



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

Changes to the Internal Manual of Procedures of the IPARD Agency have been prepared during 2021, in order to increase the efficiency of IPARD Agency. Namely, an amendment has been prepared in the part of Sector for Registers (Referent Price Database) in order to speed up the process of project approval and decreasing the time for approving financial support to the final beneficiaries. These changes foresee engagement of evaluation committee composed of experts as new step in the process of determining reference costs. The amendment is expected to be applicable from the next public call (since approval is awaited by DG AGRI) and also expected to decrease the time for concluding contracts where delays are recorded in securing referent prices from BCE.

The modifications of IPARD Agency Manual of Procedures (version 2.1) were qualified as significant, a consent was issued by NAO and the changes were sent for approval to DG AGRI on 19th of April 2021. We were informed by EC on 18.06.2021 that the proposed amendments are approved, with recommendations that should be implemented before their implementation.

After submitting a revised Internal Manual of Procedures (Sector for Registers - Version 2.1), NAO / MS analysed the changes in accordance with the recommendations of DG AGRI and confirmed that the submitted changes, are categorized as changes that have significant impact on the established management and control system, are in accordance with the requirements of the regulations / agreements for the IPARD instrument, and a consent is issued for implementation for applications for financial support received under public call 01/2021. In addition, during 2020, non-substantial modifications of the Internal Manual of Procedures of Management Structure has been prepared as well. The need to modify the Manual of Procedures of the Management Structure arose from the recommendations for improvement the system, given by the experts within the Technical assistance project "Support to the National Authorities for effective fulfilment of the conditions stipulated in the financing agreements and audit findings regarding the implementation of IPA II assistance - Project No. 2018/399593/2", as well as the lessons learned during the practical implementation of the Programmes. Assessment and details of each change were submitted to DG AGRI on information and consideration.

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 2021, planned three verification visit.

The first verification visit was performed over implementation of exception related to use of alternative means for on the spot verifications before signing the contract. The Final report was issued in March 2021 and general conclusion is that use of alternative

means of conducting the checks provide confirmation of compliance with the criteria of the IPARD Programme, i.e. it enables efficient processing of the Applications for financial support.

The verification visit for Administrative check of the paid projects under Measure 1, 3 and 7 started in May 2021. Within this verification visit were checked projects in amount of 873.241,59 EUR paid in 2020-2021, which amount represents around 16 % of the total amount paid in the referent period. The Final report was issued in September 2021. Two finding with potential financial impact are issued under this verification visit.

The third verification visit for Administrative check of the projects before contracting under Measure 1, 3 and 7 started in September 2021. Within this verification visit will be checked projects in amount of 4.047.708,71 EUR, which amount represents around 17.48 % of the total contracted amount within public calls 01/19, 02/19 and 01/20. Draft report from the verification visit is under preparation.

2. Monitoring the implementation of the audit recommendations

(a) Internal Audit

The IPARD Operating structures were subject of internal audit during the 2021 by the internal audit departments/units established in each institution according the PIFC Law requirements.

Management Structure

According the Annual Audit Plan for 2021 of the Department for Internal Audit within the Ministry of Finance one audit mission was planned within NAO/MS over the internal controls of the process of accounting. Final report is issued in August 2021 whereby 2 intermediate findings were identified in relation to identified weaknesses in the establishment and functioning of the system of internal controls in the implementation of the accounting process and the process of reconciliation of accounts.

IPARD Agency

The Annual Audit Plan for 2021 of the Internal Audit Department in IPARD Agency envisages 10 audit missions, out of which 5 audits over processes concerning IPARD and one general audit of process of recording working hours and salary preparation of AFSARD employees. Also one audit upon request by the director is foreseen (which might be also on IPARD if needed). The other planed audits are not related to IPARD Programme.

During 2021 from the abovementioned 6 (six) audits over the processes from IPARD 2014-2020, two audits are finished (audit of process of recording working hours and salary preparation of AFSARD employees, audit over the process of Referent price database) and two audits (audit on execution of on the spot controls before payments, and audit over contracted projects under measure 7) are ongoing.

Managing Authority

The Annual Audit Plan for 2021 of the Ministry of Agriculture, Forestry and Water Economy foresees audit mission over the process of publicity of IPARD Programme.

(b) Audit Authority Reports

The Audit Authority for IPA in March 2021 issued the Annual Audit Report and Annual Audit Opinion for 2020.

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 2020 for implementation of IPARD II Programme:

	Major	Intermediate	Minor	Total	Closed findings by 21.05.2021
NAO/MS	/	2	1	3	3
MA	/	1	1	2	/
IPARD Agency	3	11	2	16	1
Total:				21	4

Regarding the open findings from AA reports, NAO in coordination with the operating structure on 20th April 2021 prepared Action Plan and on 10 August 2021 prepared Revised Action Plan with deadlines and responsibilities for implementation of the recommendation and overcoming the findings.

In addition, NAO submitted Information to the Government with strict conclusions where all institutions implementing IPA are obliged to implement strict actions in order to close the open findings. The Government adopted this information and the conclusions proposed on 26 October 2021.

NAO continuously is monitoring the implementation of the actions agreed for overcoming the findings. On quarterly basis, the IPARD Agency and Managing Authority are submitting to NAO, Table for implementation of audit recommendation, where the latest status of undertaken activities is given. The NAO support structures performs analysis on the dynamic of implementation of activities and informs NAO regarding the status of implementation.

(c) External Audit

During 2020, was conducted audit pursuant to Article 50(1)(c) of the IPARD II Framework Agreement. The audit mission was conducted by an external audit company (contractor).

The main objective of the audit was to examine whether the IPARD Agency complies with the ISO 27002:2013 information security standard and limited review with focus on follow up of information security of the systems used by the National Fund and National Authorising Officer. The audit was conducted from 21-25 September 2020 and the preliminary findings were presented on the closing meeting. Final report from this mission is expected.

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

Management Structure

According to the WLA for 2021 the optimal number of employees in the Management Structure is 19 (including NAO).

In March 2020, through public announcement four new employees, junior associate, were engaged within MS. Also, in 2021 three employees were promoted in Management Structure.

In February 2021 one employee from NF Unit leave the sector. The current number of employees in MS is 18 (Including NAO) and the occupancy rate according the WLA for 2021 is 95%.

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 2021 the optimal number of employees needed in IPARD Agency is 151.

During 2021, IPARD structure within AFSARD increased for 10 employees and in the same time was decreased for 7 employees. Fourteen people were also promoted. The current number of employees in the IPARD Agency, with cut of date 10th November 2021, is 126 designated to work on IPARD related issues. Having in mind the current number of employees, the occupancy rate according the WLA 2021 is 83%.

Managing Authority

According to the Workload Analysis (WLA) for 2020, Managing Authority has set optimal level of staff on 17 employees for 2021.

During 2021 one employee who was temporarily assigned to perform work tasks in the regional unit of MAFWE ended his employment.

The current number of employees is 14 (Including HoMA) and occupancy rate is 82%. In the table below are presented the data regarding the human capacities by 10th November 2021:

Institution	Number of staff on 31.12.2020	Number of staff needed as per WLA 2021	Number of staff needed as per WLA 2022	Realized new recruitments by 10.11.2021	Left the position 10.11.2021	Number of current staff 10.11.2021	Current occupancy rate	Turnover rate
NAO/NF	15	19	21	4	1	18	95%	6.67%
IPARD Agency	123	151	151	10	7	126	83%	5.69%
Managing Authority	15	17	19	0	1	14	82%	6.67%
Total	153	187	191	14	9	158	87%	6.34%

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.

The Request for being entrusted with budget implementation tasks for the measure Investments in Rural Public Infrastructure is planned to be realised within the IPARD III Programme (2021-2027).

5. Financial management

Till 23th November 2021 the executed payments for Community contribution amount were as follows:

- EUR 6,8 mil for 2021
- EUR 21,1 mil for total implementation of the programme.

Total declared amount (D1 form) for Community contribution till Q3 2021:

- for 2021 was EUR 6 mil
- for the whole implementation of the programme in amount of EUR 20,3 mil

Calculation of De-commitment of funds for 2021:

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

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	5.059.486,58
3.	Declared amount 2021 (Q1,Q2,Q3 2021)	6.011.155,13
4.	Paid in Q4 2021 (till 23.11.2021)	791.129,36
5.	Forecast to be paid till end of 2021	710.000,00
6=2+3+4 +5-1	No Potential De-commitment of funds at the end of 2021	2.571.771,07

Taking into consideration the above stated inputs, there is no potential risk of de-commitment of funds at the end of 2021. Secured funds from 2021 are expected to be EUR 2.5 mil.