



MONTENEGRO

AUDIT AUTHORITY

No: 3011-4-06-68
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ANNUAL AUDIT ACTIVITY REPORT

OF THE AUDIT AUTHORITY FOR

ANNUAL COUNTRY ACTION PROGRAMME FOR
THE MONTENEGRO FOR THE YEAR 2017

FOR THE PERIOD FROM 01 JANUARY UNTIL
31 DECEMBER 2018

Podgorica, March 2019

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1. INTRODUCTION

1.1 Details of the responsible audit authority and other bodies that have been involved in preparing the report

The Audit Authority of Montenegro, as an independent audit body, was established by the Law on Audit of EU Funds (OG 14/12, 54/16, 37/17 and 70/17). The Audit Authority is responsible for audit of EU funds (IPA, Structural Funds after the accession of Montenegro to the European Union, and other EU funds). According to Article 3 of the Law on Audit of EU funds, the AA is functionally and operationally independent of all actors in EU funds management and control system.

The Law on Audit of EU Funds prescribes that auditees shall be public institutions and organisations, authorities and organisations of local self-government units, natural and legal persons who receive, use and manage EU funds respectively.

The functions and responsibilities of the Audit Authority are set out in the Framework Agreement between Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-accession Assistance (IPA II) - (OG MNE, No 5/2015) and in Commission Implementing Regulation (EU) No 447/2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA II).

The Audit Authority is responsible for verifying:

- the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts;
- the efficient and effective functioning of the management, control and supervision systems;
- the legality and regularity of the underlying transactions.

The Audit Authority should submit an Annual Audit Activity Report (AAAR) and Annual Audit Opinion (AAO) following the model set out in Annexes D and E of the Framework Agreement.

This report has been prepared by the Audit Authority of Montenegro.

1.2 Reference period (i.e. the year) and the scope of the audits (including the expenditure declared to the Commission for the year concerned)

Pursuant to Article 3(f) of the Framework Agreement between Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-accession Assistance (IPA II), reference period for this Annual Audit Activity Report is financial year and covers the period from on 1 January to 31 December 2018.

The audit scope was limited. Bearing in mind that Financing Agreement between the Government of Montenegro and the European Commission concerning the Annual Country Action Programme for Montenegro for the year 2017 (No IPA/2017/040-2016; IPA/2017/039-816) was signed on 17 December 2018 and that implementation of the Programme has not started during the year 2018 (from 17 to 31 December 2018), meaning that no actions were implemented and no expenditure were declared. Due to this fact, the Audit Authority has not been in position to perform audits regarding the financial year 2018.

1.3 Identification of the sector/policy area(s) covered by the report and of its/their operating structure and management structure

The report covers Annual Country Action Programme for Montenegro for the year 2017 (No IPA/2017/040-2016; IPA/2017/039-816). This Programme covers following policy areas by indirect management: Democracy and Governance and Transport.

The total estimated cost of Annual Country Action Programme 2017 is EUR 16,156,529 and the maximum Union contribution to this Programme is set at EUR 13,511,103.

Structures and bodies being part of the management and control system of this Programme are, as follows:

- National IPA Coordinator,
- The National Authorising Officer,
- The Management structure:
 - The National Fund
 - The NAO support office
- The Operating structure consisting of:
 - the NIPAC office;
 - Implementing Agencies: Central Finance and Contracting Unit (CFCU) and Directorate for Public Works (DPW);
 - PIUs in the Line Ministries (Ministry of Finance (MF) and Ministry of Transport and Maritime Affairs (MTMA)).

1.4 Description of the steps taken to prepare the report and to draw the audit opinion

To prepare the Annual Audit Activity Report, the Audit Authority processes and summarises and assesses the findings and recommendations included in the reports on performed audits, and carries out a follow-up to assess the time proportional implementation of action plans prepared on the basis of audit recommendations.

The Annual Audit Activity report shall set out, inter alia, any deficiencies found in the management, control and supervision systems and any corrective measures taken or planned by the NAO, National Fund and/or the operating structures concerned, and details of any substantial changes in the Management and control systems.

The NAO prepares and, with copy to the NIPAC and the Audit Authority, provides the Commission with annual financial reports or statements on accrual basis which clearly

distinguishes costs accepted and payments made, an annual management declaration per programme and a summary of the reports on the internal audits and of controls carried out by the management structure, providing a sound basis for the management declaration by 15 February of the following financial year.

With a view to drawing up an audit opinion, Audit Authority shall assess results of audit activities from the performed audits of management and control system, on sample of declared expenditure and accounts and assess the consistency of the management declaration with regard to performed audit work.

Based on the available information the Audit Authority prepares the Annual Activity Audit Report and the Annual Audit Opinion.

The Audit Authority submits Annual Audit Activity report and Annual Audit Opinion to the European Commission and the Government of Montenegro with a copy to the NIPAC and the NAO by 15 March each year.

2. SUBSTANTIAL CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

Not applicable – see point 1.2.

3. CHANGES TO THE AUDIT STRATEGY

Not applicable for the first financial year.

4. SYSTEMS AUDITS

Not applicable – see point 1.2.

Audit period	1. Programme (CCI and title)	2. Audit Body	3. Audited Body(ies)	4. Date of the audit	5. Scope of the audit	6. Principal findings and conclusions	7. Problems of systemic character and measures taken	8. Estimated financial impact (if applicable)	9. State of follow-up (closed /or not)
01.01.2018.-31.12.2018.	Annual Country Action Programme for Montenegro for the year 2017 C(2017) 6313	Audit Authority of Montenegro	/	/	/	/	/	/	/

5. AUDITS OF SAMPLES OF TRANSACTIONS

Not applicable – see point 1.2.

6. AUDITS OF THE ANNUAL FINANCIAL REPORTS OR STATEMENTS/ANNUAL ACCOUNTS

Not applicable – see point 1.2.

7. FOLLOW-UP OF PREVIOUS YEARS' AUDIT ACTIVITY

Not applicable.

8. OTHER INFORMATION

Not applicable.

9. OVERALL LEVEL OF ASSURANCE

Not applicable.

10. TABLE FOR DECLARED EXPENDITURE AND SAMPLE AUDITS

Not applicable.

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