



Twinning Fiche

Project title: Strengthening the capacities of the State Audit and Administrative Control Bureau and supporting the Bureau to become an independent, efficient and effective external audit institution in line with INTOSAI standards

Beneficiary administration: Palestinian State Audit and Administrative Control Bureau

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TWINNING TOOL

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Acronyms

ARABOSAI	Arab Organisation of Supreme Audit Institutions
CSO	Civil Society Organisation
DAC	Development Assistance Committee
EC	Empowered Committee
EU	European Union
EUD	European Union Delegation
FI	Finance, Internal market and economic criteria
GPC	General Personal Council
GoM	Group of Ministers Committee
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
INCOSAI	Congresses of INTOSAI
ISSAI	International Standards of Supreme Audit Institutions (ISSAI)
IT	Information Technology
MoFP	Ministry of Finance and Planning
MS	Member State
NGO	Non-Governmental Organisation
NPA	National Policy Agenda
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PL	Project Leader
PLO	Palestine Liberation Organisation
PLC	Palestinian Legislative Council
PNA	Palestinian National Authority
PSC	Project Steering Committee
ROF	Result-Oriented Framework
RTA	Resident Twinning Advisor
SAACB	State Audit and Administrative Control Bureau
SAI	Supreme Audit Institution
SNAO	Swedish National Audit Office
SWOT	Strengths and Weaknesses, Opportunities and Threats
TOR	Terms of Reference
US	United States

1 Basic Information

1.1 Programmes¹:

- ENI/2017/40195 "Towards a democratic and accountable Palestinian State"²
- ENI/2018/40-179: "PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2018, 2019 and 2020".

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions³ to the grant agreement.

1.2 Twinning Sector: Finance, Internal market and economic criteria (FI)

1.3 EU funded budget: EUR 1,500,000

2 Objectives

2.1 Overall Objective(s):

The overall objective is to improve accountability and management of public funds in Palestine through enhanced external audit capacity in line with Palestine's National Policy Agenda and in conformity with recognized international audit standards.

The Project's main purpose is to assist in the process of improving accountability and transparency in the management of public resources in Palestine, providing assurance to citizens and the government that public money has been properly and wisely spent. This will ultimately contribute to poverty reduction and to the development of the Palestinian state. This is well formulated and summarised in the SAACB's Strategic plan 2017 – 2021 when it describes the SAACB's contribution to the National Policy Agenda resulting in the following:

- Increased Transparency and Accountability;
- Efficient and Effective public funds performance;
- Effective and efficient governance.

The project provides peer to peer support and expertise which should enable the SAACB to continue to develop into a modern, credible and independent Supreme Audit Institution (SAI) as defined by INTOSAI Standards and guidelines. The project also supports the SAACB in complying with the provisions in the Audit law, which was amended in 2017. In addition, the twinning should contribute to strengthening and improving the relationships of the SAACB with its main stakeholders in Palestine, so as to improve the overall impact and efficiency of its activities.

¹ Action to be funded from two financing decisions.

² This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

³ Twinning manual Annex A2

2.2 Specific objective:

To support the SAACB in improving its function, performance and impact as follows:

- Result 1: Improved capacities to undertake financial and compliance audits, where applicable, through financial statements following INTOSAI/ISSAI audit standards;
- Result 2: Improved capacities to carry out tax and customs audit;
- Result 3: Improved quality and efficiency of audits by means of big data auditing.⁴

2.3 Elements targeted in strategic documents

In the National Policy Agenda for the state of Palestine 2017 – 2022, the SAACB features strongly in the section National Policy 9: Strengthening Accountability and Transparency. “A fundamental bulwark against corruption and waste is external and internal audit. The critical role of the State Audit and Administrative Control Bureau (SAACB) in detecting misuse and inefficient expenditure of public funds must continue to be supported. Within government, the capacity and authority of internal control units need to be strengthened”. The specific objectives of the proposed twinning are also mentioned in section National Policy 10: Effective, Efficient Public Financial Management.

It should be noted that the European Joint Strategy in Support of Palestine 2017- 2020 identifies Public Financial Management (PFM) reforms as one of the main priorities for European Union (EU) and Member States’ (MS) development cooperation.

3 Description

3.1 Background and justification

Palestinian National Authority

The Palestinian National Authority (PNA) was formed in 1994, pursuant to the Oslo accords between the Palestine Liberation Organisation (PLO) and the Government of Israel, as a five-year interim body with limited control over Palestinian Areas A and B. In May 1999, the framework expired without a resolution regarding the final status. However, even though its domestic legitimacy has suffered, the PNA is still treated as if it enjoys a continuing legal mandate.

The PNA leadership has been dealing with an increasingly tense political, socioeconomic and fiscal environment, particularly since the outbreak of the second Intifada in 2000 and Israel’s reoccupation of the West Bank.

In the face of this challenging context, the PNA was able to establish itself as one of the main change agents in the political process and build the basis for a robust and accountable public sector along with the development of civil society. Budgetary reforms in 2006/2007 occurred in the field of budget process, accounting system and reporting, budget execution, cash management, audit and control, and fiscal policy.

The state audit institution was formed at the beginning of the establishment of the PNA and was called audit general commission. In 2004, a new law was issued by the Palestinian Legislative Council (PLC), law number 15, that established the State Audit and Administrative Control Bureau (SAACB). The law was implemented in 2006 and

⁴ For more on Bid Data Auditing see <http://incosai2019.ru/en/documents/28>

amended in 2017. The last general election in January 2006 led to a split between Fatah and Hamas and the violent confrontations resulted in splitting of Palestinian territories into two almost separate entities, the Gaza strip and the West Bank, in 2007. As a consequence of the split, the work of the Palestinian Legislative Council (PLC) was, and continues to be, suspended. On 22 December 2018, the Palestinian President declared that the Constitutional Court decided to dissolve the Palestinian Legislative Council (PLC). Since 2007, the Palestinian Authority has continued to oversee the Palestinian territories in the West Bank, while the Hamas government has continued to control the Gaza Strip. A reconciliation agreement to unite their governments, signed in Cairo in 2011, was ratified by the 2012 Hamas–Fatah Doha agreement. Renewed tensions between Hamas and Fatah, however, as well as the effects of the Arab Spring, postponed the implementation of the Doha accord. The PNA became the State of Palestine in 2013, after the United Nations voted to recognise Palestine as a non-member UN observer state.

The financial situation of the Authority has remained precarious, and with growing deficits in 2019 due to the withdrawal of fiscal revenues from Israel and United States (US) financial support under the Trump administration. The sustainability of the fiscal situation is a matter of concern, mainly because of increasing government consumption, an inflated public sector wage bill, expanding social transfer schemes and rising net lending. Due to the difficult financial position, on occasions, the Palestinian State had been unable to pay in full public sector workers, leading to public sector strikes. The wage bill, among the highest in the world (between 14% and 17% of GDP according to official and IMF calculations) was cut by 17% in the first half of 2018, partly through cutbacks, which pushed up pension spending (+7%).⁵ This is a result of the current economic situation in which the PNA is the biggest employer in Palestine due to the limited number of jobs available in the private sector.

In this context, the need for effective oversight of public financial management is clear, and the crucial role which the State Audit and Administrative Control Bureau plays in enhancing transparency, accountability, efficiency and effectiveness across the Palestinian State sector is well-understood by key stakeholders.

Features of the Sector

The SAACB as the SAI of Palestine is responsible for reviewing public sector financial management and accountability, as well as for providing an independent opinion on the accountability and transparency challenges faced by the State sector entities when using public resources. The SAACB's audits and reporting seek to promote:

- the proper and effective use of public funds;
- the development of sound financial management;
- the establishment of reliable and functional internal controls in each audited entity;
- the establishment of reliable Information Technology (IT) systems in each audited entity to increase efficiency;
- compliant execution of administrative activities in line with Acts, regulations and approved business processes;
- transparent disclosure and increased accountability through PNA Financial Statements;
- performance accountability for public money spent by PNA;
- periodic communication to public authorities and civil society through audit reports, etc.

Hence, the SAACB has a key oversight role in the public sector financial management cycle of the PNA and its relationships with the Ministry of Finance and the Legislative Council (when it will be formed again). The SAACB's auditee institutions are crucial in terms of its effectiveness. INTOSAI standards provide a prescriptive and comprehensive international benchmark against which SAIs can be assessed, including the SAACB. Like most SAIs around the world, the SAACB seeks to achieve the high level of independence and professionalism established by

⁵ DG NEAR, Economic Overview EU Neighbourhood Countries 'Southern Neighbourhood, October 2018

these standards.

Legal, Policy and Institutional Framework

The SAACB is a constitutional body established under the Palestinian Basic Law (Article 96). It operates under the 'The State Audit and Administrative Control Bureau Law No. 15' (2004) which states:

"Under the provisions of this Law, a general bureau shall be established and entitled as "State Audit and Administrative Control Bureau" which shall have autonomous budget within the Palestinian National Authority's budget and shall enjoy an autonomous legal personality and full legal capacity to undertake all the actions and activities that would secure its accomplishment of the purposes for which it is established."

While this law adequately provides for many areas of SAACB operations, there are several provisions that would be expected of an INTOSAI-compliant law that are absent. There are also a few provisions that conflict with the principles of INTOSAI Standards. However, the new amendment of law number 18 in 2017 has addressed this. The main article of the law states that the SAACB is the supreme audit institution in the PNA, and within the new law the INTOSAI standards are mentioned as being the basis of the SAACB audits. This law was amended with the support of an EU-funded project that was executed at the SAACB between 2014 and 2017, and which itself was preceded by another EU-funded project between 2011 and 2013.

Also, the new article states the full independence of the SAACB, along with stronger immunity for the SAACB president and staff in their official roles. The new article also clearly indicates the three types of audits to be exercised according to the INTOSAI standards.

The SAACB had developed strategic objectives and capacity-building plans prior to the commencement of the project with the aim of improving its operations and working towards adopting international best practice standards. During Phase 1 of the Project, the SAACB produced its first Strategic Plan (for 2012-2016), later followed by the current Strategic plan (2017-2022).

In 2016 and onwards, as part of its support to the Planning and Capacity Development Unit of the SAACB, the projects delivered training on the development of Strategic Plans and Annual Plans.

A major and continuing external limitation to the effectiveness of the SAACB and the impact of its reporting is the absence of an active PLC for budget approval, enactment of proposed legal changes and follow up of SAACB reports. This was an issue discussed in the recent Stakeholders' Conference. To overcome this external limitation, which has no prospect of early resolution, the project has recommended the organisation of an Empowered Committee (EC) or Group of Ministers Committee (GoM) through which the PNA could consider audit recommendations and ensure remedial action. It is understood that this project recommendation, encapsulated in a Policy Note, has been forwarded by the SAACB President to the Prime Minister's Office for review and adoption. As the SAI of Palestine, the SAACB gained full membership to INTOSAI in December of 2016, which marked a significant milestone. The SAACB is also a member of the Arab Organisation of Supreme Audit Institutions (ARABOSAI) and participates in a number of ARABOSAI committees and subcommittees. The SAACB has a quality assurance agreement with the INTOSAI Development Initiative (IDI). While the SAACB's independence is supported in the current legislation, there continue to be operational and financial restrictions to the independence of SAACB (as is the case with many SAIs to some degree).

Audit mandate

The SAACB law defines a broad audit mandate. Its main task is to carry out *ex-post* audits of the implementation of the public budget, which it is required to report on. It also has the right to audit local governments, as well as all institutions which carry out public services, including NGOs that receive foreign aid. As discussed further along in this

report, the audit mandate of the SAACB covers several thousand organisations and entities. The SAACB has the mandate to carry out financial, compliance and performance audits. The law also gives it the task of conducting *ex-ante* control of certain transactions, especially with regards to public procurement. Additionally, the SAACB acts as an observer in the government procurement committee. It also receives complaints from the public and carries out audits after an initial consideration.

Staffing and offices

The SAACB has its headquarters in Ramallah, where it employs around 150 people including 90 professional auditors and 60 support and administrative staff members. There is also a branch office in Gaza with 85 employees. However, the office has not been operative since the split between Fatah and Hamas in 2007, although the employees there continue to receive salaries. The auditors in the West Bank work from the SAACB office but are provided with office space at the premises of the auditees when they carry out audit missions.

The SAACB has its own fully equipped building, with full IT infrastructure, a computer lab and video conferencing facilities, as well as small and large meeting rooms.

Almost all of the auditors have laptops to work on when they are in the field and every employee is provided with a desktop computer.

A considerable number of people were recruited at the same time in 2008, significantly increasing the human resource levels. Since then, the number of employees has remained relatively stable over time. As with other government entities in the West Bank and Gaza, recruitments in the SAACB are managed by the General Personnel Council (GPC). Since 2012, there has been a government-wide halt on recruitment in order to control the wage bill, which has also affected recruitment by the SAACB.

The SAACB is headed by a President who retains overall responsibility for all activities. The President approves all audit reports and makes key organisational decisions. There is also a Vice President who is the deputy of the President and assists him in carrying out his duties. The SAACB also has units for public relations, planning and internal audit, which are directly associated with the SAACB President. The departments are further split into sections, and changing the organisational structure requires approval of the SAACB President and the Cabinet.

Recent EU support to the SAACB

The EU has directly supported the State Audit and Administrative Control Bureau (SAACB) through two consecutive sequences of technical assistance. The first lasted three years, from 2011 to 2013, and aimed to support the SAACB to become an independent external audit institution in line with INTOSAI standards. It involved substantial institutional capacity building and resulted in an improved legal framework. The second intervention lasted nearly three years from 2014 to 2017. It built on the results achieved by the former, and, with an overall objective of improving 'the transparency, effectiveness, efficiency and accountability of the PA Public Financial Management system', aimed to further reinforce the capacity of SAACB management and staff, as well as to reinforce the SAACB's institutional, legal and regulatory framework, so as to enable the SAACB to operate in accordance with INTOSAI standards and best professional practices.

The last project's final reporting stated that, "the project achieved the majority of the *outputs* and results envisaged in the Terms of Reference". One notable exception was the Audit Law, which was intended to statutorily enhance the financial and administrative independence of the SAACB through amendments to the existing Law from 2004. The Law's amendments, though delayed, were eventually approved in August 2017 through Presidential Decree, after the project ended.

The EU supported projects from 2011 – 2013 and 2014 - 2017 have been subject to an impact assessment/

evaluation which should be considered in the preparation of the twinning project. The assessment confirms that almost all the major capacity building elements were delivered as per design. However, the degree to which the project succeeded in changing the mindsets, or in reality enhanced the individual audit skills, is a matter of estimation as there was no planned and defined measurement of the results as such beyond activities and outputs. Overall, the rate of success is placed at 65%, based on discussion with the stakeholders involved, however the SAACB disputes this and their estimate is more than 70%. That is not a bad figure when taking into account the journey that the SAACB has travelled, but it is also an incentive to continue and follow up where the project ended so as not to create gaps when designing the new project.

Regarding the perspectives of impact, it is obvious that the project has contributed a lot in terms of strengthening the SAACB, but the question is to what degree this has permeated the organisation's different levels, and whether the SAACB is able to continue to drive and sustain the development. The new audit law was approved after the project ended, but it still has to be fully implemented. A number of internal rules and practices were initiated by the project but must still continue to be emphasised in order to take root in the organisation. It seems that the specific capacity building of audit methodology and the implementation of audit standards have been most successful, but even this has been hampered by the lack of staff and by problems with full attendance at training sessions.

This recent evaluation has yielded some more important observations. Evidence shows that the observations of the evaluation are consistent with similar reviews in many other areas of international development, as well as in evaluations of SAI development projects. The previous project's Terms of Reference (TOR) was lacking time-bound and measurable indicators. Follow-up and evaluation were additionally hampered by the lack of established baselines and follow-up as such was geared towards activities and outputs. More detailed comments are found in the evaluation report.

3.2 Ongoing reforms

The NPA has made some progress on PFM and anti-corruption reforms. Improvements were introduced in some areas, including in the comprehensiveness and transparency of budget, as well as financial controlling and auditing. Since the last Public Expenditure Financial Accountability (PEFA) assessment, conducted in 2013, the Ministry of Finance and Planning (MoFP) improved both the downstream and upstream cycle of the budget. A PFM Strategy was approved by the Cabinet in July 2017. It is set to provide the PA with a framework for reforms contributing to improved transparency and sustainability of public expenditures, as well as to increased effectiveness and efficiency of public revenue collection. However, no Action Plan is available as of yet and further PFM reforms are urgently needed to raise revenue due to tax revenues remaining substantially below potential. Since 2008, the EU has been supporting the PA's national reform agenda with interventions aligned with subsequent planning cycles. European Joint Strategy in Support of Palestine 2017-2020 identifies PFM reforms as one of the main priorities for EU and Member States' development cooperation. The Ministry of Finance will directly benefit from the proposed twinning project and its view of improving the SAACB's capacities to carry out tax and customs audits. The EU has entered into an Association Agreement with the World Bank to implement the Trust Fund PFM Improvement Project and provided a EUR 2 million contribution. The project targets expenditure controls, financial accountability and procurement management.

3.3 Linked activities (other international and national initiatives):

Development cooperation partners

Overall, the community of cooperation partners have a keen interest in the SAACB's development and, particularly in the SAACB's reporting regarding the audits and performance of government finances as a way of providing

feedback for partners' contributions to the overall development of the country. Some important cooperating partners are detailed below:

- European Union
- Swedish National Audit Office (SNAO); The only donor who has programmed and launched a long-term support to SAACB
- World Bank
- International Monetary Fund (IMF)
- Netherlands
- Department for International Development (DFID)
- Denmark
- Sweden

International partners and stakeholders

The most important international partners for the SAACB are the International Organisation of Supreme Audit Institutions (INTOSAI), its regional organisation ARABOSAI and INTOSAI's training organisation, IDI. The SAACB's membership in INTOSAI has been very important, giving access to both the professional world of cooperation between SAIs and to ongoing developments of audit methodologies and best practices.

Regarding individual international stakeholders among SAIs, there is currently only one bilateral cooperation partner working with the SAACB, namely the SNAO which has been, based on a bilateral agreement, supporting the SAACB for two years from its own budget.

National partners and stakeholders

SAACB's most important partner, and the final link in the accountability chain, should be the Parliament/the Legislative Council. However, since its dissolution in 2018 (and non-functioning since 2007), a democratically elected oversight is lacking. Outside the government, but also involved in government service delivery, are a large number of Civil Society Organisations (CSOs). CSOs could, to some degree, have a role in ensuring transparency, although not in ensuring accountability. CSOs and NGOs in Palestine manage a large part of social services. Despite this fact, CSOs are not always recognised as actors that are able to contribute to policy making and good governance. Nevertheless, strong participation from CSOs in governance and policy dialogue, at both local and national levels, is crucial given the current realities in Palestine. For this reason, they are both important stakeholders and auditees.

There are some main CSOs like the following, some with international affiliation:

- Amman, affiliated to Transparency international
- MIFTAH
- OXFAM

The Palestinian media, newspapers, TV and radio are also evident stakeholders who are interested in the SAACB's role and performance, as well as in the information they report on.

3.4 List of applicable Union acquis/standards/norms

Chapter 32, Financial Control, does apply. This chapter contains four main policy areas: public internal financial control, external audit, the protection of EU's financial interests and the protection of the Euro against counterfeiting. The two first areas are most relevant as they not only directly mirror and relate to the SAACB's national constitutional duties, but are also relevant to the SAACB's potential role to protect EU's financial interests.

3.5 Components and results per component

Mandatory result 1 (Component 1): Improvement of SAACB's capacity to undertake financial and compliance audits, where applicable, through financial statements following INTOSAI/ISSAI audit standards.

The work would entail revision of and updates to the current external audit framework, namely standards and manuals, by developing national standards in line with a recognized set of international professional standards for public-sector auditing; putting in place corresponding quality assurance and follow-up processes and procedures; and, enhancing skills and capabilities of auditing staff in applying the new standards and practices accordingly.

The following 4 (four) results are expected to be achieved under this component:

- 1.1: Reviewed and updated Audit Manuals and guidelines aligned with INTOSAI standards
- 1.2: Quality assurance procedures established/implemented
- 1.3: Enhanced skills and capabilities of SAACB staff to apply international standards in audit work
- 1.4: Procedures established for tracking and follow up of audit reports

Mandatory result 2 (Component 2): Improvement for SAACB's capacities to carry out tax and customs audit

The work would entail development of manuals and guidelines for revenue auditing (both tax and customs) as well as improving skills and capabilities of auditing staff in applying the new standards and practices.

The following 2 (two) results are expected to be achieved under this component:

- 2.1: A developed Audit Manual for revenue audit and in the special areas of component 2, (tax and customs)
- 2.2: Enhanced skills and capabilities to carry out audits of tax and customs

Mandatory result 3 (Component 3): Improvement of quality and efficiency of audits by means of big data auditing.

This result would require developing standards and manuals on use of big data, setting up and train specialized data audit team, and step up the use of big data in public sector auditing.

The following 3 (three) results are expected to be achieved under this component:

- 3.1: Specialized Big Data Audit team established
- 3.2: Big Data Audit Manual(s) and Guideline(s) aligned with best practices and standards
- 3.3: Enhanced skills and capabilities of SAACB staff to use Big Data Auditing in their audit work

3.6 Means/Input from the Member State Partner Administration

The implementation of the project requires one Project Leader (PL) who will be responsible for supervising and coordinating the twinning project. The Project Leader will be supported by one Resident Twinning Advisor (RTA) who will work on-site with the beneficiaries' administrations and who will be responsible for the management and implementation of the project activities. The RTA will work directly with the SAACB. In addition to the RTA, the twinning project will finance an English/Arabic speaking assistant to the RTA. The assistant will be recruited locally and will work full time during the project. The RTA will be supported by the project assistant who will be performing general project duties and providing translation and interpretation services as necessary. Until the RTA can select and hire an assistant, the beneficiary administration makes a member of its staff available to support the RTA in daily tasks.

3.6.1 Profile and tasks of the member state SAI Project Leader:

The Project Leader will be responsible for the overall planning and implementation of the Member States' inputs in this Twinning project.

The MS Project leader (PL) will, in cooperation with the SAACB appointed PL, be responsible for the organisation and functioning of the project's steering committee, which includes the RTA and representatives of the leadership of SAACB and the EU Delegation.

The PL should be an experienced auditor with qualified experience in SAI capacity building and with senior status within his organisation. He/she should also have a broad knowledge of INTOSAI standards and guidelines, as well as good leadership skills.

Qualifications and skills required:

- Degree in Management, Public Administration, Economics, Law, or other fields related to the assignment, or equivalent professional experience of 10 years in public sector governance
- At least 3 years of experience in state audit related matters, including capacity building and institutional development. Additional relevant professional experience will be considered as an asset
- Fluent written and spoken English
- Previous experience in supervising projects

Tasks:

- Together with beneficiary PL, overall management and coordination of the twinning project
- Ensure timely and effective implementation of the project and achievements of results
- Ensure efficient use of the project resources and inputs
- He/she will, together with the beneficiary PL, be responsible for the modification of the project work plan as deemed necessary during the lifetime of the project
- Co-chair the regular Project Steering Committee meeting with the beneficiary country Project Leader
- Communicate with the beneficiaries and the EUD
- Together with beneficiary PL, will be responsible for interim, quarterly and final reports
- Participation in communication and visibility activities is expected

3.6.2 Profile and task of the RTA:

One Resident Twinning Advisors (RTA) will be appointed and will reside in Palestine for 24 months and will work on the SAACB premises under the supervision of the Member State Project Leader and the SAACB Project Leader.

Qualifications and skills required for the RTA to the SAACB

- Minimum bachelor's degree in economics, accounting, political science, or other fields related to the assignment or equivalent 8 years' of experience in public sector governance
- Minimum 3 years of experience in a SAI. Additional experience will be considered as an asset
- Previous experience in project management, including EU funded projects, will be considered an asset
- Proficient in written and spoken English
- Good communication skills.

Tasks:

The RTA is expected to carry out the following tasks during his/her full-time working period:

- On the basis of the results framework and the proposed activity plan, draft the initial work plan in close cooperation with all relevant actors and based on the expected results of the project
- Ensure timely implementation of the twinning project in the SAACB
- Provide technical assistance and advice to the representatives of beneficiary administration
- Organise all project activities, such as, workshops, study visits, trainings and internships, etc.
- Together with the MS Project Leader and the SAACB project leader, mobilise and supervise the short-term experts
- Coordinate all project activities and experts' inputs in the SAACB, including experts' reports
- Prepare quarterly meetings and project forum meetings
- Regularly update the work plan and transmit project updates to the Project Steering Committee under the authority of the Member State and SAACB Project Leaders
- Draft the quarterly progress reports to be finalized by the project leader
- Maintain a continuous review of activities and provide regular progress reports as required to the beneficiary and keep the PLs informed
- The RTA should ensure continuous coordination on the overall implementation of project activities with regular updates.

RTA Counterpart:

The SAACB will assign an RTA counterpart, who will act as a counterpart to the MS RTA and will ensure close cooperation regarding the day-to-day implementation of the twinning project tasks from the beneficiary side. The role of the MS RTAs and SAACB counterpart are complementary.

3.6.3 Profile and tasks of Component Leaders

General Qualifications and Skills required of the Component Leaders:

- A university degree or equivalent professional experience of at least 8 years
- A minimum of five years' experience in the respective field
- Good working knowledge of written and spoken English
- Good communication and presentation skills

The Component Leaders are expected to carry out the following tasks during his/her full-time working period:

- On the basis of the results framework and the proposed activity plan, provide inputs to the initial work plan in close cooperation with the RTA and all relevant actors and based on the expected results of the components
- Ensure timely implementation of the components' activities
- Provide technical assistance and advice to the representatives of beneficiary administration
- Coordinate all component events, including workshops, study visits, trainings and internships, etc.
- Contribute to mobilisation and supervision of the short-term experts for the component
- Coordinate all component activities and experts' inputs in the SAACB, including experts' reports
- Contribute to preparation of the project review meetings
- Regularly update the component's work plan and transmit project updates to the RTA in view of presenting to the Project Steering Committee under the authority of the Member State and SAACB Project Leaders
- Draft component's quarterly progress reports to be consolidated by the RTA and finalized by the project leader
- Maintain a continuous review of components' activities and provide regular progress reports as required to the beneficiary and keep the project leaders informed

3.6.4 Profile and tasks of short-term experts:

Short term experts will be made available for the implementation of the twinning project who will deliver their expertise under the overall responsibility of the Member State PL and the under the coordination and supervision of the RTA. Short-term experts are expected to perform specific tasks/activities, and the detailed expert input shall be established when creating the twinning workplan, including the drafting of the Terms of Reference.

General Qualifications and Skills required of the short-term Experts:

- A university degree or equivalent professional experience of at least 8 years
- A minimum of five years' experience in the respective field
- Good working knowledge of written and spoken English
- Good communication skills.

4 Budget

The maximum EU contribution to the twinning contract is EUR 1,500,000.

5 Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting

The Office of the European Union Representative (West Bank and Gaza Strip, UNRWA) will be responsible for tendering, contracting, and accounting.

Contact person: Oleg HIRBU

International Aid / Cooperation Officer
Macroeconomic Support and Public Financial Management
Office of the European Union Representative (West Bank & Gaza Strip, UNRWA)
Address: George Adam Smith Street 5, Jerusalem
Phone: +972 2 541 5812 Fax: +972 2 541 5848
Email: Oleg.Hirbu@eeas.europa.eu

5.2 Institutional framework

The Twinning project will support one beneficiary, the SAACB, who will coordinate and collaborate closely with the MS SAI to ensure effective and efficient implementation of the project and achievement of results.

5.3 Counterparts in the Beneficiary administration

The PL and RTA counterpart will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person

Mr Ala' Eghrayeb
IT General Manager
Email : aeghrayeb@saacb.ps
Email : gcs_20@msn.com
Web site : www.saacb.ps

Work Phone : 00970 2972290 Ext. 100
Mobile : 00970 568922295

5.3.2 PL Counterpart

SAACB

PL counterpart for SAACB
Mr Jaffal Kh. Jaffal
Title: General Manager
Ramallah, West Bank & Gaza Strip

5.3.3 RTA Counterpart

PL counterpart for SAACB
Mr Ala' Eghrayeb
Title: IT General Manager
Ramallah, West Bank & Gaza Strip

6 Duration of the project

The project duration will be 30 months, including 27 months for implementation phase and 3 months for final reporting and closure.

7 Management and reporting

7.1 Language

The language will be English.

7.2 Project Steering Committee (PSC)

A Project Steering Committee (PSC) will be established at the beginning of the project. It will be made up of senior representatives of the beneficiary institution (the SAACB), the European Union Representative Office, the Palestinian Prime Minister's Office and the Ministry of Finance. Representatives from other institutions and agencies may be included as deemed necessary and relevant.

The PSC shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discussing the updated work plan.

The PSC will meet at regular quarterly intervals and will, at the end of each meeting, submit the minutes regarding the decisions made in line with the provisions of the Twinning Manual. Official minutes will be written in English and distributed to all parties within two weeks after the PSC meeting.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC.

The narrative part shall primarily take stock of the progress and achievements vis-à-vis the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure further progress.

8 Sustainability

The twinning project objectives and activities respond and contribute to the strategic plan of the SAACB (Strategic Plan for SAACB 2017 –2021, issued 2017), and also to the identified objectives and priorities set out in the national strategy for Palestine (State of Palestine, National Policy Agenda, 2017 –2022, issued December 2016). The project will increase the skills and efficiency of the SAACB and hopefully create and support a dynamic development in the organisation.

The action is also aligned to the European Joint Strategy in support of Palestine 2017-2020 inter alia aiming at supporting the stabilization of the Palestinian economy, improving effectiveness and efficiency of PA's fiscal policies and transparency and accountability of public finances.

9 Crosscutting issues

Civil Society/Stakeholder involvement

Civil Society/Stakeholder involvement is of great importance for the SAACB as it depends on stakeholders to be able to develop an efficient audit, as well as to communicate the audit results in a transparent and effective way. Therefore, Civil Society/Stakeholders will be considered in all aspects of EU-funded activities in order to strengthen CSOs' capacities and professionalism, allowing them to engage in an effective dialogue with the SAACB and providing them with the opportunity to monitor developments in areas such as management of EU funds.

Equal Opportunities and non-discrimination

Promoting a (gender) diverse workplace will be a strong element in strengthening the institutional capacity of the SAACB. This project will work to address the promotion of equal opportunities at the workplace, mainly by making less traditional work-areas accessible to both genders and to promote women to higher posts within the organisation.

Environment and climate change

This project is expected to have a neutral impact on the environment. The project's operation will ensure that environmental efficiency measures are respected and resources and recycling methods efficiently used (e.g. paper recycling, recycling of printer toner etc). In addition, disaster resilience and risk prevention and management should be integrated in the planning, preparation and implementation of the projects.

10 Conditionality and sequencing

The project includes the following key condition:

Capacity building requires sustained ownership and strategic commitment from the SAACB and significant investment in terms of resources and expertise. Adequate infrastructure and logistical capacities are available and therefore the beneficiary is fully committed to implementing the project. The SAACB will appoint adequate, qualified and competent staff to participate in the project implementation, as well as allocate appropriate working space and facilities.

11 Indicators for performance measurement⁶

The twinning is meant to contribute to the PA targets, as such it will contribute to achieve:

Mandatory result 1: Improvement of SAACB's capacity to undertake financial and compliance audits

Result 1.1: Reviewed and updated Audit Manuals and guidelines aligned with INTOSAI standards

Indicator 1.1a: Audit Manual developed

Indicator 1.1b: SAACB Audit standards aligned with INTOSAI standards

Result 1.2: Quality assurance procedures established/implemented

Indicator 1.2a: Procedural guidelines for quality assurance reviewed and updated

Indicator 1.2b: % staff trained and mentored on quality assurance

Indicator 1.2c: Number of quality assurance reviews in relation to audits and audit reports

Result 1.3: Enhanced skills and capabilities of SAACB staff to apply international standards in audit work

Indicator 1.3a: Number of SAACB staff trained and mentored on financial audit in line with INTOSAI standards on Audit Methodology

Indicator 1.3b: % of auditors who can demonstrate ability to develop financial audit plans and audit documentation aligned with INTOSAI standards.

Result 1.4: Procedures established for tracking and follow up of audit reports

Indicators 1.4a: Documented procedures for follow up of implementation of audit recommendations & Number of follow ups conducted

Indicators 1.4b: % of audit recommendations implemented

Mandatory result 2: Improvement for SAACB's capacities to carry out tax and customs audit

Result 2.1: A developed Audit Manual for revenue audit and in the special areas of component 2, (tax and customs)

Indicator 2.1a: Audit manuals developed

Indicators 2.1b: SAACB Audit standards and guidelines for revenue audit aligned with INTOSAI standards

Result 2.2: Enhanced skills and capabilities to carry out audits of tax and customs

Indicator 2.2a: Number of SAACB staff trained on methods and tools for tax and customs audit

Indicator 2.2b: % of auditors who have demonstrated ability to conduct audits of tax and customs.

Mandatory result 3: Improvement of quality and efficiency of audits by means of big data auditing

Result 3.1: Specialized Big Data Audit team established

Indicator 3.1a: SAACB staff appointed to specialized Big Data Audit team

Indicator 3.1b: Roles, tasks and responsibilities defined for the team

Result 3.2: Big Data Audit Manual(s) and Guideline(s) aligned with best practices and standards

Indicator 3.2a: Big Data Audit manual(s) developed

Indicator 3.2b: SAACB's Big Data Audit standards aligned with INTOSAI standards and/or best practices

Result 3.3: Enhanced skills and capabilities of SAACB staff to use Big Data Auditing in their audit work

⁶ Indicators are likely to be fine-tuned in light of pending dissemination of the 2019 PEFA assessment for Palestine and results of the policy dialogue concerning next PFM, including External Audit, reform agenda.

Indicator 3.3a: Number of SAACB staff trained on Big Data Auditing (sources, techniques, modes, tools and methodology)

Indicator 3.3b: % of SAACB staff who have been supported by on the job training in Big Data Auditing

Indicator 3.3c: % of auditors who can demonstrate ability to use Big Data Auditing in their audit work. .

Indicator 3.3 d: Short- and medium-term planning for Big Data Auditing as part of SAACB's strategies and audit plans

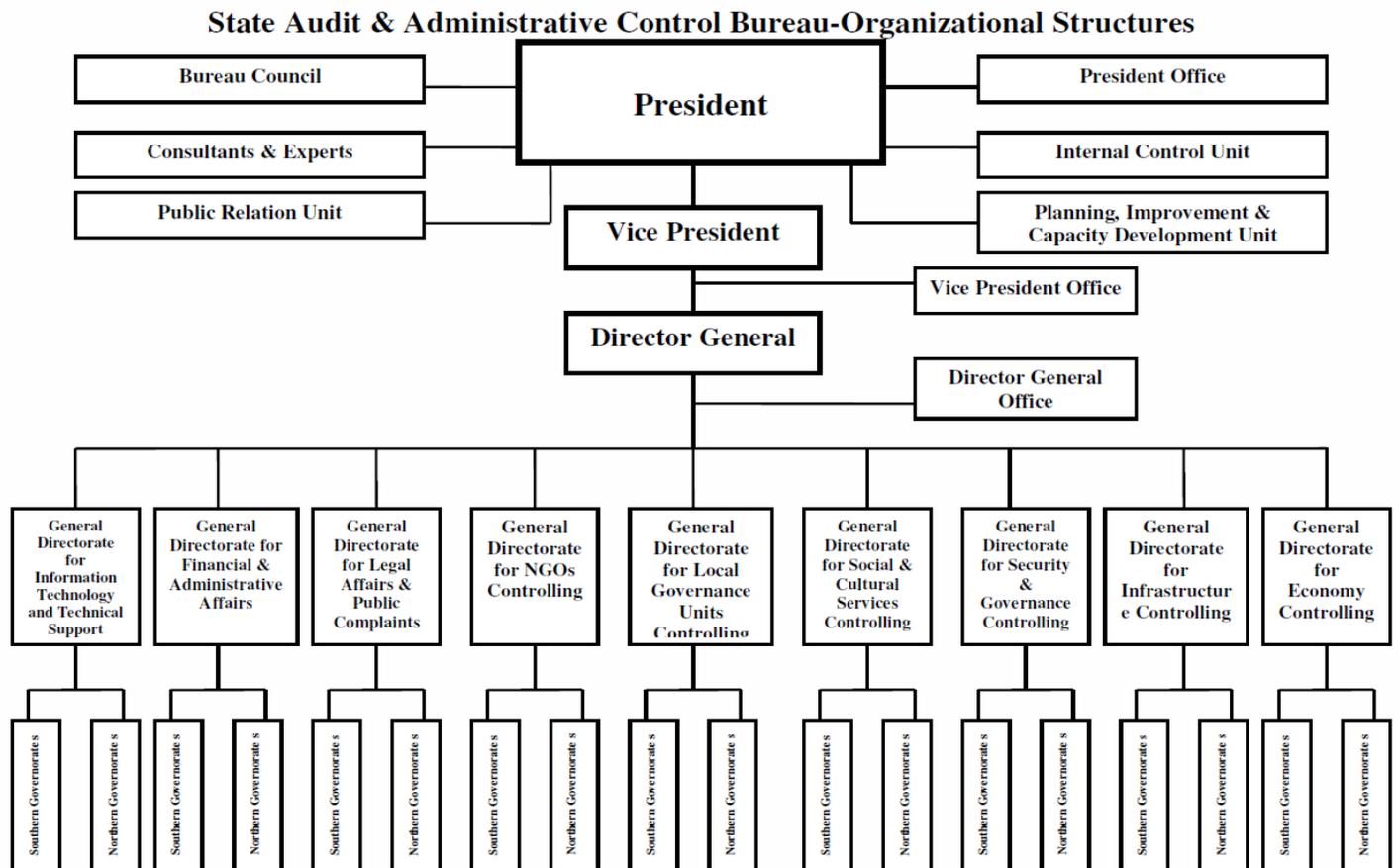
12 Facilities available

The beneficiary will make available the necessary infrastructure for Member State(s)'s experts to carry out their tasks. The beneficiary should provide equipped office space for the RTA, RTA assistant and short-term experts. The beneficiary is expected to set up an office unit dedicated to the implementation of the project and to make available, free of charge, meeting rooms and training spaces for the implementation of project activities, as well as conference facilities, unless it is justified to use other rented premises.

Annexes:

- annex1: SAACB organisational structure
- annex2: Intervention Logic / Results Framework
- annex3: Risk Analysis Matrix

Annex 1: SAACB Organisational Structure



ANNEX 2: Intervention Logic/Results framework⁷

Description	Indicators for performance measurement	Baseline and targets (indicative ⁸)	Sources of verification	Assumptions
Overall Objective				
The overall objective is to improve accountability and management of public funds in Palestine through enhanced external audit capacity in line with Palestine's National Policy Agenda and in conformity with recognized international audit standards.	ROF Indicators- improved predictability and control in budget execution - Improved Accounting and Reporting - Improved External Scrutiny and Audit	Baseline: - PEFA assessment 2013, - PEFA assessment 2019 - SAI Performance measurement Framework (Report on SAACB 2016)	PEFA reports SAI Performance measurement Framework (Last 2016), successive new reports Peer reviews within ARABOSAI/INTOSAI SAACB follow up reports	Continued support from the President and the Government
Specific Objective				
<ul style="list-style-type: none"> Improvement of SAACB's capacities to undertake financial and compliance audits where applicable, through financial statements following INTOSAI/ISSAI standards; Improvement for SAACB's capacities to carry out tax and customs audit Improvement of SAACB's capacities to audit big data through audit software and tools such as data in financial systems (Bisan10-like accounting systems, tax and revenue system, payroll systems, etc.) 	Indicators for performance measurement	Baseline and targets	Sources of verification	Assumptions
	S1.1 Number of financial and compliance audit reports submitted annually in line with INTOSAI/ISSAI standards	Baseline: 116 (in 2016) Target: 150 before end of 2021	S1.1 SAACB Annual Report and/or External Peer Reviews	<ul style="list-style-type: none"> Political support through sustained and increased budget allocations to cover SAACB's own cost contribution EU support over project period SAACB to take the clear leadership and responsibility for development
	S1.2 Number of tax and customs audits conducted annually	Baseline: 0 Target: 2	S1.2 SAACB Annual Report	
	S1.3 Number of audits of IT Systems and big data (accounting systems, tax and revenue system, payroll system)	Baseline: No IT systems audits done Target: Three IT audit missions before end 2021	S1.3 SAACB Annual Report	
Component 1: Improved capacity to undertake financial and compliance audits with regard to public institutions				
Result 1.1: Reviewed and updated Audit Manuals and guidelines aligned with INTOSAI standards	R1.1a Audit Manual(s) developed R1.1b SAACB Audit standards aligned with INTOSAI standards	R1.1a: Baseline: 12 Audit guides existing today to be reviewed and updated Target: All audit manuals and	R1.1a Project reports R1.1b Peer review assessment of SAACB Audit Manuals and guidelines	SAACB management remain positive towards and receptive to reform and are committed to the project objectives and activities

⁷ The Risk Analysis Matrix is provided in Annex 3 hereunder

⁸ Baselines and targets are likely to be revised in order to accommodate the proposals for the Work Plan during the inception phase of the project as well as in light of pending dissemination of the 2019 PEFA assessment for Palestine and results of the policy dialogue concerning next PFM, including External Audit, reform agenda.

Description	Indicators for performance measurement	Baseline and targets (indicative ⁸)	Sources of verification	Assumptions
		guidelines aligned with INTOSAI/ISSAI standards		SAACB staff have sufficient and protected time to undergo the training and engage in project activities
Result 1.2: Quality assurance procedures established and implemented	<p>R1.2a: Procedural guidelines for quality assurance reviewed and updated</p> <p>R1.2b Staff trained and mentored on quality assurance</p> <p>R1.2c Number of quality assurance reviews in relation to audits and audit reports</p>	<p>R1.2a: Baseline: Quality assurance guide exists today Target: Guide to be updated and fully implemented</p> <p>R1.2b: Baseline: 20% of the auditors Target: 10% year-on-year increase</p> <p>R1.2c Baseline: 10% of audits Target: 25% by end of 2020 50% by end of 2021 70% by end of 2022</p>	<p>R1.2a: Procedural guidelines</p> <p>R1.2b: Training records</p> <p>R1.2c Quality Assurance Review Reports</p> <p>R1.2c Peer review</p>	<p>Objectives of risk-based Financial audit accepted by staff</p> <p>Successful coordination of activities with other donors</p>
Result 1.3: Enhanced skills and capabilities of SAACB staff to apply international standards in audit work	<p>R1.3a: Number of SAACB staff trained and mentored on financial audit in line with INTOSAI standards on Audit Methodology</p> <p>R1.3b: % of auditors who can demonstrate ability to develop financial audit plans and audit documentation aligned with INTOSAI standards</p>	<p>R1.3a Baseline: Training provided in previous support project Target: At least 75% of all auditors</p> <p>R1.3b: Baseline: To be established following the inception phase Target: At least 50% of all auditors</p>	<p>R1.3a: Training records</p> <p>R1.3a: Project reports</p> <p>R1.3b: Quality review of audit documentation and reports</p>	
Result 1.4: Procedures established for tracking and follow up of audit reports	<p>R1.4a: Documented procedures for follow up of implementation of audit recommendations and Number of follow ups conducted</p> <p>R1.4b. Number of audit recommendations implemented</p>	<p>R1.4a Baseline: To be established following the inception phase and based on SAACB 2018 report Target: To be established following the inception phase and based on SAACB 2018 report</p> <p>R1.4b: Baseline: No statistics Target: To be established following the</p>	<p>R1.4a. Procedural guidelines, project progress reports</p> <p>R1.4b. Follow up reports</p>	

Description	Indicators for performance measurement	Baseline and targets (indicative ⁸)	Sources of verification	Assumptions
		inception phase and based on SAACB 2018 report		
Component 2: Improved capacities to carry out tax and customs audit				
	Indicators for performance measurement	Baseline and targets	Sources of verification	Assumptions
Result 2.1: A developed Audit Manual for revenue audit and in the special areas of component 2, (tax and customs)	R2.1a: Audit manuals developed R2.1b: SAACB Audit standards and guidelines for revenue audit aligned with INTOSAI standards	R2.1a: Baseline: No manuals Target: Audit manual(s)	R2.1a: Audit Manual and Project reports R2.1b: Peer review assessment of the Audit Manual	-
Result 2.2: Enhanced skills and capabilities to carry out audits of tax and customs.	R2.2a: Number of SAACB staff trained on methods and tools for tax and customs audit. R2.2b: % of auditors who have demonstrated ability to conduct audits of tax and customs.	R2.2a Baseline: No specialisation today Target: 15 auditors R2.2b: Baseline: 0 Target: At least 10% of the auditors	R2.2a: Training records and project reports R2.2b: Quality Assurance Review of tax and customs worksheets and audit reports R2.2b: Peer review of tax and customs audit reports	Twinning partner providing expertise Good Co-operation and co-ordination with MoF and other relevant stakeholders
Component 3: Improvement of SAACB's capacities to audit IT Systems and Big Data				
Result 3.1: Specialized Big Data Auditing team established	R3.1a: SAACB staff appointed to specialized Big Data Auditing team R3.1b: Roles, tasks and responsibilities defined for the team	R3.1: Baseline: None Target: 15 auditors R3 1a: Baseline: No guidelines Target: Guidelines on roles, tasks and responsibilities	R3.1a: SAACB memo/decision on appointment of staff to the specialized team. R3.1b: Guidelines and/or Terms of Reference for team	Staff available to be included in the new teams
Result 3.2 : Big Data Audit Manual(s) and Guideline(s) aligned with best practices and standards	R3.2a: Big Data Auditing manual(s) developed R3.2b: SAACB's Big Data Auditing standards aligned with INTOSAI standards and best practices	R3.2 Baseline: 1 audit guide for IT existing Target: To establish guidelines/standards for Big Data auditing R3.2b: Baseline: No Big Data auditing in place	R3.2a: Project reports R3.2b: Peer review assessment of SAACB IT Audit Manuals	Twinning partner providing expertise

Description	Indicators for performance measurement	Baseline and targets (indicative ⁸)	Sources of verification	Assumptions
		Target: Big Data Auditing Standards and Manual		
Result 3.3: Enhanced skills and capabilities of SAACB staff to use Big Data Auditing in their audit work	<p>R3.3a: Number of SAACB staff trained on Big Data Auditing (sources, techniques, modes, tools and methodology)</p> <p>R3.3b: % of SAACB staff who have been supported by on the job training in Big Data Auditing</p> <p>R3.3c: % of auditors who can demonstrate a ability to use Big Data Auditing in their audit work.</p> <p>R3.3d: Short- and medium-term planning for Big Data Auditing as part of SAACB's strategies and audit plans</p>	<p>R3.3a: Baseline: None Target: At least 10% of the auditors</p> <p>R3.3b: Baseline: none Target: At least 15% of the auditors</p> <p>R3.3c: Baseline: None Target: At least 10% of the auditors</p> <p>R3.3d: Baseline: None Target: Big Data Auditing included in next SAACB Strategy as well as in audit plans from 2022 onwards</p>	<p>R3.3a: Training records and project reports</p> <p>R3.3b: Training records and project reports</p> <p>R3.3c: Training records and project reports</p> <p>R3.3d: Quality Assurance Review Reports and peer reviews</p>	<ul style="list-style-type: none"> • Sufficient IT Infrastructure available at SAACB • IT Audit software installed in SAACB • SAACB will have budget for software and equipment
<p>Activities leading to achievement of results</p> <p>Refer to separate activity plan to be developed during the Inception phase of the Project</p>	<p>Resources</p> <p>Project budget SAACB makes own budget allocations</p>			

ANNEX 3: Risk Analysis Matrix

Nature	Description of risk	Likelihood	Impact	Consequence	Mitigation measures
Institutional	Staff are not available for trainings	Low	High	SAACB is not able to attain international auditing standards and INTOSAI requirements which will impact the SAACB's credibility to perform its tasks	Management gives clear priority for training and the advanced planning of participation will be respected by the office
Institutional	Trained staff leave SAACB	Medium	High	Results will not be sustainable	Develop a policy and action plan for staff retention and replacement recruiting
Institutional	Staff are continuing to utilise previous methods, rendered obsolete by developments under the Project	Low	High	No improvement to auditing approach and to conduct more effective audits. SAACB's operations have not been improved	SAACB has a policy and staff appraisal procedure that will be applied
Institutional	Staff are not able to absorb training	Low	High	Not able to implement desired and agreed changes. Will take longer time to train staff and make improvements	Applying existing policy and regulations
Institutional	Staff are not motivated to learn and change	Low	High	Unable to implement longer term plans and required improvements. Project results are poor and not sustained	SAACB will apply the annual reward procedure in a selected and purposeful way
Institutional	Key Stakeholders and Institutions not cooperating fully	Low	High	Implementation of new standards and methodology will be slow and ineffective	SAACB Continues to reach out to stakeholders with information and guidelines
Institutional	PA Public Financial Management Reform is stalled or slowed down, making SAACB working in a vacuum	Medium	High	The SAACB audits will not be demanded or will slow down as audits and reporting lack the constitutional framework	Contingency plans developed and applied in order to not lose momentum in SAACB
Institutional	PFM reform is insufficiently coordinated	High	High	Bad relations and misunderstanding between PFM stakeholders lead to uncoordinated PFM reforms and limit the efficiency of the implementation of the overall PFM reform programme	SAACB to be more active in its role in the network to compensate and to protect the independence of audit
Institutional	The PA does not allocate sufficient resources to SAACB	Medium	High	SAACB is unable to implement the project as it will be planned and result in uncertain sustainability	Develop contingency plans to be able to make priorities in order to not lose momentum
Political	The political situation becomes more unstable and possibly violent	Medium	High	Political unrest affects the project implementation	To the degree possible uphold normal work and independent audit
Political	The peace process goes from standstill to reverse, demoralising and demotivating reform efforts	High	High	Lack of progress in the peace process jeopardizes the PA State Building achievements and lead to a decreased momentum in the PA reform efforts	Analyse and adapt, to be able to uphold a minimum of audit functions
Economic	Falling revenue will spill over onto SAACB and threaten resources for development	Medium	High	SAACB's reforms and development will slow down	Analyse and adapt, to be able to uphold a minimum of audit functions

