



*Ministry of finance*

*IPA Fund Management Department*

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

*November 2022*

## **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 2022, in order to increase the efficiency of IPARD Agency. Namely, in order to speed up the process of payments and on the other hand to decrease the risk of de-commitment of funds under IPARD Programme, possibility of advance payment was introduced. . The modifications were qualified as significant and a request for approval was sent to DG AGRI on 17<sup>th</sup> October 2022. The modifications will be applicable after receiving approval from DG AGRI as well as once achieving full functionality of SAP system regarding advance payments.

According to the national Decree, the applicant can submit a request for an advance payment of the financial support within 60 days after the conclusion of the agreement for financial support. The advance payment cannot exceed an amount greater than 50% of the amount of the approved financial support for the investment.

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 2022, planned three verification visit.

The first verification visit is ex-post on the spot control on paid projects started in April 2022. Within this verification visit were checked projects in amount of 1.414.025,34 EUR, which amount represents around 18,58% of the total paid projects during 2018 and 2019 (under measure 11 the sample population was also limited on investments where the paid amount to the beneficiary is over 1.300.000 MKD). The Final Report was issued on 4<sup>th</sup> July 2022.

The scope of second verification visits is to verify compliance with entrustment requirements of the budget implementation tasks for IPARD III. This verification is ongoing within the process for preparation of the package for entrustment of the budget implementation tasks for IPARD 2021-2027 Programme.

Third verification visit is verification visit for Administrative check of the paid projects in Q2 and Q3 2022 and will be performed during December 2022.

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

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

The IPARD Operating structures were subject of internal audit during the 2022 by the internal audit departments/units established in each institution.

### Management Structure

According to the Annual Audit Plan for 2022 of the Ministry of Finance, one audit mission was planned over the system of internal controls in the process of human resources management in the IPA Fund Management Department. The audit mission started in October 2022 and is still ongoing.

### IPARD Agency

During the 2022, four audits from the Annual Audit Plan for 2021 of the Internal Audit Department in IPARD Agency were finalised:

- Audit on the process of project approval and contracting for measure 7 of the IPARD Program 2014-2020
- Audit on-the-spot control process before payment from the IPARD Program 2014-2020
- Audit on the reporting process to the Management Authority in accordance with the Implementing Agreement concluded between MA and IPARD Agency
- Audit on the process of approval of payments from the IPARD Program 2014-2020.

According to the Annual Audit Plan for 2022, 6 audit missions are planned, out of which 5 audits over processes concerning IPARD and one audit upon request by the director of IPARD Agency. By November 2022, one follow up audit was finalised, two audits are ongoing and two should be initiated in the forthcoming period.

### 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.

The audit has not been performed in 2021 and according to the information submitted by MA the audit is planned to be performed during 2022.

The Annual Audit Plan for 2022 foresees audit mission over the process of organisation of a Monitoring Committee for the IPARD Programme for 2020.

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

The Audit Authority for IPA in April 2022 issued the Annual Audit Report and Annual Audit Opinion for 2021.

With the Annual Audit Opinion auditors expressed an **Unqualified** opinion with emphasis of matter **regarding the Reliability of the annual-financial reports or statements/annual accounts** with attention regard to: generating incorrect data from the accounting system (SAP) in the Debtors' Ledger, less inflow on the IPARD euro account due to off-setting of debt and withheld funds as bank charges.

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,

absence of a long-term retention and motivation policy and late payments to recipients.

In the table below are presented findings from the Annual Audit Report for 2021 for implementation of IPARD II Programme:

	Major	Intermediate	Minor	Total	Closed findings by 03.11.2022
NAO/MS	2	2	/	4	1
MA	/	1	/	1	0
IPARD Agency	7	15	2	24	4
Total:				29	5

Regarding the open findings from AA reports, NAO in coordination with the operating structure on 29<sup>th</sup> April 2022 prepared Consolidated Action Plan and on 3<sup>th</sup> November 2022 prepared Revised Action Plan with deadlines and responsibilities for implementation of the recommendation and overcoming the findings. Revised Action Plan includes findings from the external IT audit by DG AGRI.

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 was submitted in July 2022 and 5 recommendations for IPARD Agency and one observation for Management Structure were issued.

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

#### Management Structure

According to the WLA for 2022 the optimal number of employees in the Management Structure is 19 (including NAO).

In April 2022, one junior associate from National Fund Unit was internally transferred within Ministry of Finance.

The current number of employees in MS is 17 (Including NAO) and the occupancy rate according the WLA for 2022 is 89%.

#### IPARD Agency

According to the Workload Analysis (WLA) for 2022 the optimal number of employees needed in IPARD Agency is 165. With the WLA for 2022 in the IPARD structure of the Agency are included 7 employees from Sector for Information and Communication Technology and 10 employees from Sector for on the spot control (inclusion of controllers working on national measures).

During 2022, IPARD structure within AFSARD increased for 4 employee and in the same time was decreased for 11 employees.

The current number of employees in the IPARD Agency, with cut of date 10<sup>th</sup> November 2022, is 139 designated to work on IPARD related issues.

Having in mind the current number of employees, the occupancy rate according the WLA 2022 is 84%.

#### Managing Authority

According to the Workload Analysis for 2022, Managing Authority has set optimal level of staff on 17 employees.

During 2022 one advisor left and one junior associate joined the Managing Authority.

The current number of employees is 15 (Including HoMA) and occupancy rate is 88%.

In the table below are presented the data regarding the human capacities by November 2022:

Institution	Number of staff on 01.01.2022	Number of staff needed as per WLA 2022	Realized new recruitments by 10.11.2022	Left the position 10.11.2022	Number of current staff 10.11.2022	Current occupancy rate	Turnover rate
NAO/NF	18	19	0	1	17	89%	5.56%
IPARD Agency*	146	165	4	11	139	84%	7.53%

Managing Authority**	15	17	1	1	15	88%	6.67%
Total	179	201	5	13	171	85%	7.26%

\* with WLA 2022 for IPARD Agency the Sector for Information and Communication Technology is included in the IPARD structure and 7 employees engaged in this sector are presented in this number as of 01.01.2022. Also from Sector for Control all employees are included in the IPARD structure (meaning inclusion of controllers working on national measures). This changes shall be considered in the baseline for calculating needs in 2022 and shall not have effect on the calculating the needs and turnover for 2021.

\*\* from 01.01.2022 in MA one employee from the Unit for Leader measure is presented in this number taking into account that the staff of this Unit is actively involved in the work of the MA.

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

Accreditation of new measures is envisaged for next IPA 3 programming period

#### **5. Financial management**

Till 02<sup>nd</sup> November 2022 the executed payments for Community contribution amount were as follows:

- EUR 11,7 mil for 2022
- EUR 33,2 mil for total implementation of the programme.

Total declared amount (D1 form) for Community contribution till Q3 2022:

- for 2022 was EUR 11 mil
- for the whole implementation of the programme in amount of EUR 32.4 mil

#### **Calculation of De-commitment of funds for 2022:**

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

<b>Calculation of De-commitment Risk According N+3 Rule</b>		
<b>No.</b>	<b>Reference</b>	<b>Community Contribution in €</b>
1.	Financial allocations 2019	14.000.000,00
2.	Secured funds from 2021	2.180.533,31
3.	Declared amount 2022 (Q1)	1.563.039,76

4.	Declared amount 2022 (Q2)	6.573.577,97
5.	Declared amount 2022 (Q3)	2.681.614,45
6.	Paid in Q4 (cut-off 02.11.2022)	972.912,24
7.	Forecast to be paid till end of 2022	727.087,76
<b>8=2+3+4 +5+6+7-1</b>	<b>No Potential De-commitment of funds at the end of 2022</b>	<b>878.765,49</b>

Taking into consideration the above stated inputs, there is no potential risk of de-commitment of funds at the end of 2022.

By the end of 2022 additional 2 mil EUR is expected to be paid, which will result in around 34 mil EUR paid in total. Thus, during 2023, approximately 26 mil EUR has to be paid in order de-commitment to be avoid totally. NAO and IPARD structure have regular discussions for finding best solutions and measures for increasing the amount of disbursement in 2023.