



REPUBLIC OF ALBANIA

AUDIT AGENCY FOR EU-ACCREDITED ASSISTANCE PROGRAMMES

No. _____ Prot

Tirana, on ____ . ____ .2021

SYSTEM AUDIT REPORT

AUDIT: System audit for assurance regarding the effective functioning of the management and control systems

REFERENCE NUMBER: AA-IPA I/IPA II-2021-04-SA-1

FUND: IPA 2007-2013 and IPA 2014-2020

AUDITED STRUCTURES:

HIPAU in the Commissioner for the
Right to Information and Protection of Personal Data (IDP).

SCOPE: To verify the effective functioning of the management and control systems in audited structures.

PERIOD OF EXECUTION OF
THE AUDIT: 23 June 2021 – 23 July 2021

REPORT DATE: 03.09.2021

REPORT STATUS: Final Report

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EXECUTIVE SUMMARY

Based on the Audit Strategy 2021-2023 we carried out an audit mission in the IPA structure. We evaluated the overall results from our test of controls, based on the overall ~~analysis carried out, our assessment regarding the objectives of the audit engagement is as follows:~~
follows:

HIPAU in IDP- Works well, only minor improvements needed - category one

The objective of the audit was to provide reasonable assurance on the effective / proper functioning of controls, established within the management and control systems of the IPA structures, to which the management of IPA funds was entrusted to.

In order to meet the above mentioned objectives, the scope of the systems audit is to draw conclusion regarding the effective/proper functioning of overall management and control system in the IPA structures.

The AA will continue testing and assessing the effectiveness of the corrective measures undertaken in future audit engagements.

The results of this audit will be communicated to EC in the Annual Audit Activity Report.

LEGAL BASIS

This audit work was based on the following legal basis:

- Audit Strategy 2021-2023 of the Audit Authority
- Law No.90 / 2016 "On the Organization and Functioning of the Audit Agency for the EU-accredited assistance programmes, in the Republic of Albania"
- Law No.9840, dated 10.12.2007, "On the ratification of the Framework Agreement between the Council of Ministers of the Republic of Albania and the Commission of the European Communities on rules of cooperation concerning EC financial assistance to Albania in the framework of the implementation of the assistance under the Instrument for Pre-Accession Assistance (IPA)"
- Law No.37/2015, "On the arrangements for implementation of Union financial assistance to the Republic of Albania under the Instrument for Pre-Accession assistance (IPA II)".
- DCM No.23, dated 12.01.2011, "On the definition of functions, responsibilities and relationships between the authorities of the decentralized management structures of

European Union assistance under the Instrument for Pre-Accession (IPA), Component I: Transition Assistance and Institutional Strengthening”, amended.

- DCM No.541, dated 18 June 2015, “On the definition of functions, responsibilities and relations between the authorities and indirect management structures of European Union assistance under the Instrument for Pre-Accession Assistance IPA II (2014-2020)”.
- ~~EC Decision C (2014) 1890, dated 25 March 2014, which provides management competences in the Republic of Albania with regard to Component I - Transition Assistance and Institution Building.~~
- IPA Framework Regulation no. 1085/2006, adopted on 17.7.2006, by the Council of the European Union establishing an Instrument for Pre-Accession Assistance (IPA).
- IPA Implementing Regulation, no. 718/2007, approved on 12.6.2007, by the European Commission for the implementation of the IPA Framework Regulation.
- Regulation (EU) No.231/2014 of the European Parliament and of the Council of 11 March 2014 on the establishment of the Instrument for Pre-Accession Assistance (IPA II).
- Regulation (EU) No.236 / 2014 of the European Parliament and of the Council of 11 March 2014 laying down the basic rules and procedures for the implementation of EU instruments for the financing of external actions.
- Commission Implementing Regulation (EU) No.447 / 2014 on specific rules for the implementation of Regulation (EU) 231/2014 of the European Parliament and of the Council on the establishment of the Instrument for Pre-Accession Assistance (IPA II)
- Decision of the European Commission C (2014) 1890, dated 25.03.2014, which gives Albania management competencies for IPA Component I - Transition Assistance and Institution Building. Financing Agreement between the Government of Albania and the European Union, represented by the European Commission in respect of the National Program for 2013, under IPA - Transition Assistance and Institution Building signed on 27.11.2014.
- The Financing Agreements between the Government of Albania and the European Union, represented by the European Commission in relation to the National Program for the year 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 under the IPA - Transition Assistance and Institution Building.

AUDIT OBJECTIVES

The general objective of this audit is to obtain reasonable assurance on the effective functioning of the management and control systems established under the Programme IPA I and IPA II in accordance with the requirements of Regulation (EC) 718/2007 and 447/2014, Framework Agreements for IPA I and IPA II, accreditation criteria and internal control framework.

Based on the risk assessment carried out the process/function per structures covered by audit are as follows:

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<u>HIPAU in IDP</u>	
- HR management	
- Risk management	
- Irregularity management	
- Implementation	
- Monitoring of the contracts	
- Assurance (incl. MD)	
- Internal audit	
- Programming	

AUDIT SCOPE

Under the scope of this system audit are the IPA Structures. The verifications are intended to include compliance of its procedures with the accreditation criteria and the effectiveness of internal controls system. Those structures are audited for the period 01 June 2020 – 21 July 2021 for IPA I and IPA II. The scope of this audit is focus on whether for the period audited it has functioned in accordance with these procedures, as described in its manuals. Further evaluation criteria come from the Framework Agreements between the Commission and the Government of the Republic of Albania.

Process (es) and/or assessment criteria audited:

The audit has covered for the Program IPA II (2014-2020) for the HIPAU in the IDP the internal control framework: 1(a), 1(b), 1(c), 1(d), 1(e), 2(a), 2(b), 2(c), 2(d), 3a (viii), 3a (xi), 3a (xii), 3(b), 3(c), 4(a), 4(b), 4(c), 5(a), 5(b).

AUDIT METHODOLOGY

Audit team is composed by Mariglen Sinani, Redi Cino, Rovena Husa, Alpina Qirjazi and Lisena Allia. ~~The fieldwork took place in the period 23 June till 23 July 2021. The Audit Authority used System-Based Approach; auditor's verifications have included compliance of procedures with the accreditation criteria/ internal control framework, the efficiency and effectiveness of internal controls system.~~

The stages that Auditors followed are:

- Identified and evaluated of the main controls;
- tested the functioning of these key controls;
- evaluated the results of the control tests;

The audit objectives for the audit mission were defined as follows:

- Efficient and effective functioning of key controls in key processes, based on risk assessment;
- Compliance with accreditation criteria/ internal control framework (risky areas).

To meet the audit objectives, the audit team has performed the risk assessment for the respective structure and has identified the risky process to be verified.

Auditors in their audit approach to system audit used the following audit techniques:

- Discussions and interviews,
- Walk-through tests,
- Control tests,
- Review of source documentation / files,
- Analysis of documents,
- Checklists of the accreditation criteria

FINDINGS AND RECOMMENDATIONS

This section contains the audit findings and recommendations of the Report Conclusions

FINAL CONCLUSION

Based on the results of the system audit the MCS for IPA I and IPA II is assessed with category for each structure the ICS is evaluated as follows:

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- HIPAU in IDP - Works well, only minor improvements needed - category one.