MONTENEGRO
AUDIT AUTHORITY

N^{o}: 01-908/26-94
Date: 13th February, 2026

ANNUAL AUDIT ACTIVITY REPORT

OF THE AUDIT AUTHORITY FOR

IPA III 2021-2027 CROSS-BORDER COOPERATION PROGRAMME
“MONTENEGRO – KOSOVO”

FOR THE PERIODS
1st JANUARY 2025 – 31st DECEMBER 2025
AND
1st JULY 2024 – 30th JUNE 2025

Podgorica, February 2026

Contents

List of abbreviation

AA	Audit Authority of Montenegro
AAAR	Annual Audit Activity Report
AAO	Annual Audit Opinion
AB	Accounting Body
CA	Contracting Authority
CAAT	Computer Assisted Auditing Techniques
CB	Control Body
CBC	Cross-border cooperation
CFCU	Central Finance and Contracting Unit
CHU-IA	Central Harmonization Unit for Internal Audit
DBCBC	Department for Bilateral CBC Programmes
DFA	Division for Financial and Accounting
DHAMC	Department for Horizontal Affairs and Macroregional Cooperation
DMS	Directorate for Management Structure
EC	European Commission
ETCP	European Territorial Cooperation Programmes
EU	European Union
EUD	Delegation of the European Union
FA	Financial Agreement
GoA	Group of Auditors
IA	Implementing Agency
IBFM	Intermediate Body for Financial Management
ICF	Internal Control Framework
IPA III	Instrument for Pre-Accession Assistance III perspective
ISA	International Standards on Auditing
JTS	Joint Technical Secretariat
MA	Managing Authority
MCSS	Management, Control and Supervision System
MCFMS	Unit for management of the control framework and monitoring of the IPA system
MEA	Ministry of European Affairs
MLGA	Ministry of Local Government Administration
MoP	Manual of Procedures
MS	Management Structure
NA	National Authority
NAO	National Authorising Officer
NAO SO	NAO Support Office
NFD	National Fund Division
NIPAC	National IPA Coordinator
OG MNE	Official Gazette of Montenegro
OS	Operating Structure
OTSC	On-the-spot check
PLCP	Programme level control procedures
QAD	Quality Assurance Division

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 European Union funds ("*Official Gazette of Montenegro*" N^o 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 the Article 3 of Law on Audit of EU funds, the Audit Authority 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 are 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 the European Commission and Montenegro on specific arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-accession Assistance (IPA III), ("*Official Gazette of Montenegro - International Agreements*", N^o 6/2022) and in the Commission Implementing Regulation (EU) N^o 2021/2236 on the specific rules for implementing Regulation (EU) N^o 2021/1529 of the European Parliament and of the Council establishing an 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 of Montenegro is responsible for the performance of audit tasks in respect of the IPA III Cross-Border Cooperation Programme Montenegro-Kosovo for 2021-2027 (Global commitment number for year 2022: JAD.974967, for year 2024: JAD: 974968, for year 2026: JAD.974971). It has been assisted by the Group of Auditors (GoA) composed of representatives by the Audit Authority of Montenegro and Central Harmonization Unit for Internal Audit (CHU-IA) within Ministry of Finance of Kosovo.

The Audit Authority is obliged to draw up Annual Audit Activity Report (AAAR) and Annual Audit Opinion (AAO) following the model set out in Annexes D and E of the Framework Agreement for IPA III.

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

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).

Reference period for this AAAR is financial year[1] and covers the period from 1st January 2025 to 31st December 2025 and '12-month period'[2] from 1st July 2024 to 30th June 2025.

In the period October 2025–January 2026 Audit Authority performed system audit of functioning of Management, Control and Supervision System established for implementation of IPA III 2021-2027 CBC Programme "Montenegro-Kosovo".

Based on level of Programme implementation, as well as in accordance with adopted Audit Strategy for period 2025-2027 and results of performed risk assessment, all structures and bodies being part of the management, control and supervision system were covered by the system audit.

The key requirements which were under the scope of audit are key requirements III Control activities and IV Information and communication.

The Audit Authority has not been in position to perform audit of transactions/operations since no expenditure was declared for the 12 months' period.

Having in mind the level of Program implementation, no financial transactions were made in 2025, and annual financial reports were not submitted. Consequently, the Audit Authority was unable to conduct an audit of the annual accounts for the financial year 2025.

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

The Annual Audit Activity Report covers the Cross-Border Cooperation Programme Montenegro – Kosovo for 2021-2027 (Global commitment numbers: JAD.974967 – for year 2022, JAD.974968 – for year 2024 and JAD.974971 for year 2026). The total estimated cost of this CBC Programme is 9.734.118,00 € and the maximum Union contribution is set at 8.400.000,00 €. This Union contribution shall be split into yearly commitments for the period 2022, 2024 and 2026 in accordance with Annex I of Financing Agreement.

Structures and authorities being part of the management and control system of this Programe are, as follows:

1) The National IPA Coordinators (NIPAC) of Montenegro and Kosovo
2) The National Authorizing Officer of Montenegro (NAO)
3) The Management structure:
    - The NAO support office (NAO SO)
    - The Accounting Body (AB)
4) The CBC system of Montenegro, comprised of:
    - Managing Authority (MA), located in the Directorate for European Territorial Cooperation within Ministry of European Affairs
    - Intermediate Body for financial management (IBFM), located in the Montenegrin Ministry of Finance - Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)
5) The CBC system of Kosovo, comprised of:
    - CBC Structure and

[1] Pursuant to Article 3(i) of the Financial Framework Partnership Agreement 'financial year' means the period from 1 January to 31 December of one given year as defined in Article 9 of the Financial Regulation

[2] According to Article 57 of FFPA '12-month period' means the period from 1st July of the previous financial year to 30th June of the current financial year, except where otherwise provided for in a sectoral or a financing agreement.

- Control Body (CB), both placed in the Ministry of Local Government Administration (MLGA).

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, summarises and assesses the findings and recommendations included in the final reports on performed audits.

The Annual Audit Activity Report sets out, inter alia, deficiencies found in the management, control and supervision systems and corrective measures taken or planned by the structure and authorities concerned, and details of any substantial changes in the management and control systems.

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 submit 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.

During 2025 Audit Authority performed system audit of functioning of Management, Control and Supervision System established for implementation of Programme.

Bearing in mind that no expenditures were declared for the 12 months' period, as well as that no financial transactions were made during 2025 and annual financial reports were not submitted, the Audit Authority has not been in position to perform audit of transactions/operations and audit of annual accounts.

2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

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) No 2021/2236 based on the audit work carried out by the Audit Authority

During 2025, the NAO informed the European Commission and Audit Authority about substantial and planned changes in the system. The following changes occurred in 2025:

- **National IPA Coordinator**

At the Government session held on 6th February 2025, Minister of European Affairs – Ms Maida Gorčević has been appointed as NIPAC.

NAO informed European Commission and Audit Authority on these personal change on 2nd April 2025. (Letter No: 08-908/25-9418).

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

The changes that occurred in MCSS in 2025 have been communicated to the European Commission and the Audit Authority. Changes have been assessed by Audit Authority and we can confirm their compliance with Article 8 of Commission Implementing Regulation (EU) N° 2021/2236.

Above listed change does not have an impact on the audit work.

3. CHANGES TO THE AUDIT STRATEGY

3.1 Details of any changes made to the audit strategy and related explanations. In particular, indicate any change to the sampling method used for the audit of operations (see Section 5).

Pursuant to the Clause 9, paragraph 3, Annex A of the Financial Framework Partnership Agreement between Montenegro and the European Commission the Audit Authority carries out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards and in accordance with an audit strategy prepared on a tri-annual basis.

The Audit Strategy for IPA III 2021-2027 Cross-Border Cooperation Programme "Montenegro-Kosovo" was prepared and submitted to the European Commission with a copy to the NAO in November 2024. The Audit Strategy was prepared on a tri-annual basis for period 2025-2027 following the model in Annex G of Montenegrin Financial Framework Partnership Agreement and approved by General Auditor after having obtained the opinion of GoA members.

The Audit Strategy has not been changed in the reference period to which the Final control report relates.

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.

Not applicable.

4. SYSTEMS AUDITS

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

The audit body that has carried out system audit is Audit Authority of Montenegro. The Audit Authority of Montenegro, as an independent audit body, was established by the Law on Audit of European Union funds ("Official Gazette of Montenegro" Nº 14/12, 54/16, 37/17 and 70/17). Audit Authority of Montenegro is responsible for carrying out the function of the Audit Authority for IPA III 2021-2027 CBC Programme Montenegro - Kosovo, in line with the functions and responsibilities set out in Clause 9 of Annex A to the Financial Framework Partnership Agreement.

Since the Audit Authority does not have the authorisation to directly carry out its functions in the whole territory covered by CBC Programme Montenegro – Kosovo, it is assisted by Group of auditors comprising a representative of Audit Authority of Montenegro and the Central Harmonization Unit for Internal Audit (CHU-IA) within Ministry of Finance of Kosovo.

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

Audit period	1. Programme (reference/ 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)
01.01.2025 - 31.12.2025	Cross-Border Cooperation Programme Montenegro – Kosovo for 2021-2027 ACT-60805 2022 JAD.974967 2024 JAD.974968 2026 JAD.974971	Audit Authority of Montenegro + Goa members	1. NAO SO 2. AB 3. MA 4.IBFM-CFCU 5. CBC Structure KOS 6. CB KOS	24.10.2025 - 29.01.2026	ICFR 3 - Control activities ICFR 4 - Information and communication	No findings were identified *Audit conclusion:* Category 2 – Works, but some improvements are needed. For more details please refer to the point 4.4 of this report.	-	-	n/a

Based on level of implementation of IPA III CBC Programme Montenegro - Kosovo for 2021-2027 and all collected information and documentation, as well as in accordance with adopted Audit Strategy for period 2025-2027 and results of performed risk assessment, the following bodies being part of the management, control and supervision system were covered by the system audit:

1. NAO Support Office (NAOSO)
2. Accounting Body
3. Managing Authority
4. Intermediate Body for Financial Management (CFCU)
5. CBC Structure KOS
6. Control Body KOS

According to risk assessment the ICF areas which were under the scope of audit are III Control activities and IV Information and communication in all bodies.

The system audit encompassed the period from 1st January 2025 to 31st December 2025. The audit was performed in the period October 2025 – January 2026.

The Final Audit Report was issued and submitted to National Authorising Officer, National IPA Coordinator of Montenegro, National IPA Coordinator of Kosovo, Head of CBC Managing Authority, Head of Intermediate Body for Financial Management, Head of CBC Structure in Kosovo and Head of Control Body in Kosovo on 29th January 2026.

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

For the purpose of detailed defining of the scope of the audit, during the preparation of Audit Strategy for period 2025-2027 the Audit Authority performed a detailed risk assessment to determine the bodies and ICF area which will be covered by system audit. Additionally, in order to define the key requirements within each area which will be encompassed by the appropriate audit activities in particular body, we performed risk assessment at the level of each requirements during system audit engagement planning.

During the preparation of Audit Strategy, risks were identified and taken into account at the programme/structures and authorities' level while during system audit engagement planning risk assessment was performed at the level of each key requirement. Specific risk factors have been assessed for each body and ICF area. Each risk factor has been assessed as Low, Medium or High, considering both the significance and likelihood of the risk, and has been evaluated in 5-points scale: the highest risk gets highest points and vice versa. In order to distinguish between the factors with varying importance, the weight have been given to the specific risk factors. After assessment, all bodies are ranked according to the total score.

Based on the results of risk assessment, the following bodies being part of the management, control and supervision system of this Programme were covered by the system audit:

1. National Authorizing Officer of Montenegro (NAO) and Management structure (MS):
    - NAO Support Office (NAO SO)
    - Accounting Body (AB)
2. The CBC system of Montenegro, comprised of:
    - Managing Authority (MA)
    - Intermediate Body for financial management (IBFM): Central Finance and Contracting Unit (CFCU)
3. The CBC system of Kosovo, comprised of:

- CBC Structure
- Control Body (CB)

The ICF areas and requirements which were under the scope of audit according to risk assessment are as follow:

III Control activities

10. The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels;

11. The organisation selects and develops general control activities over technology to support the achievement of objectives;

12. The organisation deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action;

IV Information and communication

13. The organisation obtains or generates and uses relevant quality information to support the functioning of internal control;
14. The organisation internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control;
15. The organisation communicates with external parties about matters affecting the functioning of internal control;

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 the Final system audit report that provides findings and recommendations which were identified during the audit process in each body of MCSS. Findings are categorized according to level of importance to major, intermediate and minor findings. During this audit engagement no new findings were identified.

The evaluation of the MCSS is expressed within one of the four categories as follows:

- Category 1 - Works well; only minor improvements are needed;
- Category 2 - Works, but some improvements are needed;
- Category 3 - Works partially; substantial improvements are needed;
- Category 4 - Essentially does not work.

Conclusions per auditee and audited ICF requirements are given in table below:

Auditee	**ICF requirements** Annex B FFPA						Total Assessment by auditee	Overall conclusion
	ICF 10	**ICF 11**	**ICF 12**	**ICF 13**	**ICF 14**	**ICF 15**		
NAOSO	2	N/A[3]	1	2	1	1	2	**2**
ACC Body	2	N/A	1	2	1	1	2	
MA	2	N/A	1	2	1	1	2	
IBFM/CFCU	3[4]	N/A	1	2	1	2	2	
CBC Structure	1	1	1	1	1	1	1	
CB	1	1	1	1	1	1	1	

Our assessment of the MCSS is based on the examination of the functioning of the above-mentioned key requirement.

On the basis of performed work, we gained reasonable assurance that the MCSS established for implementation of the IPA III 2021-2027 CBC Programme Montenegro - Kosovo - **Works, but some improvements are needed.**

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.

[3] According to the Rulebook on Internal Organization and Systematization of the AA, the audit of IT systems (ICF 11) within the auditee is the responsibility of the Department for the Audit of Employment Programs, Social Policies, Education, Promotion of Gender Equality, and Human Capacity Development.
As such, ICF 11 was not within the scope of the system audit related to the MNE IPA Bodies, and therefore, an assessment has not been conducted in the system audit report.
Contradictory procedure regarding the audit of IT System is currently underway and the final report will be submitted to DG ENEST after issuance by the Department for the Audit of Employment Programs, Social Policies, Education, Promotion of Gender Equality, and Human Capacity Development.

[4] Assessment for ICF 10 is 3 given that:

1. website of the IBFM/CFCU has not in the function (recognised in the Final System Audit Report No:01-908/25-31/03).
2. management information system (MIS) has not been developed. This issue is recognised in the MA Risk Register. (According to the Rulebook on Internal Organization and Systematization of the AA, the audit of IT systems within the auditee is the responsibility of the Department for the Audit of Employment Programs, Social Policies, Education, Promotion of Gender Equality, and Human Capacity Development).
3. Business Continuity Plan is not developed. This issue is recognised in the NAO Risk Register. (According to the Rulebook on Internal Organization and Systematization of the AA, the audit of IT systems within the auditee is the responsibility of the Department for the Audit of Employment Programs, Social Policies, Education, Promotion of Gender Equality, and Human Capacity Development).

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

During system audit performed in 2025, Audit Authority in cooperation with Kosovo GoA members carried out follow up of implementation of recommendation related to open findings from the previous years. Results of follow up were presented in Final System audit report and Audit Recommendations' Status Reports.

A summary of the results of the follow up of findings from previous years' system audits is shown in the tables below:

Status of system audit findings in respect to bodies of MCSS in Montenegro:

Nº	Findings identified during the System audit 2024	Body	Status in January 2026	New deadline
1.	Lack of Program level control procedures	NAO, MS, MA, IBFM, CBC Structure KOS, Control Body	***Implemented*** PLCP was approved by NAO and entered into force on 6th June 2025. The finding is closed.	
2.	Understaffing	NAO, Head of DMS, Head of MA, Head of IBFM	***Not implemented*** Some activities related to staff recruitment have already been initiated. However, the IPA Bodies have stipulated that officers are currently overloaded. Considering that the AA auditors have recommended that the DHAMC, IBFM/QAD, IBFM/DFA, and MS/Unit MCFMS initiate the hiring procedure with the Human Resources Administration no later than the end of the first quarter of 2026. In respect to the DBCBC the finding is closed. Level of priority: *Intermediate*	I Quarter 2026
3.	Lack of trainings	NAO, Head of DMS, Head of MA, Head of IBFM	***Implemented*** Based on the submitted Cumulative Training Registers by MA, IBFM and MS it is evident that during 2025 significant number of trainings/seminars have been attended. The finding is closed.	

4.	The Manual of Procedures (Part I, Chapter Irregularities) is not align with Annex H, Clause 2(1) of the FFPA	NAO, Head of DMS, Head of MA, Head of IBFM	***Partly implemented*** Based on the submitted documents, it is evident that Guidelines for Irregularity management was prepared by AFCOS and endorsed by NAO on 16th January 2026. However, MoP has not been updated in accordance with the adopted Guidelines. The finding is partly closed. Level of priority: *Minor*	6 months

Out of 4 findings identified during the previous year system audit, 2 were closed during the follow up.

Status of system audit findings in respect to bodies of MCSS in Kosovo:

Nº	Findings identified during the System audit 2024	Body	Status in January 2026	New deadline
1.	Lack of Job descriptions for IPA III perspective	General Secretary of MLGA, Head of CBC Structure, Head of Control Body	***Implemented*** Job Descriptions of staff involved in Cross-Border Cooperation (CBC) have been recently updated and approved in accordance with Regulation (GRK) No. 17/2024 on the internal organization of the Ministry of Local Government Administration. The finding is closed.	
2.	Lack of Irregularity Officer in the Control Body	General Secretary of MLGA, Head of Control Body	***Implemented*** Irregularity Officer has been appointed as the official responsible for the identification of irregularities in the Division of the Control Body, in accordance with the Amendment and Supplementation of Decision No. 02-605 of 21.07.2023, dated 26.12.2025. The finding is closed.	

Regarding the Kosovo bodies, 2 findings from previous year system audit were closed during the follow up.

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

The evaluation of the MCSSs is expressed within one of the four categories as follows:

- Works well; only minor improvements are needed;
- Works, but some improvements are needed;
- Works partially; substantial improvements are needed;
- Essentially does not work.

According to the results of the system audit conducted during 2025, MCSS established for implementation of the IPA III CBC Programme Montenegro - Kosovo for 2021-2027 has been classified in Category 2 that is it **'works, but some improvements are needed'**. Therefore, the level of assurance obtained from the system is average.

5. AUDITS OF OPERATIONS

Not applicable. Bearing in mind that no expenditures were declared for 12 months' period (1st July 2024 to 30th June 2025), the Audit Authority has not been in position to perform audit of transactions/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

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.

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 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

Having in mind the level of Program implementation, no financial transactions were made in 2025, and annual financial reports were not submitted. Consequently, the Audit Authority was unable to conduct an audit of the annual accounts for the financial year 2025.

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

Not applicable.

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.

Not applicable.

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

Not applicable.

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.

The overall level of assurance could not be obtained bearing in mind that Audit Authority has not been in position to perform audit of transactions/operations in the reference period since no expenditure were declared to the European Commission for the 12 months' period (1st July 2024 to 30th June 2025). The assurance on the proper functioning of the management and control system is based only on the result of the system audit (system assessment – please see section 4 above), where the management, control and supervision system is assessed as *works, but some improvement(s) are needed.*

On the basis of above mentioned, we will issue an unqualified opinion on the proper functioning of the system. We are not in position to issue opinion on the legality and regularity of expenditure.

Additionally, having in mind the level of Program implementation, no financial transactions were made in 2025, and annual financial reports were not submitted. Consequently, the Audit Authority was unable to conduct an audit of the annual accounts and issue opinion on the reliability of Annual Financial Reports or Statements/Annual Account for the financial year 2025.

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

	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 recognised 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	Adjustments implemented 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	%				%		%				