



**MONTENEGRO**  
**AUDIT AUTHORITY**

No: 01-908/25-95

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**ANNUAL AUDIT ACTIVITY REPORT**  
**OF**  
**THE AUDIT AUTHORITY**  
**FOR**  
**ANNUAL ACTION PLAN OF MONTENEGRO FOR 2021**

**FOR THE PERIODS**  
**FROM 01 JULY 2023 – 30 JUNE 2024**  
**FROM 01 JANUARY 2024 - 31 DECEMBER 2024**

Podgorica, February 2025

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**LIST OF ABBREVIATIONS**

AA	Audit Authority of Montenegro
AAAR	Annual Audit Activity Report
AAO	Annual Audit Opinion
AB	Accounting Body
AMD	Annual Management Declaration
CFCU	Central Finance and Contracting Unit
CPA	Capital Project Administration
DG NEAR	Directorate General for Neighbourhood and Enlargement Negotiations
DMS	Directorate for Management Structure
EC	European Commission
EU	European Union
EUD	Delegation of the European Union
FFPA	Financial Framework Partnership Agreement
ICFR	Internal Control Framework Requirement
IPA III	Instrument for Pre-Accession Assistance III perspective
IPA	Instrument for Pre-Accession Assistance
IBFM	Intermediate Bodies for financial management
IBPM	Intermediate Bodies for policy management
IAU	Internal Audit Unit
ICF	Internal Control Framework
LTEC	Long Term Employment Contract
MCSS	Management, Control and Supervision System
MF	Ministry of Finance
MESDNRD	Ministry of Ecology, Sustainable Development and Northern Region Development
MAFWM	Ministry of Agriculture, Forestry and Water Management
MoP	Manual of Procedures
NAO SO and AB	NAO Support Office and Accounting body
NAO	National Authorising Officer
NIPAC	National IPA Coordinator
OG MNE	Official Gazette of Montenegro
OS	Operating Structure
OTSC	On-the-spot Check
TEC	Temporary Employment Contract
WLA	Work Load Analysis
Rulebook	Rulebook on internal organization and systematization
WLA	Work Load Analysis

## **1. INTRODUCTION**

### **1.1 Identification of the Audit Authority and other bodies that have been involved in preparation of 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 Financial Framework Partnership 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 III), (hereinafter FFPA) and in Commission Implementing Regulation (EU) 2021/2236 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III) and in Commission Delegated Regulation (EU) 2021/2128 supplementing Regulation (EU) 2021/1529 of the European Parliament and of the Council, as regards setting out certain specific objectives and thematic priorities for assistance under the Instrument for Pre-Accession Assistance (IPA III).

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 submits an Annual Audit Activity Report (AAAR) and Annual Audit Opinion (AAO) following the model set out in Annexes D and E of the FFPA.

This report has been prepared by the Audit Authority of Montenegro. Other bodies were not included in preparation of this report given that AA does not rely on work of other bodies in performing its functions.

**1.2 Reference period (i.e. the financial year and the 12 months period from 1 July... (year) to 30 June... (year), except where otherwise provided for in a sectoral agreement or a financing agreement) and the scope of the audits (including the costs recognised declared to the Commission for the period concerned).**

Pursuant to Article 3(i) of the FFPA on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-accession Assistance (IPA III), reference period for this Annual Audit Activity Report is financial year and covers the period from 01 January to 31 December 2024 and ‘12-month period’ period from 01 July 2023 (of the previous financial year) to 30 June 2024 (of the current financial year).

In 2024 the Audit Authority carried out system audit for AAP 2021. In the period covered by this report, the AA was not in a position to perform audit of operations for listed program because in the period from 01 July 2023 (of the previous financial year) to 30 June 2024 (of the current financial year) there were no declared expenditures to EC for that Programme. In the period January - February 2025 AA conducted also Audit of accounts for AAP 2021.

**1.3 Identification of the programme/action(s)/sector(s) covered by the report and of its/their Managing Authority and Intermediate Bodies.**

The report covers for the Annual Action Plan in favour of Montenegro for 2021 (hereinafter: AAP) IPA III (Global commitment number for year 2021: DEC.043 663.01).

Within AAP 2021, 2 actions shall be implemented by indirect management which covers following policy areas: Environment and Climate Action; and Competitiveness and Innovation.

Financing Agreement for the Annual Action Plan in favour of Montenegro for 2021 was signed on 15<sup>th</sup> December 2022. The total estimated cost of AAP 2021 is EUR 33,517,352.94 and the maximum Union contribution to this Programme is set at EUR 32,410,000.00. Actions of the Programme covered by Financing Agreement under indirect management with objectives of actions are given in the table 1.

*Table 1 - Actions of the Programme covered by Financing Agreement under indirect management*

Sector	Action (number and title)	Intermediate body for financial management	Intermediate body	EU contribution EUR	National co-financing EUR	Total
<b>Environment and climate action</b>	Action 2 “Environment and climate action”	CPA	Ministry of Ecology Spatial Planning and Urbanism	6,275,000.00	1,107,353.00	7,382,353.00
<b>Agricultural</b>	Action 4 Agricultural	CFCU and CPA	Ministry of Agriculture, Forestry and Water Management	3,400,000.00	0.00	3,400,000.00
<b>Total</b>				<b>9,675,000.00</b>	<b>1,107,353.00</b>	<b>10,782,353.00</b>

By signing Addendum of the Financing Agreement for the Annual Action Plan in favour of Montenegro for 2021, on 12/12/2024, the budget for Action 4 "Support to the Agriculture Sector in Montenegro" is increased by at least 2,000,000.00 (national co-financing). Also, there were changes in regard to amounts available per IBFMs (reshuffling between IBFMs was made regarding EU part of available funds within same window/action).

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

- 1) The National IPA Coordinator (NIPAC)
- 2) The National Authorizing Officer (NAO)
- 3) The Management structure:
  - The NAO support office
  - The Accounting Body
- 4) The Managing Authority:
  - The NIPAC office
  - Intermediate Bodies for financial management: Central Finance and Contracting Unit (CFCU) and Capital Projects Administration (CPA)
  - Intermediate Bodies for policy management: Ministry of Ecology, Sustainable Development and Northern Region Development and Ministry of Agriculture, Forestry and Water Management.

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

The AAAR was prepared as a result of audit activities carried out during the 2024. During 2024 the AA carried out system audit for AAP 2021.

In the period from January – February 2025 AA performed audit of the annual financial reports for 2024. With a view to drawing up an audit opinion, Audit Authority assessed results of audit activities from the performed audit of management, control and supervision system, audit of accounts and the consistency of the management declaration with regard to performed audit work. Based on the available information and Final Audit Reports 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 February each year.

## 2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

AA regularly monitored and gathered information on changes in the Management, Control and Supervision System (MCSS).

In this AAAR we described significant personal and organizational changes occurred in the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2024.

### 2.1 Details of any major changes in the management and control systems and confirmation of its compliance with Article 8 of Commission Implementing Regulation (EU) 2021/2236 based on the audit work carried out by the Audit Authority.

During 2024 the NAO/Deputy NAO informed the European Commission and Audit Authority about substantial and planned changes in the system.

#### **Personal changes:**

- *Mr Bojan Božović has been appointed as NIPAC. Change occurred by Government conclusion from 18<sup>th</sup> January 2024. The information was submitted to the NAO in January 2024. NAO informed European Commission and Audit Authority on this personal change on 27<sup>th</sup> February 2024. (Letter No: 08- 908/24-95/1).*
- *Ms Bojana Kalezić has been transferred to the position of Head of Department for EU and other funds within PIU MTESDNRD. Change occurred by Decision of deployment in MTESDNRD.*
- *Ms Ana Raičević has left position of the NAO within Ministry of Finance. Change occurred by Government session held on 2<sup>nd</sup> February 2024. NAO informed European Commission and Audit Authority on this personal change on 27<sup>th</sup> February 2024. (Letter No: 08- 908/24-95/1).*
- *Ms Milica Adžić has been appointed on a position of the NAO within Ministry of Finance. Change occurred by Government session held on 8<sup>th</sup> February 2024. NAO informed European Commission and Audit Authority on this personal change on 27<sup>th</sup> February 2024. (Letter No: 08- 908/24-95/1).*
- *Mr Matija Đurđevac has been appointed on a position of the SPO within PIU MTESDNRD. Change occurred by Government session held on 22<sup>nd</sup> February 2024.*
- *Ms Anja Amidžić left the position of the Acting Head of MS. Change occurred by Government session held on 11<sup>th</sup> July 2024. NAO informed European Commission and Audit Authority on this personal change on 19<sup>th</sup> July 2024. (Letter No: 08- 908/24-366/1).*
- *Mr Velibor Damjanović has been appointed on a position of a Head of MS (Director General). Change occurred by Government session held on July 11<sup>th</sup> 2024 and information submitted to EC. NAO informed European Commission and Audit Authority on this personal change on 19<sup>th</sup> July 2024. (Letter No: 08- 908/24-366/1).*

- *Mr Bojan Vujović appointed as Director General of the Directorate for coordination EU financial assistance within Ministry of European Affairs/Deputy NIPAC, Head of Managing Authority. Change occurred by Government session held on 18<sup>th</sup> July 2024.*
- *Mr Bojan Božović left his position of NIPAC. Change occurred by Government reorganization on 23<sup>rd</sup> July 2024.*
- *Mr Matija Đurđević terminated his engagement as appointed on a position of the SPO within PIU MTESDNRD. Change occurred on Government session held on 28<sup>th</sup> August 2024.*

### **Organizational changes:**

*With the reconstruction of the Government of Montenegro, the Decree on changes of Decree on the organisation and manner of work of the state administration has been adopted on July 23<sup>rd</sup> 2024. The mentioned Decree has significantly changed the organization of the entire state administration, reflecting on IPA units within reorganized ministries. Adopted by the Government of Montenegro on July 23<sup>rd</sup> 2024. More precisely, along with the Ministry of Tourism, the Ministry of Ecology, Sustainable Development and Development of the North has been added.*

## **2.2 The dates from which these changes apply, the dates of notification of the changes to the Audit Authority, as well as the impact of these changes on the audit work are to be indicated.**

All the changes were assessed by Audit Authority and we can confirm that all changes follow applicable regulations.

The changes that occurred in MCSS in 2024 do not have an impact on the audit work.

## **3. CHANGES TO THE AUDIT STRATEGY**

### **3.1 Details of any changes that have been made to the audit strategy or are proposed, and of the reasons for them. In particular, indicate any change to the sampling method used for the audit of operations (see paragraph 5 below).**

Audit Strategy 2024–2026 for the Annual Action Plan in favour of Montenegro for 2021 was prepared in November 2023. The Auditor General of Audit Authority approved it and sent it to the European Commission, with a copy to National Authorising Officer, on November 29<sup>th</sup> 2023. There were no changes in the audit strategy

### **3.2 The Audit Authority differentiates between the changes made at a late stage, which do not affect the work done during the reference period and the changes made during the reference period, that affect the audit work and results. Only the changes compared to the previous version of the audit strategy are included**

Not applicable.

## **4. SYSTEMS AUDITS**

### **4.1 Details of the authorities/bodies that have carried out systems audits, including the Audit Authority itself.**

In accordance with the Audit Strategy 2024-2026 for the IPA III 2021-2027 for the Annual Action Plan in favour of Montenegro for 2021 approved by Auditor General and submitted to EC on November 29<sup>th</sup>2023, the AA of Montenegro conducted an audit of the management, control and supervision system (hereinafter MCSS) established in the bodies of Managing and Operating structure:

- NIPAC office
- DMS (NAO SO/AB)
- Intermediate Bodies for Financial Management (Directorate for Financing and contracting of EU assistance funds; Capital Project Administration)
- Intermediate Bodies for Policy Management (Ministry of Ecology, Sustainable Development and Northern Region Development; Ministry of Agriculture, Forestry and Water Management).

### **4.2 Summary table of the audits carried out, with the indication of the authorities/bodies audited, the assessment of the key requirements for each authority/body, issues covered and a comparison to the audit planning. The summary includes the programme (reference/title), the authority/body that has carried out the system audit, the date of the audit, the scope of audit including scope limitations and the authorities/bodies audited. Horizontal thematic audits are also reported in this Section.**

The risk assessment at the strategic audit planning stage considers the overall management and control system for the specific IPA programme, and enables selecting and prioritizing the riskiest authorities/ key requirements /processes /operations for audit testing. In accordance with the relevant methodology of the Audit Authority, planning of the annual audits of management and control systems set up for the Programmes are carried out based on the risk assessment and presented in Audit Strategy 2024-2026 for the IPA III. Based on the results of the risk assessment performed in 2023, we decided to audit the bodies with a medium-risk score. According to the above mentioned, audits was be performed in NIPAC Office; NAOSO; AB; CFCU (IBFM); CPA(IBFM); Ministry of Ecology, Sustainable Development and Northern Region development (IBPM) and Ministry of Agriculture, Forestry and Water Management (IBPM) with the audit objective to verify the effective and efficient functioning of the management, control and supervision system. The risk assessment by the Audit Authority is performed at the key requirement level for each body.

The key requirements which were under the scope of audit are as follows:

- NIPAC office: Control environment and Risk assessment
- NAO/NAOSO: Control environment and Risk assessment
- AB: Control environment and Risk assessment
- CFCU: Control environment and Risk assessment
- CPA: Control environment and Risk assessment
- Ministry of Ecology, Sustainable Development and Northern Region Development: Control environment and Risk assessment
- Ministry of Agriculture, Forestry and Water Management: Control environment and Risk assessment.

The system audit encompassed the period January - December 2024.

The audit was performed in the period September - December 2024.

Also, in Audit strategy 2024-2026 we stated that during the individual audit engagement planning auditors would define the key functions/processes within each key requirement which will be encompassed by the appropriate audit activities in particular body in 2024. The scope of each individual audit will depend on level of implementation of Programmes at the time of audit performing.

In accordance with above mentioned, during preparation of system audit engagement we performed the risk assessment in order to identify whether the ICFR selected are still risky and to assess which sub-criteria will be covered by the audit and through which process. The Audit Authority shall ensure that each body is audited in respect of each control element at least once during the programming period as a whole.

Based on the audit strategy, understanding of audit environment and performed risk assessment (per each body), the following audit areas (ICFR, sub-criteria, processes) as well as specific audit/compliance objective per audit area, were covered during the system audit:

- NIPAC office:

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

- NAO/NAOSO:

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

➤ AB:

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

➤ CFCU (IBFM):

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

➤ CPA (IBFM):

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

➤ Ministry of Ecology, Sustainable Development and Northern Region Development (IBPM):

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

➤ Ministry of Agriculture, Forestry and Water Management (IBPM):

(I) Control environment: 1.1; 1.2; 1.3; 2.1; 2.2; 2.3; 2.4; 3.1; 3.2; 3.3; 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3.

(II) Risk assessment: 6.1; 6.2; 6.4; 6.8; 7.1; 7.2; 8.1.

## Summary of the audit carried out:

Audit period	Programme (reference and title)	Audit Body	Audited Body(ies)	Date of the audit	Scope of the audit	Principal findings and conclusions	Problems of systemic character and measures taken	Estimated financial impact (if applicable)	State of follow-up (closed/or not)
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	NIPAC; MESDNRD	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	Missing key IPA staff  ICRF 1 (3.2; 3.3)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	Open
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	All IPA bodies	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	Lack of staff  ICRF 1 (4.3; 4.4)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	Open
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	NIPAC office; CPA	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	Sensitivity posts not in place  ICRF 1 (2.1; 5.1)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	NIPAC office – Closed CPA - Open
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	CFCU; MESDNRD	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	No appointment of the Irregularity officer  ICRF 2 (8.1)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	CFCU - Open MESDNRD - Closed

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01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	MAFWM	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	The absence of WLA draft for 2025  ICRF 1 (4.4)  For details please see further below the section 4.4 of this AAAR	n/a	n/a	Closed
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	MAFWM	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	Lack of trainings  ICRF 1 (4.2)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	Closed
01.01.2024 – 31.12.2024	AAP 2021 DEC.043 663.01	Audit Authority of Montenegro	All IPA Bodies	September to December 2024	ICRF 1 – Control environment  ICRF 2 - Risk assessment	The Mop (Chapter Irregularity Management) is not in line with Annex H, Clause 2(1) of FFPA  ICRF 2 (8)  For details please see further below the section 4.4 of this AAAR.	n/a	n/a	Open

**4.3 Description of the basis for the audits carried out, including a reference to the audit strategy applicable and more particularly to the risk assessment methodology and the results that led to establishing the audit plan for system audits. If the risk assessment has been updated, this should be described in section 3 above covering the changes in the audit strategy.**

During the strategic audit planning (Audit Strategy 2024-2026 for the IPA III 2021-2027 for the AAP 2021) for the purpose of defining audit areas the Audit Authority performed risk assessment for each body of those programmes at the key requirement/process/function level (further: process level). We identified and assessed issues and processes that are significant for the audit and that could be common for all or several bodies that are participating in management and implementation of programme. Based on results of risk assessment performed during preparation of the Audit Strategy 2024-2026 we decided that during 2024 bodies whose categorized risk score is medium will be audited. According to the above mentioned, audit included the following bodies: NIPAC Office; NAOSO; AB; CFCU (IBFM); CPA(IBFM); Ministry of Ecology, Sustainable Development and Northern Region development (IBPM) and Ministry of Agriculture, Forestry and Water Management (IBPM) and with the general audit objective to verify the effective and efficient functioning of the management, control and supervision system. During preparation of system audit engagement, we performed the risk assessment in order to identify whether the ICFR selected are still risky and to assess which sub-criteria will be covered by the audit and through which process. Based on the audit strategy, understanding of audit environment and performed risk assessment (per each body), the following audit areas (ICFR, sub-criteria, processes) as well as specific audit/compliance objective per audit area, were covered during the system audit.

Conclusions per auditee and audited key requirements ICFR are given bellow:

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IPA Body / Audit area	NIPAC Office	DMS	CFCU	CPA	MESDNRD	MAFWM
1.1	1	1	1	1	1	1
1.2	1	1	1	1	1	1
1.3	1	1	1	1	1	1
2.1	2	1	1	2	1	1
2.2	1	1	1	1	1	1
2.3	1	1	1	1	1	1
2.4	1	1	1	1	1	1
3.1	1	1	1	1	1	1
3.2	2	1	1	1	2	1
3.3	2	1	1	1	2	1
4.1	1	1	1	1	1	1
4.2	1	1	1	1	1	2
4.3	3	3	3	3	3	2
4.4	1	1	1	1	1	2
5.1	1	1	1	1	1	1
5.2	1	1	1	1	1	1
5.3	1	1	1	1	1	1
6.1	1	1	1	1	1	1
6.2	1	1	1	1	1	1
6.4	1	1	1	1	1	1
6.8	1	1	1	1	1	1
7.1	1	1	1	1	1	1
7.2	1	1	1	1	1	1
8.1	1	1	1	1	1	1
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

#### 4.4 Description of the main findings and conclusions drawn from systems audits, including audits targeted at specific thematic areas.

The outcome of the audit process is summarized in final system audit report that provides findings and recommendation which were identified during the audit process in bodies of Management Structure and Operating structure. Findings were categorized according to level of importance to major, intermediate and minor findings. During this audit engagement we identified in total 7 findings as follows:

➤ ***Finding No 1: Missing key IPA staff***

***Level of priority: Major***

***ICF requirement: I (3.2; 3.3) – Control environment***

***Body/-ies concerned by the finding: NIPAC; MESDNRD***

During our audit engagement, we determined that two key IPA actors are missing: NIPAC, who has general coordination role and overall responsibility for programming of the assistance by IPA III beneficiary, left the position in July,2024 and it has remained vacant ever since Additionally, the position of Head of IBPM, responsible for providing support to the MA in programming and monitoring actions, as well as assisting the IBFMs in the technical implementation of actions at the contract level is also vacant from September 2024.Substitution plan is in force, but this solution is not considered as permanent.

***Recommendations:***

Considering the overall responsibilities of NIPAC and IBPM within the MCSS, we recommend filling their vacancies as soon as possible.

➤ ***Finding No 2: Lack of staff***

***Level of priority: Intermediate***

***ICF requirement: I (4.3; 4.4) – Control environment***

***Body/-ies concerned by the finding: All audited IPA bodies***

While conducting the audit engagement, based on enclosed documentation and conducted interviews, we determined that there is an insufficient number of employees in all audited IPA bodies. More details on insufficiency of staffs, for each audited IPA body are provided below:

### ***DMS (NAOSO/AB)***

The number of staff isn't in compliance with envisaged number provided in the valid version of Rulebook on Internal organization and systematization. In Rulebook on internal organization and systematization envisaged number of staff is 17. According to WLA for 2024 number of envisaged staff is 18. Current number of staff in DMS is 14. According to the Recruitment plan required number of employees that need to be recruited for the year 2024 was 4 (3 positions of Financial manager and 1 for System supervision officer). DMS has taken certain measures to fill the vacant posts:

- One employee is hired on position of Financial manager (TEC) covering position of Accountant (due to the vacant position caused by parental leave of employee with LEC)
- For position of the other Financial Manager a public announcement was published in October 2024. The advertisement for the mentioned position has been completed, and the process of preparing the decision is underway. Specifically, the Decision on Selection has been forwarded to the Human Resources Management Authority, and once it becomes final, the documentation will be sent back to Ministry of Finance.
- Recruitment procedures for two other vacant positions (Financial manager in Division of National fund and accounting body and System supervision officer in Division of NAOSO) as outlined in Recruitment monitoring plan 2024, have not started yet.

According to the above-mentioned number of staff remains insufficient according to the WLA and Recruitment plan for 2024. Also 5 out of the 14 current employees are inactive (parental and maternity leave). As a result, it is difficult to achieve all the set objectives and perform tasks timely and efficient manner.

### ***NIPAC Office***

In Rulebook on internal organization and systematization envisaged number of staff is 23. Currently, there are 14 employees, and according to the WLA, an additional 9 staff are needed. According to the Recruitment plan for 2024, three employees were planned to be recruited. During our audit engagement we are informed that one position (Monitoring Officer) was filled in June 2024. Still two position are vacant.

### ***CFCU (IBFM)***

Out of 40 positions available in valid version of the Rulebook on Internal organization and systematization, currently 30 positions are filled. Namely, according to the WLA, 10 more employees need to be recruited. The vacancy announcements for planned recruitment were not issued, as foreseen in Recruitment plan 2024. Only one advertisement was published for that position of Accountant in Accounting division. However, this position does not occupy a new vacancy, instead, it involves an existing employee transitioning from a TEC to an LEC (signed Decision on December 2024). To ensure the timely and effective implementation of IBFM activities, it is essential to fill the vacant position as soon as possible, in line with the requirements outlined in the Rulebook on internal organisation and systematisation.

***CPA (IBFM)***

The number of staff is not in compliance with the envisaged number provided in the Rulebook on internal organization and systematization. Namely, according to the WLA and the Rulebook on internal organization and systematization, the envisaged number of staff is 20. The current number of staff is 16. Vacancy announcements for the planned recruitment were not published as foreseen in the Recruitment Plan for 2024. According to Recruitment Plan Monitoring, it is explained that the Rulebook on internal organization and systematization of workplaces of the CPA is in the process of final approval, and after its approval, it is planned to initiate the recruitment processes. It is important to highlight that a key role remains unfilled. Specifically, the position of Head of the sector for the realization of IPA projects has been vacant since November 2023. Nevertheless, until the vacancy is filled the number of staffs remains insufficient and it is hard to reach all the objectives which have been set.

***MESDNRD(IBPM)***

According to the WLA for 2024 and old version Rulebook on internal organization and systematization adopted on December 2023, envisaged number of staff is 10. Current number of staff is 8. According to the Recruitment plan for 2024 two positions were needed to be filled in order to satisfy the needs for workforce forecasted for period 2024. Both position (Head of IBPM and Programming manager) were filled according to plan in February 2024. However, in September 2024, the Head of IBPM left the position, which remains vacant to this day. Additionally, in December 2024, an internal transfer within ministry filled one more Programming Manager position through a Decision on Employee Reassignment, according to the new version of Rulebook adopted on Government session, on November,22 2024.

***MAFWM(IBPM)***

In the valid version of Rulebook on internal organization and systematization envisaged number of staff working on IPA tasks is 4 (Head of unit, 1 programming manager and 2 implementation managers). All four positions are filled, including the previously vacant Implementing Manager position, which was filled in April 2024 as per the Recruitment Plan for 2024. Even though the above-mentioned position of Implementing Manager has been filled, the need for 2 more additional employees is outlined in the WLA and Recruitment plan for 2024. However, the recruitment procedure for two other vacant positions cannot begin, as the current Rulebook does not provide sufficient working posts.

***Recommendations:***

***All IPA bodies***

In order to achieve all the set objectives and perform tasks the timely and efficient manner, we recommend fulfilling the vacancy positions in all IPA bodies, as foreseen in the Rulebook of internal organization and systematization and reflected in the WLA.

***MAFWM(IBPM)***

We recommend aligning the Rulebook on Internal Organization and Systematization with the needed number of staff reflected in the WLA. Subsequently, the procedure for filling the additional vacant positions specified in the Recruitment Plan should be initiated to ensure the successful completion of the planned work.

➤ ***Finding No 3: Sensitivity posts not in place***

***Level of priority: Intermediate***

***ICF requirement: I (2.1; 5.1) – Control environment***

***Body/-ies concerned by the finding: NIPAC Office; CPA***

***NIPAC Office***

During our audit engagement, we confirmed that the Head of MA conducts the final check of the most complex documents (AWP for 2024, Semi-annual monitoring of AWP for 2024, WLA 2024, and Recruitment Plan for 2024), approving and signing them. However, the procedure did not fully adhere to the "four eyes" principle, as the documents were not verified by subordinate staff, as outlined in the Manual of procedures (Annex 4 - Analysis of sensitivity posts).

***CPA***

By reviewing the Job descriptions and specific tasks, we can determine that the particular task for the Internal Control Coordinator (ICC) is not adequately assigned. The ICC is simultaneously holding the position of Acting Head of Quality assurance division (QAD) too. The Job Description clearly states that the Head of QAD is responsible for verifying any document prepared by subordinated staff before it is submitted to the Head of IBFM. In this case, Annex 4(Analysis of sensitivity posts of IBFM) from MoP Chapter Internal organisation was both prepared and verified by the Head of QAD.

***Recommendations:***

We recommend adhering to the four-eyes principle and the segregation of duties as prescribed in the MoP in order to ensure that each manager oversees the internal control system within their entity.

➤ ***Finding No 4: No appointment of the Irregularity officer***

***Level of priority: Intermediate***

***ICF requirement: II (8.1) – Risk assessment***

***Body/-ies concerned by the finding: CFCU; MESDNRD***

According to the MoP v1 IPA III, the Irregularity Officer is appointed by the Decision on appointment of IO, issued by a respective Head of IPA Body. The Decision on appointment of the IO shall be sent to the AFCOS Office (copied to NAO).

During our audit engagement, we determined that there was no official Decision on the appointment of an Irregularity Officer signed by the Head of IPA body in CFCU and MESDNRD for IPA III.

The lack of an Irregularity Officer can lead to potential risks, including failure to report irregularities and potential cases of fraud without delay, as well as the inability to implement anti-fraud measures, all of which are essential to protecting the financial interests of the European Union.

***Recommendations:***

We recommend appointment of the Irregularity officer as soon as possible.

➤ ***Finding No 5: The absence of WLA draft for 2025***

***Level of priority: Intermediate***

***ICF requirement: I (4.4) – Control environment***

***Body/-ies concerned by the finding: MAFWM***

According to the MoP, Chapter Human Resources Management it is clearly emphasized that by December 31 of the current year, each IPA Body shall develop 3 WLAs: one official – signed and dated for the following year and draft WLA (excel electronic copy) for the 2 subsequent years. During our audit engagement, we determinate that the MAFWM didn't prepare draft of Work Load Analysis for subsequent year 2025.

***Recommendations:***

Develop all necessary WLAs prescribed by MoP in manner to calculate needed number of staff and/or to examines the human performance requirements within the organisation.

➤ ***Finding No 6: Lack of trainings***

***Level of priority: Minor***

***ICF requirement: I (4.2) – Control environment***

***Body/-ies concerned by the finding: MAFWM***

Based on audit performed, by insight into requested documentation and in accordance with the interviews conducted with the staff, we concluded the following: current and future skill requirements have been accurately identified. Training Needs Analysis Questionnaires were completed and signed by the employees. Annual Training Plan for the year 2024 is based on the Training Needs Analysis Questionnaire. Still, we determined that appropriate action is not being taken to ensure that staff are appropriately developed and trained to meet the requirements. From the annexes related to trainings (Cumulative Training Register, Training register per employee) we concluded that employees don't have adequate number of trainings. Also, by insights into Annual Training Plan and Key Risk Indicators it can be confirmed that planned trainings have not been achieved. Training and education are the basis of what we call human resource development, because they provide employees with the necessary information and skills in order to do a successful job.

***Recommendations:***

We recommend organizing appropriate education and trainings for staff in order to train them and enable to perform assigned tasks in the best way.

➤ ***Finding No 7: The Mop (Chapter Irregularity Management) is not in line with Annex H, Clause 2(1) of FFPA***

***Level of priority: Minor***

***ICF requirement: II (8) – Risk assessment***

***Body/-ies concerned by the finding: All IPA bodies***

Two exceptions regarding the reporting irregularities are missing:

1. irregularities for an amount lower than EUR 300 in EU contribution do not have to be reported;
2. irregularities that are detected and corrected by the IPA III beneficiary before inclusion in a payment application submitted to the Commission do not have to be reported.

The Urgent Reporting requirement in the MoP (VI.4) mandates immediate reporting of irregularities to OLAF and if necessary, to respective member states or other IPA III Beneficiary Countries, when potential repercussions extend beyond Montenegro. Also, there is Urgent reporting described in point 3 of Appendix 6: Tabular overview of Irregularity reporting procedures through IMS.

For IPA III, Annex H to the FFPA does not refer to any kind of urgent cases. Having in mind Clause 1, point 1 of the Annex H of FFPA in which it is stated “The IPA III beneficiary shall report any suspected fraud and other irregularities including fraud, which have been the subject of a primary administrative or judicial finding without delay to the Commission and keep the latter informed of the progress of administrative and legal proceedings using, when required, the dedicated Irregularity Management System (IMS)“, we consider that part of „Urgent reporting“ not applicable.

***Recommendations:***

We recommend alignment of MoP with FFPA (Annex H)

**4.5 Indications as to whether any problems identified were considered to be of a systemic character, details of the measures taken, including a quantification of the irregular expenditure and any related financial adjustments/corrections made.**

Not applicable.

**4.6 Information on the follow up of audit recommendations from systems audits from previous years.**

Not applicable.

**4.7 Description (where applicable) of specific deficiencies related to the management of financial instruments, detected during systems audits and of the follow-up given by the IPA III beneficiary to remedy these shortcomings.**

Not applicable.

**4.8 Level of assurance obtained following the systems audits (low/average/high) and justification.**

Considering the assessment of the management, control and supervision systems established for IPA III Annual Action Plan in favour of Montenegro for 2021 we have reasonable grounds to state

that the MCSS functions properly and in accordance with the requirements of the FFPA. Our assessment of the MCSS for this Programme is works, but some improvement(s) are needed. Therefore, the level of assurance obtained from the system is average. Based on the individual score for each audited system body, an overall conclusion on the MCSS of the Programmes is made.

The assessment is presented in the table below:

<i>IPA Body</i>	<i>Works well. No or only minor improvement(s) are needed</i>	<i>Works, but some improvement(s) are needed</i>	<i>Works partially; substantial improvement(s) are needed</i>	<i>Essentially does not work</i>
<i>NIPAC Offis</i>		X		
<i>DMS (NAOSO/AB)</i>		X		
<i>CFCU (IBFM)</i>		X		
<i>CPA (IBFM)</i>		X		
<i>MESDNRD (IBPM)</i>		X		
<i>MAFWM (IBPM)</i>		X		

**5. AUDITS OF OPERATIONS**

**5.1 Identification of the authorities/bodies that carried out the audits of operations, including the Audit Authority.**

Not applicable.

**5.2 Description of the sampling methodology applied and information as to whether the methodology is in accordance with the audit strategy.**

Not applicable.

**5.3 Indication of the sampling parameters and other information for statistical or non-statistical sampling procedures, the underlying calculations for sample selection (in a format permitting an understanding of the basic steps taken, in accordance with the specific sampling method used) and explanation of the professional judgement applied. The information should include: materiality level, confidence level, sampling unit, expected error rate, sampling interval, standard deviation, population value, population size, sample size and information on stratification.**

Not applicable.

**5.4 Reconciliation between the costs recognised declared to the Commission for the 12 months period and the population from which the random sample was drawn. Reconciling items include negative items where financial adjustments/corrections have been made, as well as differences between amounts declared in euro and amounts in IPA III beneficiary currency, where relevant.**

Not applicable.

**5.5 Where there are negative items, confirmation that they have been treated as a separate population. Analysis of the principal results of the audits of these units, namely focusing on verifying whether the amounts correspond to the decisions to apply financial adjustments/corrections (taken by the IPA III beneficiary or by the Commission) and reconcile with the amounts included in the accounts as withdrawn and recovered / to be recovered.**

Not applicable.

- 5.6** Where a non-statistical sampling method is used, specify the reasons for using the method, the percentage of sampling units/costs recognised covered by audits, the steps taken to ensure randomness of the sample bearing in mind that the sample has to be representative. In addition, define the steps taken to ensure a sufficient size of the sample enabling the Audit Authority to draw up a valid audit opinion. A total (projected) error rate is also calculated where non-statistical sampling method has been used.

Not applicable.

- 5.7** Summary table (see Section 9), broken down where applicable by programme, indicating the costs recognised and payments made declared to the Commission, the costs recognised audited and the errors identified. Information relating to the random sample is distinguished from that related to other samples if applicable (e.g. risk-based complementary samples).

Not applicable.

- 5.8** Analysis of the main findings of the audits of operations, describing:
- a) the number of sampling units audited, the respective amount;
  - b) the amount and type of error by sampling unit;
  - c) total errors;
  - d) the nature of the errors found;
  - e) root causes, corrective measures proposed, including those intending to improve the management and control system and the impact on the audit opinion.

Not applicable.

- 5.9** 5.9. Details of the total error rate and residual error rate. Indication of the upper limit of the error rate (where applicable). Indication of the stratum total and residual error rates, corresponding deficiencies, irregular amounts and the impact on the audit opinion. The underlying calculations for total error rate and residual error rate, in a format permitting an understanding of the basic steps taken, in accordance with the specific sampling method used.

Not applicable.

- 5.10** Comparison of the total error rate and the residual error rate with the materiality level of 2%, in order to ascertain if the population is materially misstated and the impact on the audit opinion.

Not applicable.

**5.11 Details of any financial adjustments/corrections relating to the 12 months period implemented before submitting the annual financial reports or statements/annual accounts to the Commission, as a consequence of the audits of operations, including flat rate or extrapolated adjustments/corrections.**

Not applicable.

**5.12 Details of whether any problems identified were considered to be systemic in nature, and the measures taken, including a quantification of the irregular costs recognised and any related financial adjustments/corrections.**

Not applicable.

**5.13 Information on the follow-up of audits of operations carried out in previous years, in particular on serious deficiencies of systemic nature. Revision of previously reported residual error rates, as a result of all subsequent corrective actions.**

Not applicable.

**5.14 Information on the results of the audit of the complementary (e.g. risk based) sample, if any.**

Not applicable.

**5.15 Description (where applicable) of specific deficiencies or irregularities related to financial instruments. Where applicable, indication of the sample error rate concerning the audited financial instruments.**

Not applicable.

**5.16 Conclusions drawn from the results of the audits with regard to the effectiveness of the management and control system.**

Not applicable.

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

### **6.1 Indication of the authorities/bodies that have carried out audits of the annual financial reports or statements/annual accounts.**

In accordance with the Audit Strategy for the IPA III 2021-2027 for the Annual Action Plan in favour of Montenegro for 2021 submitted to European Commission - DG Near on November 29<sup>th</sup> 2023 the Audit Authority of Montenegro carried out an audit of completeness, accuracy and veracity of the annual financial report or statement (audit of accounts) for above mentioned programme for the reference financial year 2024, i.e. the accounting year from 1<sup>st</sup> January to 31<sup>st</sup> December 2024, issued by NAO on 15<sup>th</sup> February 2025 (Final Report on Audit of Accounts).

### **6.2 Description of audit approach used to verify that the annual financial reports or statements/annual accounts are complete, accurate and true. This shall include a reference to the audit work carried out in the context of systems audits, audits of operations and additional verifications carried out on the annual financial reports or statements/annual accounts.**

In the context of the Audit of Accounts, and for the purposes of the Audit Opinion, in order to reach a conclusion on the completeness, accuracy and veracity of the annual financial report or statement, the Audit Authority verified whether all accounting information presented in the Annual financial report or statement/annual accounts which are submitted to the Commission is prepared, in all material respects, in accordance with the applicable Financial reporting framework. For the purpose of expressing the Annual Audit Opinion, in order to conclude that the Annual Financial Report gives a true and fair view, the Audit Authority verified that all elements required by models stipulated in Annex III of the Financing Agreements concerning the AAP 2021, i.e., are correctly included in the accounts and correspond to the supporting accounting records maintained by bodies in the AB and IBFMs/ Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) and Capital Projects Administration (CPA). In line with Article 61(2) of the Financial Framework Partnership Agreement concluded between the Government of Montenegro and the European Commission on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-accession assistance (IPA III), NAO submitted Annual Financial Reports for 2024 to EC on 15<sup>th</sup> February 2025. This Audit of Accounts covered Annual Financial Report for 2024 for the Annual Action Plan in favour of Montenegro for 2021. The summarized data regarding the total amounts contracted, recommitted, disbursed, recognized and open pre-financing as well as recoveries and bank balance, which are submitted in the previously mentioned AFR for 2024, are presented in the table below:

*Financial/Accounting year: 2024**IPA III Annual Action Plan 2021*

Programme	Financing Agreement contract number	Local Contract Activities															
		Total Amount Contracted			Amount Decommitt ed on closure	Total Amount Disbursed			Total Costs Recognised			Total Open Pre-financing			Recovery context		Bank Balances (EU contribution)
		EU contribution	National contribution	Other sources	Total	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	Errors/ Irregularities/Fraud	No context	Total
AAP 21	AAP2021 FA.SCR.DEC.043663.01	1,676,245.00	193,500.00	0.00	0,00	524,549.00	77,400.0	0.00	0.00	0.00	0.00	524,549.00	77,400.00	0.00	0,00	0.00	2,208,450.55

The Audit Authority, on the basis of the Annual Financial Report as well as all required documentation, provided to it by the AB and IBFMs / CFCU and CPA verified that:

- the total amounts submitted in the Annual Financial Report (contracted and addendums signed, amounts disbursed, total costs recognised, amounts of open pre-financing, invoices received, payments made and recoveries requested, and the relevant percentages based on appropriate total amounts submitted to the Commission in accordance with the Annex III of the Financing Agreements) correspond to the amounts entered in the accounting systems of AB and IBFMs;
- the total amounts submitted in the Annual Financial Report correspond to the amounts in the electronic database for each contract;
- the bank accounts statement for each programme balances corresponds to the year-end balances in the accounting systems of the Accounting Body (AB);
- Reconciliation of the accounting records and cash flow statements of the AB and IBFMs.
- Total amounts of recoveries correspond to supporting documents for recoveries.

### **6.3 Conclusions drawn from the audits in relation to the completeness, accuracy and veracity of the annual financial reports or statements/annual accounts, including an indication on the financial adjustments/corrections made and reflected in the annual financial reports or statements/annual accounts as a follow-up of these conclusions.**

To achieve the overall objective, the Audit Authority take into account the results of System Audit for the AAP 2021, which was carried out for reference year 2024 (report no. 01-908/25-48 on 28<sup>th</sup> January 2025). The criteria that were audited are: ICFR 1 – Control environmental and ICFR 2- Risk assessment.

During ‘12-month period’, period from 1<sup>st</sup> July 2023 (of the previous financial year) to 30<sup>th</sup> June 2024 (of the current financial year), NAO did not submit a request for funds including a “Declaration of expenditure”, and therefore AA was unable to perform Audit of Operations.

For the purpose of the Audit of Accounts for the referent year, AA has carried out additional tests to check whether the transactions, included in Financial Reports/Accounts corresponds with the amounts specified in the verified documents, collected from AB (NFD) and IBFMs (CPA and CFCU).

For programme AAP 2021, the population consists of two pre-financing payments (Budget line: 15.020201.02). According to the fact that there is small and limited number of sampling units for reference period, the sampling method used is 100% of the entire population.

Selected transactions (pre-financing payments) are given in the table below:

EU decision	TITLE	Contract reference	Payment order date	Paid amount (Advance payment)
AAP2021 FA. SCR DEC.043663.01	Support to the Establishment of the Natura 2000 Network for Montenegro	CPA/MNE/IPAIII/CAP21/SER/01-908/24-2072/1	11.11.2024.	438,600.00
AAP2021 FA. SCR DEC.043663.01	Further Strengthening of Administrative Capacities of the Competent Authority in the area of FSVP	CFCU/MNE/279	27.12.2024.	85,949.00
<b>TOTAL</b>				<b>524,549.00</b>

The conclusion of the audit is based on the analysis of the procedure in place, information and documents collected and the tests performed in the course of the audit by applying the checklist for the audit areas.

Based on the audit work performed, we have obtained reasonable assurance on the completeness, accuracy and veracity of the amounts declared and submitted to the Commission, in the accounts presented in the Annual Financial Reports or Statements/Annual Accounts for the IPA III, for accounting year 2024.

**6.4 Indication of whether any problems identified were considered to be systemic in nature, and the measures taken.**

Not applicable.

## **7. OTHER INFORMATION**

- 7.1 Audit Authority's assessment of the cases of suspicions of fraud detected in the context of their audits (and of the cases reported by other national or Union bodies and related to operations audited by the Audit Authority), together with the measures taken. Information on number of cases, gravity, and the amounts affected, if known.**

Not applicable.

- 7.2 Subsequent events occurred after the end of the 12 months period and before the transmission of the annual audit activity report to the Commission and considered when establishing the level of assurance and opinion by the Audit Authority.**

Not applicable.

- 7.3 Any other information that the Audit Authority considers relevant and important to communicate to the Commission, in particular to justify the audit opinion.**

Not applicable.

## **8. OVERALL LEVEL OF ASSURANCE**

- 8.1 Indication of the overall level of assurance on the proper functioning of the management and control system, and an explanation on how the level was obtained from the combination of the results of the systems audits and audits of operations. Where relevant, the Audit Authority shall take also account of the results of other national or Union audit work carried out.**

During 2024 the AA carried out System Audit for the AAP 2021, which was carried out for reference year 2024 (report no. 01-908/25-48 on 28th January 2025).

During '12-month period', period from 1<sup>st</sup> July 2023 (of the previous financial year) to 30<sup>th</sup> June 2024 (of the current financial year), NAO did not submit a request for funds including a "Declaration of expenditure", and therefore AA was unable to perform Audit of Operations.

Regarding the abovementioned, the AA does not have all necessary elements to express overall assurance on the proper functioning of the management and control system.

However, the assurance on the proper functioning of the management and control system is based on the results of the system audits (system assessment – please see section 4 above).

Considering the assessment of the management, control and supervision systems established for IPA III Annual Action Plan in favour of Montenegro for 2021 we have reasonable grounds to state that the MCSS functions properly and in accordance with the requirements of the FFPA. Our assessment of the MCSS for this Programme is works, but some improvement(s) are needed. Therefore, the level of assurance obtained from the system is average. Based on the individual score for each audited system body, an overall conclusion on the MCSS of the Programmes is made.

Therefore, it is appropriate to issue an unqualified opinion on the proper functioning of the MCSS.

The assurance on the accounts is based on the results of the audit of accounts as described in section 6.3 of this AAAR. Based on the audit work performed we confirm completeness, accuracy and veracity of the amounts declared in the accounts submitted to the European Commission for the accounting year 2024 for the AAP 2021, therefore it is appropriate to issue an unqualified opinion.

**8.2 Assessment of any mitigating actions not linked to financial adjustments/corrections that were implemented, financial adjustments/corrections implemented and an assessment of the need for any additional corrective measures, both from the perspective of improvements of the management and control systems and of the impact on the Union budget.**

Not applicable.

**9. TABLE FOR DECLARED COSTS RECOGNISED, PAYMENTS MADE AND AUDITS OF OPERATIONS**

Not applicable.

Annual Audit Activity Report for AAP 2021

	A	B	C		D	E	F	G	H	I	J	K	L	M
Programme (reference/title)	Payments made declared to the Commission for the 12 months period	Costs recognized declared to the Commission for the 12 months period	Costs recognised in reference to the 12 months period audited for the random sample		Total number of units in the population	Number of sampling units for the random sample	Amount of irregular costs recognised in random sample	Total error rate	Adjustmen ts implem ented as a result of the total error rate	Residual total error rate	Other costs recognised audited	Amount of irregular costs recognised in other costs recognised audited	Total costs recognised declared to the Commission cumulatively	Total costs recognised audited cumulatively
			Amount	%				%		%				
AAP 2021 FA. SCR DEC.043663.01	01 07 2023 – 30 06 2024	/	/	/	/	/	/	/	/	/	/	/	/	/