



ANNUAL AUDIT REPORT

**ESTONIA-RUSSIA CROSS-BORDER COOPERATION (CBC)
PROGRAMME**

(No C(2015)9193)

PROGRAMMING PERIOD 2014-2020
(Art 28(6)(b) of (EU) No 897/2014 of the Commission)

AUDIT AUTHORITY of ESTONIA



REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

13.02.2017
Tallinn, Estonia

1. Introduction

1.1 Identification of the responsible Audit Authority and other bodies that have been involved in preparing the report

According to the programme document¹ of the Estonia-Russia Cross-Border Cooperation programme (hereinafter 'the Programme') the participating countries decided to appoint the Financial Control Department of the Ministry of Finance of the Republic of Estonia to act as the Programme's Audit Authority that is completely independent of the Cross Border Programmes' Implementation Unit fulfilling the planned functions of the MA and Regional Development Department, European Territorial Cooperation Unit fulfilling the functions of the NA.

The Financial Control Department of the Ministry of Finance is also responsible for auditing the general structural funds and Estonia-Latvia European Territorial Cooperation programme.

The Audit Authority shall perform the functions of an Audit Authority set with the article 28 of the Commission Implementing Regulation (EU) No 897/2014 of 18th of August 2014 and the legislation issued on the basis thereof.

By carrying out the audits the Audit Authority will be assisted by the Group of Auditors². However the Financial Control Department of the Ministry of Finance is ultimately responsible for drawing up, monitoring and updating the annual audit report..

1.2 Reference period (i.e. the accounting year).

The annual audit report is compiled for the reference period from July 2015 until June 2016.

1.3 Audit period (during which the audit work took place).

The annual audit report takes into account the audit work carried out during 2016.

1.4 Identification of the operational programme(s) covered by the report and of its/their Managing Authority.

The annual audit report covers the Estonia-Russia Programme (No C(2015)9193) financed from the general budget of the European Union. The programme will be implemented according to the principles of European Neighborhood Instrument³.

As described in the Programme document, Estonia and Russia have set up a joint implementation structure for the Programme in Estonia.

As the compliance assessment of the description of the management and control systems of the programme is ongoing at the time of the submission of the report, the designation of the Managing Authority has not been done yet.

¹ Chapter 3.6 of the Programme.

² The invitation letter of the cooperation agreement has been sent out to the Russian programme partner in May 2016.

³ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014.

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

The annual audit report has been compiled on the basis of the audit work done by the Audit Authority.

As there has not been any expenditure declared to the Commission in regard to the reference period, the Audit Authority issues a disclaimer of opinion on the legality and regularity of expenditure.

2. Significant changes in management and control systems

The management and control systems of the programme are being set up.

At the time of the submission of the annual audit report, the Audit Authority is carrying out the compliance assessment of the set-up of the management and control systems of the Programme on the basis of the description of the management and control systems.

The compliance assessment is planned to be finalized in the first half of the 2017 and carried out in accordance with the designation criteria set with the Annex of the Commission Implementing Regulation (EU) No 897/2014 of 18th August 2014 and with the "Guidance for Compliance Assessment in ENI CBC Programmes" (including the checklist) issued by TESIM.

3. Changes to the audit strategy

The audit strategy has not been composed yet – it will be composed within nine months of the financing agreement being signed⁴. The financing agreement was signed on 29th of December 2016 between the European Union, Government of the Russian Federation and the Republic of Estonia

By composing the audit strategy the requirements set with the article 28 (5) of the Commission Implementing Regulation (EU) No 897/2014 of 18th August 2014 and Commission guidance on audit strategy will be taken into account.

The audit strategy will be coordinated with the Group of Auditors and updated annually or if necessary until 2024.

4. System audits

All management and control systems of the Programme will be audited during the programming period. The management and control system audits will be planned and carried out annually on the basis of the risk assessment in cooperation with the Group of Auditors.

The detailed procedure of planning the management and control system audits will be described in the audit strategy.

No system audits have been carried out yet, although during the time of the submission of the annual audit report, the Audit Authority is carrying out the compliance assessment (see also chapter 2).

⁴ The programming document of the Estonia-Russia Cross-Border Cooperation programme was approved by the Commission on 18th of December 2015. According to the chapter 3.6 of the document the Audit Authority shall submit to the Commission and the Ministry of Economic Development of the Russian Federation, within nine months of the financing agreement being signed, an audit strategy under which audits shall be carried out.

5. Audits of operations

As there has not been any expenditure declared to the Commission in regard to the reference period, no audits of operations have been carried out yet.

6. Audits of accounts

As there has not been any expenditure declared to the Commission in regard to the reference period, no audits of accounts have been carried out yet.

7. Coordination between audit bodies and supervisory work of the AA

7.1 Description of the procedure for coordination between the Audit Authority and any audit body that carries out audits as foreseen in Article 127(2) of the Regulation (EU) No 1303/2013, where appropriate

The co-ordination between the Audit Authority and national audit body in Russia will be taken place in the Group of Auditors, which assists the Audit Authority according to Article 28(2) of the Commission Implementing Regulation (EU) No 897/2014 comprising representatives of each participating country in the Programme.

The functions and responsibilities as well as the organization of the work of the Group of Auditors will be set with the rules of procedure of the Group of Auditors. The annual meeting will take place at least once a year.

The Audit Authority has actively communicated with the Russian Group of Auditors representative and the rules of procedures of the Group of Auditors are expected to be finalized at latest within three months of the designation of the MA.

7.2 Description of the procedure for supervision and quality review applied by the Audit Authority to such audit body(ies).

The Audit Authority ensures the quality of the Group of Auditors work (including the work done by the national audit body in Russia) with the following activities:

- The auditors are required to follow internationally accepted auditing standards;
- The Audit Authority provides the auditors with relevant programme documents (audit strategy and audit manual) and know-how by carrying out the audit activities;
- There will be regular Group of Auditors meetings (at least once a year).

By carrying out the management and control systems audits and audits of operations in Russia, the Audit Authority plans to outsource the audit activity. To ensure the quality of the outsourced audit work the Audit Authority carries out the quality assessment of audit working papers and reviews the audit report before the final version of it is being sent to the auditee.

The ultimate responsibility of the audit work carried out remains by the national audit bodies according to the Member State audit regulations. The errors found or the disputes arising from the findings of the Member

State auditors are their ultimate responsibility. The Audit Authority's competence does not extend to the evaluation of the violations of the Member State national legislation.

The detailed procedure of the quality assurance will be described in the audit strategy.

8. Other information

There is no other information to be reported to the European Commission.

9. Overall level of assurance

As there has not been any expenditure declared to the Commission in regard to the reference period or any audit work done, the Audit Authority issues a disclaimer of opinion on the legality and regularity of expenditure.