



Ministry of finance

IPA Fund Management Department

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

November 2018

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

The system for indirect implementation of the IPARD Programme 2014-2020 (measure 1,3,7,and 9) was entrusted with the signature and entrance into force of the Financial Agreement for IPARD 2014-2020 in June 2017.

In 2018, further improvements of the working procedures of IPARD Agency were made, 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 are approved by NAO as non-significant and entered into force as of the approval of NAO.

In addition, significant change was proposed in the working arrangements of the National Fund, in particular in the Accounting System. The proposed changes of working arrangements have been assessed by NAO support office and approved by NAO. Having in mind that the changes are significant, they were submitted to DG AGRI for approval in June 2018. Pursuant to the provisions of the Sectoral Agreement, the proposed changes will be implemented after approval by the DG Agri.

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.

According the Annual Plan for Verification Visits for 2018, one verification visit in IPARD Agency was conducted in the period June-September 2018 concerning IPARD I programming period. The goal of the verification visit was on the spot check on the sustainability of the projects for assuring the legality and regularity of the transactions of paid projects. Six projects were checked on the spot in amount of 196.396,55 EUR (public contribution EU+NCF) or EU part in amount of 147.297,41 EUR. Detail description of the findings and recommendations from the verification visit is presented in the Report No.10-3856/4 as of 14thSeptember 2018.

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 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

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.

During 2018 from the abovementioned 5 (five) audits over the processes from IPARD 2014-2020, follow up audit is realised. For the on the spot audit before contracting Draft Report is under preparation and the audit concerning technical assistance measure is ongoing.

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.

In May 2018, Final Report for the work of the Unit for Technical Assistance is prepared and issued, according the annual work plan for 2017 of the Sector for Internal Audit.

(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 4th 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 4th 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 4th of April 2018.

In the table below are presented findings from the Annual Audit Report from the system audit in NAO/MS, IPARD Agency and MA for implementation of IPARD II Programme:

	Major	Intermediate	Minor	Total
NAO/MS	/	1	/	1
MA	1	4	/	5
IPARD Agency	5	7	5	17
Total:				23

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 overlapping of both national and IPARD Programme.

3. Monitoring of the Administrative Capacities of the Operating Structure

Management Structure

The current number of employees in Management Structure is 17 (seventeen - including NAO). The MS prepared WLA for 2019, indicating needs for additional 3 (three) employees, such as: Assistant Head of Management Structure, one Financial Manager in National Fund Unit and one Effective Functioning of Management and Control System Officers in the NAO Support Unit. These new recruitment are planned to be realised in 2019. These additional recruitment are mostly needed for the activities related to the implementation of the other IPA programmes.

On 26th October 2018 internal vacancy for promotion of 5 (five) employees from Management Structure was published, which will enable junior officials in MS to be promoted on higher positions. It is expected to be realised by the end of November 2018.

IPARD Agency

The Workload Analysis (WLA) of IPARD Agency covers the activities for the five measures of IPARD programme i.e the four entrusted measures under indirect management and the new measure IRI which is in the process of entrustment.

According to the Workload Analysis (WLA) for 2019 the optimal number of employees needed in IPARD Agency is 150.

At the moment, there are 110 people engaged in the IPARD structure of the Agency against 87 employees at the beginning of 2018.

As already informed, the strengthening of the human resources capacity of the Agency was considered as a priority, and the Government of the Republic of Macedonia made strong commitment for the realisation of the necessary employments.

The procedure for employment in the IPARD Agency, according to the Government conclusions was decided to be carried out in the following three phases:

- first phase (28 employees)
- second phase (20 employees)
- third phase (20 employees).

The first phase was completed in April 2018 and starting from the first week of May, the selected candidates were engaged in Agency on temporary basis until 31.12.2018. Out of the aforementioned 28 people, 22 work in the IPARD structure of the Agency, and 6 people are indirectly involved in the implementation of the IPARD Program 2014- 2020. This resulted in current number of 110 employees engaged in IPARD issues in the Agency.

The second phase is ongoing and in final stage of implementation. Namely, the IPARD Agency started the procedures on 19.10.2018 with announced public vacancy. Procedure should be finished by the end of this year and the new employees should start with work from the beginning of 2019.

The third phase - procedure for employment of additional 20 new administrative civil servants is planned to start in December, 2018 i.e. the Vacancy call should be published between 17th and 28th of December and the new employees should start with work by the end of February, 2019.

In parallel, procedure for promotion of 28 existing administrative civil servants started in October 2018.

With the realisation of the recruitment plan for 2018 as stated above the IPARD Agency will be fully staffed (100 % fulfilment of the required positions as per WLA).

Managing Authority

Currently, the number of employees is 17 (including HoMA).

In 2018, 8 (eight) new employees were engaged (Head of MA, Head of Unit for programming and evaluation, Advisor in UMR 2 employees, Advisor in UTA 3 employees and Junior Associate in UTA) and 4 (four) employees left their working post (Head of MA, Advisor from UTA, Advisor from UMR and one authorised Head of TA Unit).

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

Institution	Number of staff on 31.12.2017	Number of staff needed as per WLA 2019	Realized new recruitments by 06.11.2018	Left the position 06.11.2018	Number of current staff 06.11.2018	Occupancy rate	Turnover rate
NAO/NF	17	20	1	1	17	85%	5,9%
IPARD Agency	87	150	23	0	110	73%	0%
Managing Authority	13	19	8	4	17	89,5%	30,8%
Total	117	189	32	5	144	82,5%	12,23%

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

The preparatory activities for accreditation of the measure rural infrastructure were started in 2015/2016. After the compliance assessment report (January 2018) and the DG AGRI observations on the submitted draft working arrangements for the implementation of the rural infrastructure (June 2018), the activities for completion of the accreditation package incorporating the observations from both reports were undertaken.

The modified procedures for implementation of the measure Rural Public Infrastructure in accordance with the EC observations were submitted by IPARD Agency on 19th of October 2018 to NAO / MS.

The NAO / MS on 05th of November 2018 issued written consent of the Internal Manual of Procedures of the IPARD Agency for implementation of the measure Investment in Rural Public Infrastructure from the IPARD Programme 2014-2020.

The Request for being entrusted with budget implementation tasks for the measure Rural Public Infrastructure from IPARD Programme 2014-2020 was submitted to EC on 13th November 2018.

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 22.10.2018 are contracted 909 contracts from the measure 1 in amount of 10,719,321.00 EUR (IPA + NKF) and from measure 3 are contracted 31 contracts in amount of 6,621,696.00 EUR (IPA + NKF). From measure 7 are received 187 applications, out of which 160 are rejected due to the failure to submit missing documents and for the remaining 27 applications are expected to be signed soon.

For the measure 9 (Technical Assistance) in the IPARD Programme for the programming period 2014-2020 are allocated 2,823,529.00 EUR. At the moment the modified APTA for 2018 for implementation of this measure foresees procurements in amount 275,003.00EUR which is nearly 9.74% of the available budget. Regarding the implementation of the measure Technical Assistance the Managing Authority complete with the evaluation of the tender dossier for “Publicity Campaign” and approval by the IPARD Agency is ongoing. For this measure are submitted 8 applications to the IPARD Agency, from which 4 projects are contracted in amount of 6,365.02 EUR and 3 contracts are paid in amount of 4,512.35 EUR (IPA + NKF).

6. Financial management

Financial management

Regarding the financial management of IPA Funds, the activities were regularly performed during the period from 01th July 2018 to 31th October 2018 according to the regulations and adopted procedures.

Measure	Executed payments - IPA contribution in Euros
	2018
Investments in physical assets of agricultural holdings	132.540,71
Investments in physical assets concerning processing and marketing of agricultural and fishery products	37.545,06
Farm diversification and business development	0,00
Technical assistance	3.835,60
Total	173.921,37

Declaration of Expenditures that serve as Payment Applications were submitted for the first, second and third quarter of 2018 with the following deadlines and amounts:

Declaration of expenditure	Date of sending DoE to EC	Payment in €		Payment request
		Public expenditure	IPARD	
Q4 2017	30.01.2018	0.00	0.00	0.00
Q1 2018	25.04.2018	0.00	0.00	0.00
Q2 2018	23.07.2018	0.00	0.00	0.00
Q3 2018	31.10.2018	28,156.26	21,381.12	21,381.12
Total		28,156.26	21,381.12	21,381.12

All the transactions made on the NF and IPARD Agency bank accounts were properly recorded in the accounting system of NF and IPARD Agency.

De-commitment

During calculation of the potential risk of de-commitment the following inputs/assumptions have been taken into consideration:

1. Total IPA allocations 2014-2015 are 10,000,000.00 EUR;
2. Received pre-financing is 6,300,000.00 EUR;
3. Total paid amount is 173,921.37 EUR;
4. Amount planned to be paid is 1,462,650.23 EUR;

Taking into consideration the above stated inputs, potential risk of de-commitment of funds by the end of 2014-2015 is 2,06 million EUR.

V component		
Calculation of De-commitment Risk According N+3 Rule		
No.	Reference	Community Contribution in €
1.	Financial allocations	10,000,000.00
2.	Received pre-financing	6,300,000.00
3.	Paid amount until 31.10.2018	173,921.37
4.	Amount planned to be paid	1,462,650.23
5.	De-commitment at the end of 2018	2,063,428.40

However the de-commitment amount may be even higher, taking into consideration that 1, 4 mill EUR are planned to be realised in Q4 of 2018.