



MONTENEGRO

AUDIT AUTHORITY

No: 3011-4-06-69
Date: 12 March 2019

ANNUAL AUDIT ACTIVITY REPORT

OF THE AUDIT AUTHORITY FOR

**2015-2017 Sectoral operational programme for
Montenegro on Employment, Education and Social
policies (SOPEES)**

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 shall prescribe that auditees are public institutions and organisations, authorities and organisations of local selfgovernment 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 Financing

Agreement for the 2015-2017 Multi-annual action programme for Montenegro on Employment, Education and Social policies (2015/037-895) was signed on 12 July 2018 and that implementation of the Programme has not started during the year 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 Multi-annual action programme for Montenegro on Employment, Education and Social policies (2015/037-895).

The main aim of the program is to provide the developed and cohesive society through provision of better conditions for raising levels of employability of citizens, improvement of quality of formal and non-formal education and lifelong learning, with social inclusion of persons in disadvantaged position and decrease of poverty risk. Determined funds are planned for implementation of 4 actions (priority axes):

Action 1 – Improving the Labour Market and Increasing Employability

Action 2 – Enhancing the Education System

Action 3 – Improving Social Inclusion and

Action 4 – Technical assistance.

Financing Agreement for the 2015-2017 Multi-annual action programme for Montenegro on Employment, Education and Social policies (2015/037-895) was signed on 12 July 2018.

The total estimated cost of Programme is EUR 18,000,000.00 and the maximum Union contribution to this Programme is set at EUR 15,300,000.00.

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

1) The National IPA Co-ordinator (NIPAC)

2) The National Authorising Officer (NAO)

3) The Management structure:

- The National Fund
- The NAO support office

4) The Operating Structure:

- The NIPAC office
- Implementing Agencies: Central Finance and Contracting Unit (CFCU) and Directorate for Public Works (DPW)

PIUs of the line ministries: (MLSW, MoS, MoE, MHMR).

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

There was no change in Audit Strategy 2019-2021 for the IPA II Multi-annual action programme for Montenegro on Employment, Education and Social policies (2015/037-895)(SOPEES) of the Audit Authority, approved by Auditor General and submitted to EC on 29 November 2018.

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.	Multi-annual action programme for Montenegro on Employment, Education and Social policies(C(2015)9051)	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.

			A	B		C	D	E		F	G	H=F-G	GI	JH
Fund	Reference (CCI)	Programme	Expenditure declared to the Commission in reference to the year	Expenditure in reference to the financial year audited for the random sample		Total number of units in the population	Number of sampling units for the random sample	Amount and percentage (error rate) of irregular expenditure in random sample		Total projected error rate	Corrections implemented as a result of the total error rate	Residual total error rate	Other expenditure audited	Amount of irregular expenditure in other expenditure sample
				Amount	%			Amount	%	%				
	(C(2015)9051)	Multi-annual action programme for Montenegro on Employment, Education and Social policies	/	/	/	/	/	/	/	/	/	/	/	/