



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

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.

During 2020, further improvements of the IPARD Agency Manual of Procedures were made. Namely, Version 2.1 (Sector for Project Approval) was approved in order to speed up contracting, realisation of the investments and decrease the burden of lot of requests in same time in payment phase, which all together shall influence on decreasing risk of de - commitment of funds. These changes shall enable eligible applicants within the available budget according to the draft rank list to sign contracts before finalization of assessment of all eligible projects from the same public call. These modifications of IPARD Agency Manual of Procedures (version 2.1) were qualified as non-significant and were approved by NAO on 13th of August 2020.

In addition, as a result of COVID-19 outbreak and taking into account the necessity to apply preventive measures, exception from the applicable procedural arrangements of the IPARD Agency for on the spot verifications before signing the contract was approved. The approved exception refers only for processing the applications for financial support submitted under public call 01/2020 referring to agricultural equipment and/or mechanisation only, where on-the-spot controls prior approval will not be performed, but all necessary controls (completeness, eligibility, minimum required capacity, etc.) shall be performed administratively by using available databases such (Farm register, Veterinary Information System (VIS), Cadastre, LPIS (Land Parcel Identification System)).

According to the Constitution of Republic of North Macedonia, in a state of emergency, the Government has the right to adopt decrees with legal force. In this context on 09th of April 2020 the Government adopted Decree with power of Law for application of the Law on establishment of the Agency for financial support in agriculture and rural development. During the period of the state of emergency the provisions of this legally binding Decree were valid. According this Decree:

- The deadlines defined according to the Law on establishment of the AFSARD for decision-making in regard to the authorization and payment of the applications for financial support, signing contracts for financial support, reducing the financial support, reducing the financial support due to failure of meeting the contractual liabilities, providing additional documents to the applications for financial support, the deadlines for implementation of the investments subject to the Contracts for financial support, performance of on-the-spot controls for contract that are due to expire or shall expire during the state of emergency, shall be postponed and shall accordingly be extended for 60 days after the cease of the state of emergency.

- The deadlines specified in the Contracts for Financial Support for implementation of the investment subject to the Contract shall be suspended during the period of the state of emergency and shall be postponed after the cease of the state of emergency, but only for such number of days for which they were suspended, from the date of the cease of the state of emergency.
- The deadlines for submission of applications for financial support as specified in the Public Call for submission of applications for financial support under the IPARD Programme 2014-2020 shall be postponed during the period of the state of emergency and shall be postponed until after the cease of the state of emergency.

The activities undertaken by the IPARD Structures for improving the functioning of the system for indirect management are presented in the following part.

1. Verification Visit

NAO support office within the Annual plan for verification visits for 2020, planned three verification visit.

The first verification visit was performed over implementation of measure Technical Assistance and a Final report was issued in April 2020.

The verification visit for Administrative check of the projects before contracting under Measure 3 under Public Call 01/2018 started in October 2020. With this verification visit will be checked projects in amount of 1.055.235,83 EUR within the public call 01/2018 which amount represents around 12 % of the contracted amount of this measure.

Third verification visit is planned to be performed over implementation of exception related to use of alternative means for on the spot verifications before signing the contract which shall start in December 2020. Expected period for concluding the report of this visit is beginning of 2021.

According the Internal Manual of Procedures Annual Plan for Verification Visits for 2021, shall be prepared and adopted by January 2021.

2. Monitoring the implementation of the audit recommendations

(a) Internal Audit

The IPARD Operating structures were subject of internal audit during the 2020 by the internal audit departments/units established in each institution.

Management Structure

According the Annual Audit Plan for 2020 of the Department for Internal Audit within the Ministry of Finance one audit mission was planned and realised within NAO/MS over the process of Annual Management Declaration and Irregularities. Main finding from this audit is for insufficient number of human resources for effective and efficient functioning of working activities.

IPARD Agency

The Annual Audit Plan for 2020 of the Department for Internal Audit within the IPARD Agency envisages 11 (eleven) audit activities, out of which 5 audits over processes concerning IPARD and one consulting engagement concerning accreditation of new measures.

During 2020 from the abovementioned 6 (six) audits over the processes from IPARD 2014-2020, three audits are finished (follow up audit, contracted projects under measure 1, contracted projects under measure 3) and two audits (audit on execution of on the spot controls before payments, and audit over authorisation of payments process) are ongoing.

Managing Authority

The Annual Audit Plan for 2020 of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the work of the IPARD Programming Unit. The audit start in October 2020 and is ongoing.

(b) Audit Authority Reports

The Audit Authority for IPA during 2020 issued the Annual Audit Report and Annual Audit Opinion for 2019.

With the Annual Audit Opinion auditors expressed an Unqualified opinion regarding the Reliability of the annual-financial reports or statements/annual accounts. Auditors expressed **Unqualified** opinion with emphasis of matter for legality and regularity of expenditures and functioning of Management and control systems with attention regard to: lack of supervision in the process of authorisation of commitments and payments, wrong calculation of eligible funds for co-financing, no retention policy and late payments.

In the table below are presented findings from the Annual Audit Report for 2019 for implementation of IPARD II Programme:

	Major	Intermediate	Minor	Total	Closed findings by 10.11.2020
NAO/MS	/	1	2	3	1
MA	/	2	2	4	2
IPARD Agency	8	7	1	16	7
Total:				23	10

Regarding the open findings from AA reports, NAO in coordination with the operating structure prepared Action Plan as of 27th April 2020 and updates the same on quarterly base with the undertaken activities for overcoming the findings. With the updated action plan seven major findings regarding IPARD Agency are closed related to: payment towards two final beneficiaries that were underpaid and issuing a Decisions for recovery of funds for five final beneficiaries. Two findings referring to MA for ex-

post evaluation of the IPARD Programme 2007-2013 and procedures for preparation of Monitoring tables and one for MS related to late transfer of funds are closed. Thus, the overall realisation of the findings is 43,5%.

3. Monitoring of the Administrative Capacities of the Operating Structure

Management Structure

According to the WLA for 2020 the optimal number of employees in the Management Structure is 19 (including NAO).

In January 2020, through internal promotion, the positions of Head of National Fund Unit and Head of NAOSO Unit were filled.

During 2020, two accountants and Assistant Head of MS were internally transferred to other sectors within the Ministry of Finance, while one employee was internally transferred to Management Structure. The current number of employees in MS is 15 (Including NAO).

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 (see section 4).

According to the Workload Analysis (WLA) for 2020 the optimal number of employees needed in IPARD Agency is 158.

During 2020, IPARD structure within AFSARD increased for 12 employees (six new administrative civil servants from employment procedure that started in November 2019, five new temporary employments and one employee was transferred to work from non IPARD to IPARD related issues) and in the same time was decreased for 6 employees (three of the temporary employees and three employee working on IPARD). The current number of employees in the IPARD Agency, with cut of date 11th November 2020, is 123 designated to work on IPARD related issues. Having in mind the current number of employees, the occupancy rate according the WLA 2020 is 78%.

Managing Authority

According to the Workload Analysis (WLA) for 2020, Managing Authority has set optimal level of staff on 19 employees for 2020.

During 2020 no new employment/ promotion has been realized. Due to the Corona virus pandemic outbreak, no further activities have been planned.

The current number of employees is 14 (Including HoMA).

In the table below are presented the data regarding the human capacities by 11th November 2020:

Institution	Number of staff on 31.12.2019	Number of staff needed as per WLA 2020	Number of staff needed as per WLA 2021	Realized new recruitments by 11.11.2020	Left the position 11.11.2020	Number of current staff 11.11.2020	Current occupancy rate	Turnover rate
NAO/NF	17	19	19	1	3	15	79%	17.65%
IPARD Agency	117	158	151	12	6	123	78%	5.13%
Managing Authority	14	19	17	0	0	14	74%	0.00%
Total	148	196	187	13	9	152	77%	7.59%

* WLA 2020, Department for Analysis is included in the IPARD structure so 3 employees from this Department have been added to the number of staff on 31.12.2019

Accordinging the Consolidated workload analysis for 2021 the optimal number of employees needed in IPARD Agency is 151, Managing Authority 17 and Management Structure 19 or in total 187 employees. At the moment of preparation of this analysis the occupancy rate is 77%.

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

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

However, National Managing and Operating structure with coordination of the Minister of MAFWE agreed that due to the limited number of HR capacity, the focus of the employees to be over implementation of already accredited measures, till securing optimal number of staff for implementation of new measure IRPI.

This issue is regularly discussed on the IPARD coordinative meetings between IPARD structures internally and DG AGRI.

5. Financial management

Till 11th November 2020 the executed payments for Community contribution amount were as following:

- 3.6 mil EUR for 2020
- 13.6 mil EUR for total implementation of the programme.

Total declared amount (D1 form) for Community contribution in year 2020

- for Q1, Q2 and Q3 in amount of 3.1 mil EUR
- for Q4 is expected amount of 1.5 mil EUR

Calculation of De-commitment of funds for 2020:

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

V component Calculation of De-commitment Risk According N+3 Rule		
No.	Reference	Community Contribution in €
1.	Financial allocations 2017	6,000,000.00
2.	Received pre-financing	5,400,000.00
3.	Secured funds from 2019	1,321,620.11
4.	Declared amount 2020 (with Q3 2020)	3,081,272.26
5.	Amount planned to be declared in Q4/2020 - paid by 11 November 2020 – 555,469.02 € - to be additionally paid till end of 2020–1,000,000 €	1,555,469.02
6=2+3+4 +5-1	No Potential De-commitment of funds at the end of 2020	5,358,361.39

Taking into consideration the above stated inputs, there is no potential risk of de-commitment of funds at the end of 2020. Secured funds from 2020 are expected to be 5,358,361.39 EUR.

Calculation of De-commitment of funds for 2021

During calculation of the potential risk of de-commitment for 2021 the following inputs/assumptions have been taken into consideration:

V component Calculation of De-commitment Risk According N+3 Rule		
No.	Reference	Community Contribution in €
1.	Financial allocations 2018	10,000,000.00
2.	Secured funds from 2020	5,358,361.39
3.	Planned to be paid in 2021	11,091,390.66
4=2+3-1	No Potential De-commitment of funds at the end of 2021	

Taking into consideration the above stated inputs, there is no potential risk of de-commitment of funds at the end of 2021.