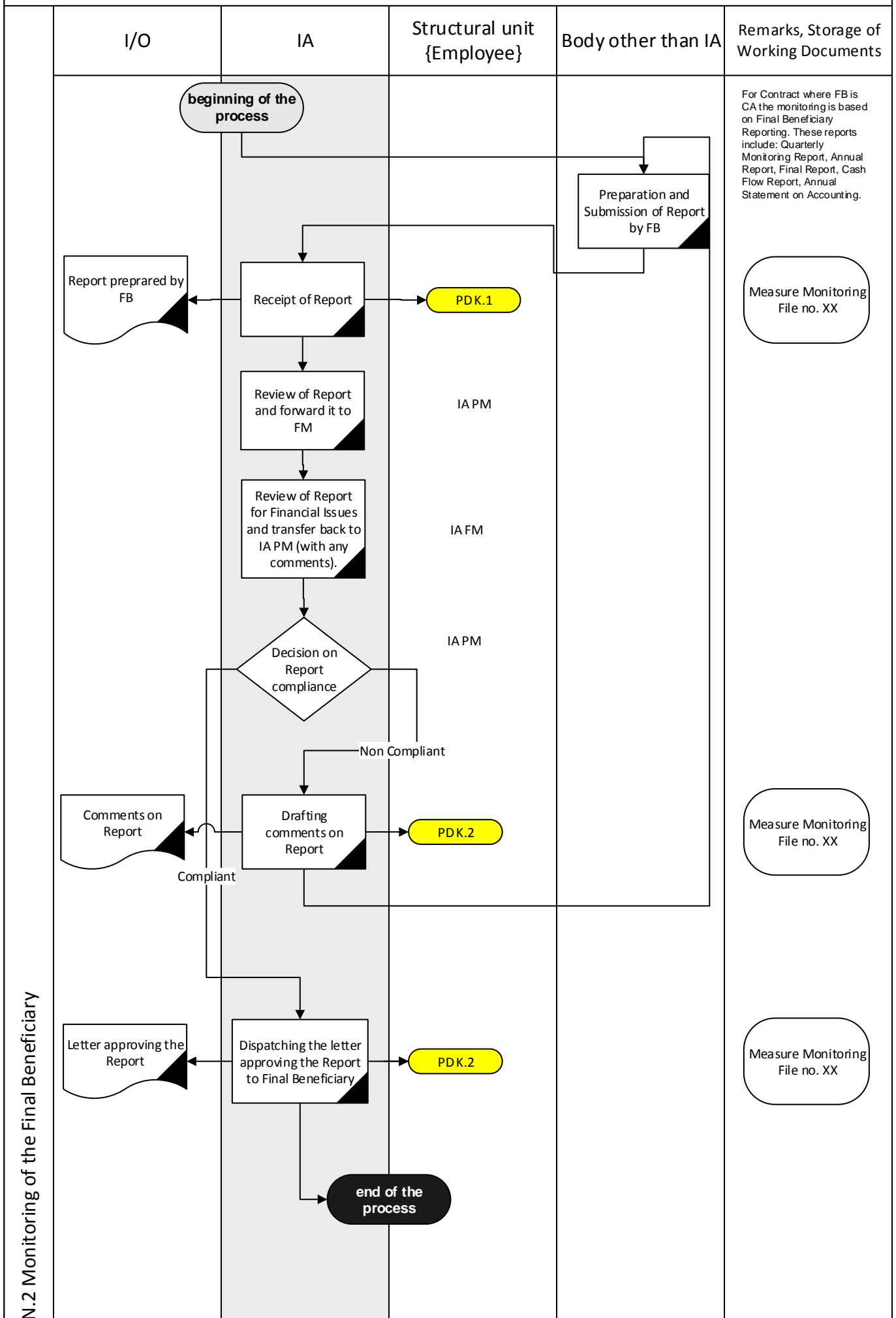
M. Financial Flows



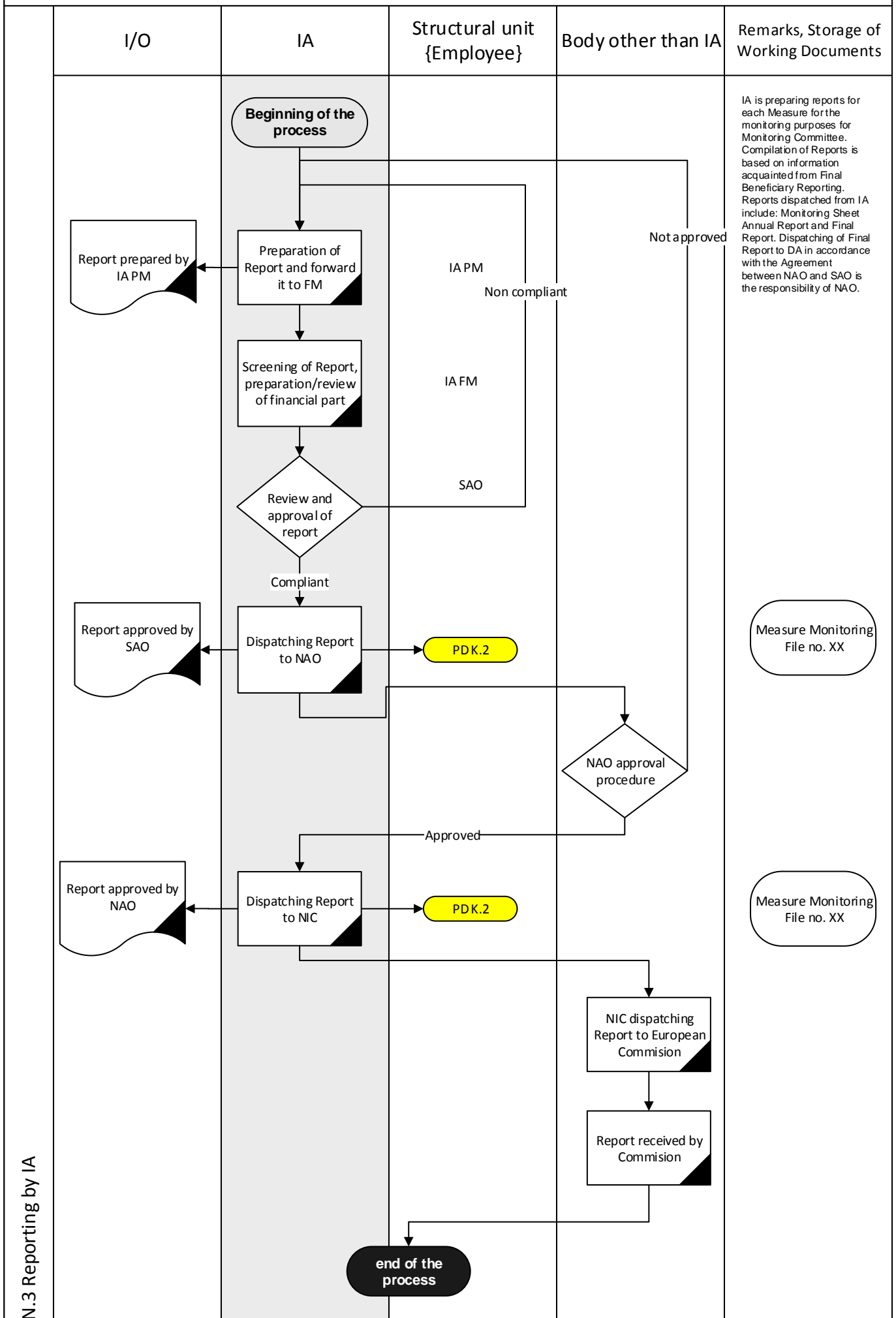
N. Monitoring and Reporting



N. Monitoring and Reporting



N. Monitoring and Reporting



Resources

International agreements

- The framework agreement between the European Commission and the government of the Slovak Republic on adjustment of conditions for the technical, legal and administrative framework signed on 10 May 1994, on the basis of which the measures shall be implemented, related to the financing of assistance programmes in the Slovak Republic
- Treaty of Accession 2003, signed on 16 April 2003

Basic EC legal regulations:

- Sixth Council Directive No 77/388/EEC on the harmonisation of the laws of the member states relating to turnover taxes - common system of value added tax
- Council Regulation No 95/2988/EC on protection of the European Communities financial interests
- Council Regulation No 96/2185/EC concerning on-the-spot checks and inspections carried out by the European Commission in order to protect European Communities financial interests against fraud and other irregularities
- Council Regulation No 99/1260/EC laying down the general provisions on the structural funds
- Regulation of the European Parliament and Council No 99/1783/EC on the European Regional Development Fund
- Commission Regulation No 2001/438/EC laying down detailed rules for implementation of Council Regulation No 99/1260/EC as regards the management and control systems for assistance granted under the structural funds
- Council Regulation No 2001/1447/EC amending Council Regulation No 99/1206/EC laying down general provisions on the structural funds

Basic SR legislation

- Act No 39/1993 Coll. on the Supreme Audit Office SR as amended
- Act No 263/1999 Coll. on Public Procurement as amended
- Act No 440/2000 Coll. on Financial Control Administrations as amended by Act No 150/2001 Coll.
- Act No 502/2001 Coll. on Financial Control and Internal Audit as amended

