



*Ministry of finance*

*IPA Fund Management Department*

*Information regarding the effective functioning of the management and control  
system under IPARD*



## **Information regarding the effective functioning of the management and control system under IPARD 2014- 2020;**

Financial Agreement for IPARD 2014-2020 is entered into force on 29 June 2017 which enabled implementation of IPARD 2 assistance as well. Continuous efforts are made to develop adequate structural solutions to strengthen the management and control system, having in mind the DG AGRI recommendations as well as previous experience in the implementation of IPARD I.

In fact, regarding the submission of the Requests for entrustment of IPARD II Programme, DG AGRI made an assessment of it and their observation and recommendation were incorporated in the revised Manual of Procedures, submitted to DG AGRI in May 2017.

In addition, further improvements of the working procedures were made, in general in the approval of projects, authorisation of payment and referent price database on the bases of:

- Experience in the processing of the first public call under IPARD II;
- the further recommendations by DG AGRI, on the submitted working procedures;
- having in mind the weaknesses identified in the process of conformity/financial clearance under IPARD I and findings from AA.

Modifications of IPARD Agency Manual of Procedures (version 1.1.) for implementation of the IPARD programme 2014-2020 are approved by NAO/MS on 23th February 2017, as non-significant.

The activities undertaken by the IPARD Structures for improving the functioning of the system for fully decentralized implementation are presented in following part.

### **1. Verification Visit**

NAO support office within the Annual plan for verification visits for 2018, planned one verification visit concerning IPARD I Programme (ex post checks regarding the sustainability of projects under IPARD I programme) as well as verification visit over the project approval process and payment process within the IPARD Agency concerning implementation of IPARD II Programme.

### **2. Monitoring the implementation of the audit recommendations**

#### **(a) Internal Audit**

The IPARD Operating structures were subject of internal audit during the 2017/2018 by the internal audit departments/units established in each institution.

#### **Management Structure**

According the Annual Audit Plan for 2018 of the Department for Internal Audit

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*Financed: Measure Technical Assistance under IPARD Programme 2014-2020*



within the Ministry of Finance one audit mission is planned and realised within NAO/MS over the archiving process during the first quarter of 2018. The final report was issued in April 2018.

#### IPARD Agency

Based on request of the DG AGRI, Internal Audit Department of the IPARD Agency started system audit of the design, establishment and functioning of the system of internal controls within the new software solution for IPARD in the Sector for project approval according the accredited procedures and data security. Final report from this audit was issued in February 2018.

The Annual Audit Plan for 2018 of the Department for Internal Audit within the IPARD Agency envisage 13 (thirteen) audit activities, out of which 5 audits over processes concerning IPARD and one planed consulting engagement over the process of entrustment of measure investments in rural public infrastructure.

#### Managing Authority

The Annual Audit Plan for 2018 of the Ministry of Agriculture, Forestry and Water Economy foresees one audit mission over the work of the Unit for monitoring and reporting of IPARD funds.

### ***(b) Audit Authority Reports***

The Audit Authority for IPA during 2018 issued the following Final Audit Reports:

- Final Audit Report for the system audit for 2018 in NAO/MS for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 4<sup>th</sup> of April 2018;
- Final Audit Report for the system audit for 2018 in MA for the programmes financed from IPA II - Policy area 4 - Agriculture and Rural development as of 4<sup>th</sup> of April 2018;
- Final Audit Report for the system audit for 2018 in AFSARD for implementation of IPARD II Programme - Policy area 4 - Agriculture and Rural development as of 4<sup>th</sup> of April 2018.

In the table below are presented the findings from the Final Audit Reports from the system audit in NAO/MS, IPARD Agency and MA:

	Major	Intermediate	Minor	Total
NAO/MS	/	1	/	1
MA	1	4	1	6
IPARD Agency	5	7	5	17



Total:	24
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Identified findings with major risk for IPARD Agency refer to the Law on Agency, sanction system, human resources, outflow of trained and experienced staff and referent price database, and finding with major risk for the MA refers to human resources.

### **3. Monitoring of the Administrative Capacities of the Operating Structure**

#### **Management Structure**

According to the Workload Analysis (WLA) for 2018 the optimal number of employees in NAO/IPA Funds Management Department is 21 (twenty-one) employees (including NAO). During December 2017 - April 2018, 1 (one) employee on the working position Junior Associate for financial management in the National fund Unit within the IPA Funds Management Department was engaged with temporary contract. Currently, the number of employees is 17 (seventeen) (including NAO).

Therefore, additional 4 (four) employees are needed for fulfilling the necessary positions such as: Assistant Head of Management Structure, one Financial Manager in National Fund Unit and two Officers for Effective Functioning of Management and Control System in the NAO Support Unit.

#### **IPARD Agency**

According to the Workload Analysis (WLA) for 2018 the optimal number of employees needed in IPARD Agency is 170.

During December 2017 - April 2018, 2 (two) employees left their working post in the IPARD Agency. Currently the number of employees in the Agency is 87.

The optimal number is expected to be reached during 2018, through new employments from the public announcements which will be announced during the year or with internal transfers of non IPARD Departments in the IPARD Agency.

The Ministry of agriculture, forestry and water economy has submitted an information to the Government of the Republic of Macedonia, informing the current human resource capacities of the Operating structure and the needs for further employments for proper functioning of the IPARD Agency and Managing Authority. According to this, the Government of the Republic of Macedonia was informed on the need 68 new employments in 2018 and 29 promotions of the existing staff in the IPARD Agency.

Regarding the expressed needs for employments, it was decided the new employments to be realised in phases, according to the priorities, which will enable easy accommodation of the new employees, as well as their induction by the existing



employees. Therefore, the procedure for employment of these new civil servants shall be carried out in the following three phases:

- first phase – 28 new employments,
- second phase – 20 new employments and
- third phase – 20 new employments.

The IPARD Agency has submitted request (enclosed Letter No. 04-400/2 as of 24.01.2018) for the employments in the first phase and the following 28 new employments are planned to be realised:

- Head of unit - 1 employee,
- Advisor - 4 employees,
- Senior associate - 2 employees and
- Junior associate - 21 employees.

Ministry of Finance on 25.01.2018 approved employment request (enclosed Letter No. 18-664/2 and 18-1013/2 as of 25.01.2018) of these 28 people in the IPARD Agency for the period until 31.12.2018.

After the announcement for 28 new employments on 14.02.2018 the recruitment procedure is completed and the new employees began working in the Agency.

### Managing Authority

According to the Workload Analysis (WLA) for 2018 the optimal number of employees needed in Managing Authority is 19.

Regarding the submitted Information about the situation and the detected insufficiencies in the IPARD structure to the Government of the Republic of Macedonia this, Ministry of finance approved the Request (Letter no. 18-430/2 from 18.01.2018) for employment in 2018 of 4 (four) new employees in the Managing Authority, 2 (two) Head of Units and 2 (two) advisors.

During December 2017 - April 2018, 5 (five) new employee was employed (Head of MA, Head of Unit for programming and evaluation, Advisor in UMR, Advisor for technical preparation and monitoring of contracts in UTA and Junior Associate in UTA) and 2 (two) employees left their working post (Head of MA and Advisor from UMR). Currently, the number of employees is 16 (including HoMA).

In the table below are presented the data regarding the human capacities in April 2018:

Institution	Number of staff on 31.12.2017	Number of staff needed as per WLA 2018	Realized new recruitments by 10.04.2018	Promotion of the staff 10.04.2018	Left the position 10.04.2018	Number of current staff 10.04.2018	Occupancy rate	Turnover rate
NAO/NF	17	21	/	/	0	17	80,9%	0%
IPARD Agency *	87	170	/	/	0	87	51,2%	0%
Managing	13	19	5	/	2	16	84,2%	15,4%



Authority								
Total	117	210	5	0	2	120	72,1%	5,13%

\* Persons employed after the announcement of 14.02.2018 are not included in the table. After official notification by the IPARD Agency, the table will be updated.

#### **4. Accreditation of new measures within the frame of the IPARD Programme**

During 2015/2016 preparatory activities for accreditation of the measure rural infrastructure were started. The accreditation (entrustment) package for the measure Rural public infrastructure from the IPARD II Programme (2014-2020) was prepared and submitted for external assessment to Audit Authority for IPA on 10<sup>th</sup> of January 2017 with aim to gain independent audit opinion (procedure established in the Framework Agreement). Furthermore, Audit Authority performed compliance assessment and on 24<sup>th</sup> of January 2018 submitted Final compliance report. With the audit report are identified 8 major risk findings for the IPARD Agency, 1 major risk findings for the MA and no major risk finding for the NAO/MS. National authorities already work on the overcoming of the findings.

NAO/MS submit to the EC for comments and recommendations the draft working procedures of the Management and Operating Structure for the measure Rural Public Infrastructure from the IPARD II Programme on 15<sup>th</sup> March 2018. The submitted draft working procedures of the IPARD Agency incorporate the audit recommendations from the Final Compliance Report.

#### **5. Planning and Monitoring of Implementation of the IPARD Programme and Absorption of IPA Funds**

The contracting phase from the first public call under IPARD Programme 2014-2020 is ongoing and up to 20.04.2018 are contracted 40 contracts from the measure 1 in amount of 785,337.00 EUR (IPA + NKF) and from measure 3 are contracted 13 contracts in amount of 4,034,727.63 EUR (IPA + NKF).

According the data of the Agency the requested amount (EU part) for all measures under the first public call is 55.192.640 EUR.

For the measure 9 (Technical Assistance) in the IPARD Programme for the programming period 2014-2020 are allocated 2.823.529 EUR. At the moment the APTA for implementation of this measure foresees procurements in amount 406.582,7 EUR which is nearly 14.4% of the available budget. During 2017, 5 applications were submitted to the IPARD Agency under this measure.

Regarding the implementation of the measure Technical Assistance the Unit for Technical Assistance of IPARD funds prepared and submitted to IPARD Agency a full



Tender Dossier for the realization of the “Publicity Campaign” foreseen under APTA 2017. The procurement is expected to be realized over a period of 18 months and covers the period of the next Action Plan (APTA 2018).

## 6. *Financial management*

Payment Applications for pre-financing payment in amount of **€6.300.000,00** calculated as 30% of the Community contribution for the years 2014+2015, 2016 and 2017 of the IPARD II Programme 2014-2020 was submitted on 03.11.2017. Consequently, the first installment for the pre-financing payment in the amount of €3.150.000 was approved by DG Agri, being half of the requested amount or 15% of the Union's contribution for the three most recent years of IPARD II Programme established in the Financing Agreement. Subsequent pre-financing request was sent requesting additional installment of pre-financing in the amount of **€3.150.000**.

Due to enormous interest by the final beneficiaries for using the funds under the IPARD II Programme 2014-2020, the processing of application is progressing well and no de-commitment of funds is expected from budget allocations 2014 and 2015 of IPARD II Programme which is end of 2018.

The calculation is as follows:

<b>V component IPARD II</b>	
<b>Calculation of De-commitment Risk According N+3 Rule</b>	
<b>Reference</b>	<b>Community Contribution in €</b>
Allocations 2014-2015	10,000,000.00
Planned payments	4,000,000.00
Pre-financing request	6,300,000.00
<b>No De-commitment of funds at the end of 2018</b>	<b>300,000.00</b>

However the risk the de-commitment to incur is very high taking into consideration that the payments are planned to be realised in Q3/Q4 of 2018.