



ANNUAL CONTROL REPORT

EUROPEAN TERRITORIAL COOPERATION (ETC) PROGRAMME

INTERREG V-A – ESTONIA-LATVIA

(CCI No: 2014TC16RFCB050)

PROGRAMMING PERIOD 2014-2020
(Art 127(5) of (EC) No 1303/2013 of the Council)

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.

The tasks of Audit Authority of the European Territorial Cooperation Funds (hereinafter ETC) are appointed to the Ministry of Finance of Estonia with the § 11 (1) of the 2014-2020 Structural Assistance Act from 4th of June 2014. With the decree of the Minister of Finance are the tasks of the Audit Authority delegated to the Financial Control Department of the Ministry of Finance, which is also responsible for auditing the general structural funds.

According to the § 11 (2) of the 2014-2020 Structural Assistance Act the Audit Authority shall perform the functions of an Audit Authority provided for in Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17th of December 2013 (hereinafter CPR), 2014-2020 Structural Assistance Act and the legislation issued on the basis thereof.

By carrying out the audit activities the Audit Authority is assisted by the Group of Auditors. The Ministry of Environmental Protection and Regional Development of the Republic of Latvia accepted the offer of forming the Group of Auditors with the Ministry of Finance of Estonia in their letter No 8-11/2037 from the 11th of March, 2016.

However the Financial Control Department of the Ministry of Finance is ultimately responsible for drawing up, monitoring and updating the annual control report.

The annual control report is compiled pursuant to the procedures and requirements of the European Commission, considering the model for annual control report.

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

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

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

The annual control report covers the Estonia-Latvia programme financed from the ERF (CCI No 2014TC16RFCB050). The programme will be implemented according to the principles of ETC programmes.

Estonia and Latvia have set up a joint implementation structure for the Estonia-Latvia programme in Estonia.

As stated in the letter No 9.2-13.5.11/12744 of the 18th of November 2016 of the Managing Authority to the European Commission, the Cross-Border Programmes Implementation Unit of the Ministry of Finance of Estonia is designated as the Managing Authority that also performs the functions of the Certifying Authority.

This designation was based on the 2014-2020 Structural Assistance Act § 53 and Statute of the Ministry of Finance of Estonia. It became effective as of the 14th of November 2016.

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

The 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 set up.

The Audit Authority as the Independent Audit Body has carried out a compliance audit of the Managing Authority in accordance with Article 124 (2) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council and with the “Guidance for Member States on Designation Procedure”, including the check-list.

The Audit Authority has issued an **unqualified opinion** on the Managing Authority based on the Description of Management and Control Systems. Please see “Section 4. System audits” for more information.

3. Changes to the audit strategy

The audit strategy has been compiled and the principles of planning, implementing and reporting of the audit activities set.

The audit strategy was compiled taking into account the requirements set with the article 7(1) and Annex VII of the Commission Implementing Regulation (EU) No 2015/2007 and Commission guidance on audit strategy.

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 Estonia-Latvia programme and all relevant bodies 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.

During the audit period the Audit Authority as the Independent Audit Body carried out a compliance audit of the Managing Authority in accordance with Article 124 (2) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council and with the “Guidance for Member States on Designation Procedure”, including the check-list.

The scope of the audit included the Managing Authority along with bodies fulfilling the tasks of the Managing Authority, such as the Joint Secretariat and the Financial Control, the latter under the responsibility of the Member States.

The audit was based on the Description of Management and Control Systems prepared by the Regional Development Department of the Ministry of Finance of the Republic of Estonia as the Managing Authority.

The limitation imposed to the audit is not testing the Electronic Monitoring System (eMS), as it was undergoing changes during the audit. The eMS will be separately tested once all its modules have been established in their finalized form and before the first payment claims from projects are processed.

As a result of this audit, the Audit Authority issued an **unqualified opinion**, stating that the Managing Authority complies with the designation criteria of Annex XIII of Regulation (EU) No 1303/2013 with regards to internal control environment, risk management, management and control activities, and monitoring.

Also, at the end of the audit period (in December 2016) the Audit Authority started with the management and control system audit on project selection process (key requirement 2) which will be finalized by the end of February 2017. The results of the audit will be presented to the EC in the context of the next annual control report.

5. Audits of operations

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

6. Audits of accounts

The Audit Authority has reviewed the Accounts for the reference year (accounting period 01/07/2015-30/06/2016) compiled by the Certifying Authority.

As there has not been any expenditure declared to the Commission in regard to the reference year, 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 coordination between the Audit Authority and national audit body in Latvia has been taken place in the Group of Auditors. The Audit Authority is assisted by the Group of Auditors according to Article 25 of the Commission Regulation (EU) No 1299/2013 composed of representatives from each Member State.

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.

As there has not been any expenditure declared to the EC and thus expenditure to audit, the actual work of the GoA has not started yet. However, the Audit Authority communicates closely with the Latvian auditors.

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 compliance of the audit work of the Member State auditors with the internationally accepted auditing standards and by providing the auditors with the relevant programme

documents (audit strategy and audit manual). However, the Member State auditors remain ultimately responsible for work carried out 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.

Nevertheless, the quality assurance of audit reports and control check-lists composed by the Member State auditors will be provided through review of the documents by the Audit Authority. If needed, detailed explanations will be asked from the Member State auditors.

The detailed procedure of the quality assurance is 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 year or any audit work finalized, the Audit Authority issues a disclaimer of opinion on the legality and regularity of expenditure.