



Ministry of finance
IPA Fund Management Department

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

April 2024

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

1. Design of the Management and control system

During 2024 no changes in the design of the Management and control system have occurred.

2. Monitoring of the Management and control system - Verification Visit

NAO support office within the Annual plan for verification visits for 2023 as of 30th January 2023, planned three verification visits as monitoring tool of the functioning of MCS related to IPARD II Programme.

First verification visit in relation to IPARD II Programme 2014-2020 was related to Administrative check of the paid projects (continuation and finalisation of the verification visit from the 2022 Annual Plan). This verification visit was initiated in December 2022 and finalised in May 2023. With this verification visit subject of review were projects from Measure 1, Measure 3, Measure 7 and Measure 9. With this verification visit 7 paid projects in amount of 1.228.551,38 EUR out of 5.272.003,78 EUR paid in the referent period were administratively checked, representing around 23% of the disbursed amount from the selected sample. Final Report was issued on 17th July 2023. Three major findings were identified (2 with potential financial impact and one regarding less paid funds) and one medium finding was identified.

All findings are subject to follow up.

The scope of second Verification Visit was ex-post on the spot control on paid projects (for the project applications under measure 1, 3 and 7). With this verification visit were performed ex post on the spot checked projects in amount of 1,860,557.79 EUR, representing volume of around 15,27% of the total paid projects during 2020 and 2021 (from Measure 1 and 7 paid projects sample was made with limitation from projects above 600.000,00 MKD or 10.000 EUR) . A verification visit was finalized at the end of December 2023 and the Final Verification Visit Report report was issued on 12th March 2024. Two major findings were identified with potential financial impact and one Irregularity Report was reported through IMS system.

All findings are subject to follow up.

Third verification visit was follow up on the implementation of recommendations given with previous verification visits activities. This verification visit was started in January 2024 and the procedure is finalised with the Final Verification visit Reports issued in March 2024. With these reports the following status has been determined: regarding IPARD Agency out of 18 findings and 3 risks - 15 findings and 3 risks are overcome, and for Managing Authority all 4 findings are overcome (mostly related to implementation of TA measure).

Annual Plan for Verification Visits for 2024 is adopted on 25th January 2024 and foresees two visits as follows:

1. Verification visit by performing ex-post on the spot checks (IPARD II Programme);
2. Verification visit - administrative check of the paid project (IPARD II Programme);

3. Monitoring the implementation of the audit recommendations

(a) Internal Audit

Management Structure

According to the Annual Internal Audit Plan for 2023 in the Ministry of Finance, one audit mission was planned over the system of internal controls - management of EU funds, accounts and control of the correctness of requests for funds and certification of expenditures in National Fund Unit/IPA Accounting body within the IPA Funds Management Department/Management Structure. The audit mission was performed in the course of September - November 2023. According to the Final Audit Report number 23-7662/3 as of 10.11.2023, one high risk finding was identified in relation to the need for securing optimal number of HR capacities, in particular related to financial management.

Annual Internal Audit Plan for 2024 (No.23-11010/1 dated as of 14.12.2023) foresees follow up audit mission on implementation of the recommendations from human resources management audit.

IPARD Agency

According to the Annual Internal Audit Plan of the IPARD Agency for 2023, three audit missions were planned, out of which two audits over processes concerning implementation of IPARD and one follow up audit.

During 2023, three audits from the Annual Audit Plan for 2022 and four audits from the Annual Audit Plan for 2023 were conducted:

- Audit on the process of approval of projects and contracting for measure 3 from IPARD Program 2014-2020;
- Audit of process of bookkeeping accounting records, its completeness and accuracy in conducting IPARD Program 2014-2020;
- Audit on the process of authorization of payments from the IPARD Program 2014-2020;
- Follow up audit on the implementation of recommendations;
- Audit on the process of approval of projects and contracting for measure 1 and 7 from IPARD Program 2014-2020;
- Audit of process on the spot control before payment from IPARD Program 2014-2020;
- Audit of self-assessment process of IPARD Agency for implementation of the measure Investments in rural public infrastructure for the IPARD Programme 2021-2027.

The Annual Audit Plan of the IPARD Agency for 2024 is adopted in December 2023. According the plan, five audit missions are planned, out of which three audits over processes concerning implementation of IPARD and one follow up audit.

Managing Authority

According to the Annual Audit Plan for 2023, the Internal Audit Department at the Ministry of Agriculture, Forestry and Water Economy performed an audit of the publicity process of the IPARD Programme. The purpose of the audit was to assess the success of the activities carried out in the direction of ensuring publicity and adequate information of the IPARD program 2021-2027.

According to the final audit report submitted on 06th of March 2024 (Ref. 09-29), one high finding was identified regarding the need to strength human capacities in Unit for Technical Assistance by filling the post Advisor for Information and Publicity.

Regarding the degree of success of information and publicity activities, the audit expressed an opinion that informing final beneficiaries is generally effective, but suggests maximum use of other available resources (such as digital media) to fulfill the set goals and results .

(b) Audit Authority Reports

Unqualified opinion for the reliability of the annual financial reports, or statements/annual accounts was issued with a reasonable assurance that the declaration of expenditure and annual financial reports of statements/annual accounts for FY 2023 give a true and fair view.

Qualified opinion on legality and regularity of expenditure and functioning of management and control systems was issued by Audit Authority for 2023. In that manner findings have been identified in relation to weaknesses in supervision in the process of authorisation of commitments and payments, wrong calculation of eligible funds for co-financing, payments made for investments which are not fully put in operation and which goals were not fulfilled and for absence of a long-term retention and motivation policy.

In regard to the Annual Audit Activity Report for 2023, 37 open findings were followed by NAO related to IPARD 2014-2020, presented in the table below:

Institution	Major	Intermediate	Minor	Total
NAO/MS	1	2	/	3
MA	/	1	/	1
IPARD Agency	16	15	2	33
Total:				37

During 2023, 16 findings were closed.

High risk findings :

Following 16 high risk findings (or 43%) **in IPARD Agency**, remain open and are related

to:

- concluding contract without 3 offers,
- non comparable offers and higher amount of financial support paid due to technical mistake,
- less paid funds, part of the equipment subject of investment,
- not put in operation
- funds for co-financing from measure 7 awarded to a recipient who is not a manufacturer,
- avoiding the rule of three offers,
- procurement items approved without having appropriate supporting documents
- transport costs paid,
- ineligible expenditure paid,
- investment goal not fulfilled,
- established production plant which has not started operation,
- discrepancy between the explanation of the Decision for payment and the paid financial support.

Most of the findings identified from audit on operation have very small financial impact and are regularly corrected (decisions for recovery or for additional payment are issued and the findings are settled).

4. Monitoring of the Administrative Capacities of the IPARD Structure

Management Structure

Current number of employees in MS is 15 (Including NAO) and the occupancy rate of the working posts in the IPA Funds Management Department is 79%.

Workload Analysis for the period 2024-2026 was prepared and the results of the calculations showed that the optimal number of employees in MS for 2024 is 19 (nineteen). At the end of 2023 public call was announced for filling of two positions: junior associate – financial manager and junior associate for EFMCS in the area of IPARD programme. The procedure is pending and due to the announced elections the procedure may be postponed having in mind no employments can be realised during the election period - scheduled for May 2024.

IPARD Agency

According to WLA analysis of the IPARD Agency for 2024 the optimal number of employees in the Agency is 158, including the measure Investments in Rural Public Infrastructure (IRPI). According the Workload Analysis for 2024, 11 new employments are needed in IPARD Agency (and 29 promotions are also detected).

Managing Authority

Workload Analysis for the period 2024-2026 shows that optimal number of employees in MA for 2024 is 15 (fifteen). According the Workload Analysis for 2024, 1 new employment and 3 promotions are needed.

	Staff at 01.01.2024 (1)	New employees by 01.03.2024 (2)	Left their position by 01.03.2024 (3)	Current staff (4)	Optimal number (WLA 2024) (5)	New employments needed 6=5-4	Priority according NAO assessment	Turnover rate 7=3/1	Occupancy rate 8=4/5
MS	15	0	0	15	19	4	4	0%	79%
IPARD PA	149	0	2	147	158	11	11	1%	93%
IPARD MA	14	0	0	14	15	1	1	0%	93%
TOTAL	178	0	2	176	192	16	16	1%	92%

With the WLA's for 2024 the number of staff needed in the IPARD Structure is 192, so at the moment the occupancy rate is 92%.

Staff retention

The Law on Administration is under amendment, where beside other reforms should be introduced article for possibilities for the top ups in range of 15 – 45% of IPA Structures' staff salaries. These amendments shall serve as legal base for further implementation of the retention/motivation measures (financial and non financial). The amendments on the Law were adopted by the Government and submitted to the Parliament for adoption. The amendments of the Law at the moment of preparation of this Report are in parliamentary procedure.

In meanwhile 15% flat rate top up on the salary of the staff in the IPA structures is implemented according the Law on Budget Execution.

5. Financial management

Till 22nd April 2024 the executed payments (EU part) are as follows:

- MEUR 2.9 for 2024
- MEUR 47.8 for total implementation of the programme.

Calculation of De-commitment of funds for 2024:

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	60.000.000,00
2.	Declared amount till 31.12.2023	44.828.022,71
3.	Forecasted amount to be paid in 2024	7.582.500,00
4=1-2-3	Potential De-commitment of funds at the end of 2024	7.589.477,29

Taking into consideration the above stated calculation, the potential risk of de-commitment of funds at the end of 2024 is 7.6 mil EUR i.e 12%.

Gained interest

On 31st of March 2024 the incurred interest on IPARD II euro account is 1.808,58 EUR.