

AUDIT OPINION

PURSUANT TO SECOND SUBPARAGRAPH OF ARTICLE 59(5) OF THE EUROPEAN PARLIAMENT AND COUNCIL REGULATION (EU, EURATOM) NO 966/2012 AND ARTICLE 127(5)(A) OF REGULATION (EU) NO 1303/2013

To:

the **European Commission's Directorate General for Regional and Urban Policy** and **Directorate General for Employment, Social Affairs and Inclusion**

1. INTRODUCTION

I, the undersigned, representing the European Union Funds Audit Department of the Ministry of Finance as the Audit Authority, independent in the sense of Article 123(4) and (5) of Regulation (EU) No 1303/2013, engaged to audit the accounts for the accounting year started on 1 January 2014 and ended 30 June 2015 and to be submitted by 15 February 2016 (hereafter 'the accounts'), the legality and regularity of the expenditure for which reimbursement has been requested from the Commission in reference to the accounting year (and included in the accounts), the functioning of the management and control system, and verified the management declaration for the purpose of Article 59(5)(b) of Regulation (EU, Euratom) No 966/2012

in relation to the operational programme "Growth and Employment", 2014LV16MAOP001 (hereafter 'the programme'),

in order to issue an audit opinion in accordance with Article 127(5)(a) of Regulation (EU) No 1303/2013.

2. RESPONSIBILITIES OF THE MANAGING AND CERTIFYING AUTHORITIES

Ministry of Finance, designated as the managing authority of the programme, and the State Treasury, designated as the certifying authority of the programme, are responsible to ensure a proper functioning of the management and control system in regard to the functions established by the Articles 125 and 126 of Regulation (EU) No 1303/2013.

In particular, it is responsibility of the State Treasury, designated as the certifying authority of the programme, to draw up the accounts (in accordance with Article 137 of the Regulation (EU) No 1303/2013) and certify their completeness, accuracy and veracity, as required in Article 126(b) and (c) of Regulation (EU) No 1303/2013.

Moreover, in accordance with Article 126(c) of Regulation (EU) No 1303/2013 it is the responsibility of the certifying authority to certify that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with applicable law ⁽¹⁾.

3. RESPONSIBILITIES OF THE AUDIT AUTHORITY

As established by Article 127(5)(a) of Regulation (EU) No 1303/2013, my responsibility is to independently express an opinion on whether the accounts give a true and fair view, whether expenditure for which reimbursement has been requested from the Commission and which are declared in the accounts is legal ⁽²⁾ and regular, and whether the management and control system put in place functions properly. My responsibility is also to include in the opinion a statement as to whether the audit work puts in doubt the assertions made in the management declaration ⁽³⁾. Because of the significance of matters described in this opinion's 4th section "Scope limitation",

however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The main reasons for scope limitation are reported in the attached annual control report pursuant to Article 127(5)(b) of Regulation (EU) No 1303/2013.

4. SCOPE LIMITATION

The audit scope was limited by the following factors:

- (a) no expenditure have been declared to the Commission regarding the accounting year started on 1 January 2014 and ended 30 June 2015 and the certifying authority has no amounts of programme contributions paid to financial instruments under Article 41(1) of Regulation (EU) No 1303/2013 or advances of State aid under Article 131(4) of Regulation (EU) No 1303/2013 registered in the accounts. Thus the account for the accounting year from 1 January 2014 to 30 June 2015 are not prepared.
- (b) the management and control system was set-up and the managing authority and certifying authority were designated on 30 June 2015 (notified to the Commission on 5 August 2015), thus the management and control system was not functioning regarding the accounting year that started on 1 January 2014 and ended 30 June 2015. As the implementation of the Operational Programme is at an early stage of implementation management and control system audits have not been carried out till 15 February 2016.

5. OPINION

Disclaimer of opinion

Because of the significance of the matter described in the scope limitation paragraph above, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the following aspects:

- the accounts;
- and
- the legality and regularity of the expenditure for which reimbursement has been requested from the Commission;
- and
- the functioning of the management and control system.

Due to the significance of matters described in this opinion's 4th section "Scope limitation", I was not able to conclude on the assertions made in the management declaration.

3 February 2016

Head of the Audit Authority



Nata Lasmane

⁽¹⁾ As established by Article 6 of the Regulation (EU) No 1303/2013.

⁽²⁾ In line with Article 59(5)(b) of Regulation (EU, EURATOM) No 966/2012.

AUDIT AUTHORITY

ANNUAL CONTROL REPORT

NATIONAL
DEVELOPMENT
PLAN 2020



EUROPEAN UNION

European Union
Structural Funds and
Cohesion Fund

I N V E S T I N G I N Y O U R F U T U R E

ESF, YEI, ERDF, CF

01.01.2014. – 30.06.2015.

Riga
03.02.2016

ABBREVIATIONS

AA	Audit Authority
ACR	Annual Control Report
CA	Certifying Authority
CF	Cohesion Fund
CFCA	Central Finance and Contracting Agency
DG EMPL	Directorate General Employment, Social Affairs and Inclusion
DG REGIO	Directorate General Regional and Urban Policy
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
IAB	Independent Audit Body
ISA	International Standards on Auditing
MA	Managing Authority
MCS	Management and control system
OP	Operational Programme "Growth and Employment" (2014LV16MAOP001)
YEI	Youth Employment Initiative

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SUMMARY

1. The ACR is prepared by the Audit Authority in accordance with Regulation (EU, EURATOM) 966/2012 second subparagraph of the Article 59 point (5), Regulation (EU) No 1303/2013 Article 127 point (5) (b), Commission implementing regulation (EU) 2015/207 Article 7 point (3) and Guidance Note on Annual Control Report and Opinions.

2. In areas where Community budget is managed through shared management arrangements, the ACR and opinions are critical elements that the EC uses for the assurance process by implementing single audit concept. The Commission therefore carefully analyses the ACR and opinion submitted by the Audit Authority in order to reach its own opinion on the management and control system for each programme.

3. The functions of the Audit Authority and the Independent Audit Body under the Operational Programme “Growth and Employment”, CCI 2014LV16MAOP001 are fulfilled by the Ministry of Finance EU Funds Audit Department (*Section 1.1*).

4. The ACR refers to the first accounting year from 1 January 2014 to 30 June 2015 (*Section 1.2*).

5. Regarding the reference period Audit Authority did not carry out any audit work, except for the designation procedure audit (*Section 1.3*).

6. For the Operational Programme “Growth and Employment”, CCI 2014LV16MAOP001 there is single Managing Authority and the Certifying Authority that have been designated on 30 June 2015 (EC notified on 5 August 2015) (*Section 1.4*).

7. For the reference period the Disclaimer of Opinion is provided as the implementation of the OP is on the early state. More detailed steps of preparation of ACR are described in *Section 1.5*.

8. The established management and control system was assessed in the designation procedure audit as at 10 June 2015. The initial the Functions and Procedures Descriptions for the Managing Authority and Certifying Authority was updated on 26 October (*Section 2*).

9. The Single Audit Strategy was prepared on 1 July 2015 and updated on 4 January 2016 (*Section 3*).

10. During the reference period Audit Authority did not perform any management and control system audits due to the early state of implementation of the OP. The functioning of the system basically started only after the reference period and is to be audited by the Audit Authority in the next periods (*Section 4*).

11. During the first accounting year till 30 June 2015 no expenditure were declared to the EC. Consequently no audits of operations were performed during the current period (*Section 5*).

12. During the first accounting year till 30 June 2015 no expenditure were declared to the EC and no accounts had been prepared to be submitted to the EC as at 15 February 2016. Consequently, no audit of accounts was carried out by the Audit Authority (*Section 6*).

13. The Audit Authority did not relay on the work of other auditors in preparation of the ACR (*Section 7*).

14. No other information was identified by Audit Authority that might influence Audit Opinion (*Section 8*).

15. The first year of the reference period is considered to be solely exceptional case as the Audit Authority was not able to audit the accounts, the expenditure declared or the functioning of the management and control system due to external factors outside the responsibilities of the Audit Authority the Disclaimer of Opinion on the proper functioning of the management and control system has been provided (*Section 9*).

1. INTRODUCTION

1.1. Identification of the responsible audit authority and other bodies that have been involved in preparing the report

In accordance with the Law on Management of European Union Structural Funds and the Cohesion Fund for 2014–2020 and the Cabinet of Ministers Regulation No 714 “Procedures for Ensuring the Functions of the Audit Authority in the Management of European Union Structural Funds and the Cohesion Fund for 2014–2020” dated 25 November 2014, the functions of the Audit Authority are allocated to the Ministry of Finance.

Based on the Regulation of the Ministry of Finance¹ the European Union Funds Audit Department performs functions of the Audit Authority for the Operational Programme “Growth and Employment”, CCI 2014LV16MAOP001.

Functionally and administratively the Head of the Audit Authority is subordinated to the Minister of Finance and has the power to report directly to the Cabinet of Ministers via Minister of Finance as it is set by the Law on Management of European Union Structural Funds and the Cohesion Fund for 2014–2020.

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

First accounting year that started on 1 January 2014 and ended 30 June 2015.

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

According to the Audit Strategy approved by the Head of the Audit Authority on 1 July 2015 (updated on 4 January 2016) no audit work was carried out between 1 January 2015 and 15 February 2016 in respect to the accounting year from 1 January 2014 to 30 June 2015 as no expenditures have been declared during the reference period. Only designation assessment audit was carried out - finalised on the 10 June 2015 and submitted to the EC on 5 August 2015.

1.4. Identification of the operational programme(s) covered by the report and of its/their managing and certifying authorities. [Where the annual control report covers more than one programme or Fund, the information shall be broken down by programme and by Fund, identifying in each section the information that is specific for the programme and/or the Fund, except for section 10.2 where such information shall be provided under section 5.]

The ACR refers to the single management and control system that has been developed for the implementation of Operational Programme “Growth and Employment”, 2014LV16MAOP001 and its relevant funds:

- European Social Fund, including Youth Employment Initiative,
- European Regional Development Fund,
- Cohesion Fund.

¹ Regulation of the Ministry of Finance No 12-16/9 dated 17 November 2015

The allocation of functions to the institutions is set in the Law on Management of European Union Structural Funds and the Cohesion Fund for 2014–2020.

There is a single Managing Authority in Latvia - Ministry of Finance that has delegated its tasks and functions to the 11 Responsible institutions (10 line Ministries² and the State Chancellery) and 1 Co-operation institution corresponding to the three levels EU fund implementation:

- The Managing Authority in general is responsible for effective implementation of the OP, elaboration of programming documentation, strategic management of communication, fraud prevention and EU funds management information system, evaluation of the implementation of OP, preparation of management and control system, management declaration and annual summary, as well as supervision of delegated functions;

- Responsible institutions' main tasks include the development project selection criteria and national legislation for implementation of the activities (specific thematic objectives) in accordance with sectorial competences, supervision of results and indicators of the specific objectives;

- Co-operation institution generally is responsible for project selection and contracting with beneficiaries, monitoring of project implementation and administrative checks (on-the-spot visits, payment claim checks), reporting on irregularities.

The State Treasury is performing the functions of the Certifying Authority for OP including drawing up and submitting payment applications to the EC and drawing up the accounts, certifying the completeness, accuracy and veracity of the accounts.

The duties and rights of the institutions involved in the management and control system of EU funds are defined in the Law on Management of European Union Structural Funds and the Cohesion Fund for 2014–2020.

The information of the institutions involved in the administration of the EU funds are broken down in Table 1:

² including Ministry of Finance that is responsible institution for Technical Assistance project

Table 1: Institutions involved in the management of EU funds

Fund	Function of	Institution
ESF, YEI, ERDF, CF	Managing Authority	Ministry of Finance
	Co-operation institutions	Central Finance and Contracting Agency
	Certifying Authority	The State Treasury
ESF	Responsible institutions	<ul style="list-style-type: none"> - Ministry of Finance³ - Ministry of Justice - Ministry of Education and Science - Ministry of Welfare - Ministry of Health - State Chancellery
YEI	Responsible institutions	<ul style="list-style-type: none"> - Ministry of Welfare
ERDF	Responsible institutions	<ul style="list-style-type: none"> - Ministry of Finance³ - Ministry of Economics - Ministry of Education and Science - Ministry of Welfare - Ministry of Transport - Ministry of Environmental Protection and Regional Development - Ministry of Health - Ministry of Culture - Ministry of Agriculture
CF	Responsible institutions	<ul style="list-style-type: none"> - Ministry of Finance³ - Ministry of Economics - Ministry of Transport - Ministry of Environmental Protection and Regional Development

³ Technical Assistance projects

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

The Audit Authority prepares ACR in accordance with Regulation (EU, EURATOM) 966/2012 second subparagraph of the Article 59(5), Regulation (EU) No 1303/2013 Article 127 point (5) point (b), Commission implementing regulation (EU) 2015/207 Article 7 point (3) and the Cabinet of Ministers Regulation No 714 “Procedures for Ensuring the Functions of the Audit Authority in the Management of European Union Structural Funds and the Cohesion Fund for 2014–2020”.

The Audit Authority does not rely on the work of other auditors as its functions are solely ensured by the Ministry of Finance. The Head of the Audit Authority approves the ACR as authorised by the Ministry of Finance Order No 215 “About the rights of signing the documentation” dated 22 May 2015.

The following information was used for preparing the ACR:

1. the results of designation procedure audit and follow up procedures;
2. the information of progress of implementation of the OP gained from Managing Authority’s progress report to Cabinet of Ministers and Managing Information system;
3. Management Declaration (signed by Head of MA on 3 February 2016) and Annual Summary (1 February 2016) submitted to Audit Authority by the Managing Authority;
4. Statement of the Head of Certifying Authority regarding the accounts.

Based on this information and the early state of implementation of the OP, the Audit Authority issued a Disclaimer of Opinion – for more details see further sections.

Regarding the Management Declaration (signed by Head of MA on 3 February 2016) and Annual Summary (1 February 2016), Audit Authority was not able to compare assertions made in the Management Declaration with the results of audit work as no audit work was carried out.

2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEM(S)

2.1. Details of any significant changes in the management and control systems related with managing and certifying authorities' responsibilities, in particular with respect to the delegation of functions to new intermediate bodies, and confirmation of its compliance with Articles 72 and 73 of Regulation (EU) No 1303/2013 based on the audit work carried out by the audit authority under Article 127 of the same Regulation

The set-up of the management and control system of the Operational Programme “Growth and Employment”, 2014LV16MAOP001 has been in detail provided in the Functions and Procedures Descriptions for the Managing Authority and Certifying Authority (the Description) dated 1 June 2015. On the basis of the Description, along with evaluation of the supporting internal and external procedures, the EU Funds Audit Department of the Ministry of Finance as Independent Audit Body

(IAB) for the 2014-2020 programming period performed the designation procedure audit.

The IAB designation procedure assessed the established management and control system as at 10 June 2015 in accordance to the EC and the national requirements as at that date. As a result of the designation procedure the independent audit opinion along with the audit report was provided to the Cabinet of Ministers to appoint the Managing and Certifying Authorities to be compliant to the designation criteria set in the Regulation (EU) No 1303/2013 Annex XIII. In addition, the IAB had 15 recommendations reported that had no significant impact on the established management and control system. All of the recommendations have been implemented in accordance to the action plan, except for 1 recommendation related to the technical assistance project administration which does not have impact on the issued opinion. The both emphases of matters as declared in the IAB Audit Opinion for irregularities and the IT system also are considered as to be implemented in the scope of designation procedure audit recommendations, while the functionality of the IT system will be audited in the 2nd quarter of 2016.

The initially audited Description was updated on 26 October 2015 (included the changes made until 30 June 2015). The changes in the management and control system are considered to be in-significant and will be audited in the coming system audits.

2.2. Information relating to the monitoring of the designated bodies according to Article 124(5) and (6) of Regulation (EU) No 1303/2013

On the basis of designation audit report (10 June 2015) and follow up of implementation of the recommendations, the Audit Authority confirms that the updated Management and control system is still in compliance with Articles 72, 73 and 74 of Regulation (EU) No 1303/2013. Taking into account all the available information (Cabinet of Ministers Order still in force, no significant changes made within the management and control system) and the results of the designation procedure, along with the assertions made in the Management Declaration, the Audit Authority may conclude that the designated bodies according to Article 124(5) and (6) of Regulation (EU) No 1303/2013 are still in compliance, taking into account the reference period of this report.

2.3. 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

Not applicable – changes of management and control system are not considered to be significant (*see point 2.1. and 2.2.*).

3. CHANGES TO THE AUDIT STRATEGY

3.1. Details of any changes that have been made to the audit strategy, and explanation of the reasons. In particular, indicate any change to the sampling method used for the audit of operations (see section 5 below)

The initial Audit Strategy was prepared and approved by the Head of the Audit Authority on 1 July 2015.

The Audit Strategy was updated on 4 January 2016. Regarding the current ACR 2015 one change was made: the management and control system audit of Certifying Authority regarding the functioning of the control system for the preparation of the annual accounts was postponed to the 1st half of 2016 as no accounts had been prepared to be submitted by 15 February 2016.

Other changes are for the next audit periods and do not effect audit work regarding the current ACR.

3.2. Differentiation between the changes made or proposed 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

The Audit Strategy was updated on 4 January 2016. The changes for the next audit periods are not considered to be substantial and are mainly regarding the management and control system audits – the audit plan for the next three years (2016-2019) was updated. In order to carry out audits more effectively for the process *Elaboration of legal acts and control environment* (low risk process) sub-processes have been evolved and specific audits are planned for each sub-process.

4. SYSTEM AUDITS

Information of this section refers to all funds (European Social Fund (including Youth Employment Initiative), European Regional Development Fund and Cohesion Fund) of the OP.

The institutions - Managing Authority and the Certifying Authority have been designated as at 30 June 2015, EC was notified on 5 August 2015. In accordance to the reference period, the management and control system audits by the Audit Authority have not been carried out during the reference period.

The functioning of the system basically started only after the reference period and is to be audited by the Audit Authority in the next periods.

Furthermore, also after the accounting year that ended on 30 June 2015 the volume of the functioning of the system was at an early stage and the progress was not as rapid as expected. As the figures on 30 November 2015⁴ show:

1. 21 project selections for measures of specific objectives are launched;
2. Projects are approved for the total of 388 million euro, that is only 8,8% of the available financing.
3. Contracts with the beneficiaries are signed for the total of 284 million euro, that is only 6,4% of the available financing.
4. The first payment claim from the beneficiary was received in the Co-operation institution on 1 October 2015.
5. Payments made to the beneficiaries are for the total of 37 million euro, that is only 0,8% of the available financing and is mainly in one activity (Cohesion Fund).
6. No payments have yet been declared to the EC.

In accordance to the Audit Plan of the Audit Strategy, the first system audits (for ACR to be submitted by 15 February 2017) have been commenced in January 2016 to assess the functioning of the established management and control system for the selection of project applications and preparation of annual accounts. It is planned that in future system audits will be carried out solely by Audit Authority itself.

5. AUDITS OF OPERATIONS

Information of this section refers to all funds (European Social Fund (including Youth Employment Initiative), European Regional Development Fund and Cohesion Fund) of the OP.

The institutions - Managing Authority and the Certifying Authority have been designated as at 30 June 2015, EC was notified on 5 August 2015. During the first accounting year till 30 June 2015 no expenditure were declared to the EC. Consequently no audits of operations were performed during the current period.

The first payment claim from the beneficiary was received in the Co-operation institution on 1 October 2015. The Certifying Authority plans to submit the first declaration to the EC in the 1st quarter of 2016.

It is planned that in future audits of operations will be carried out solely by Audit Authority itself.

6. AUDITS OF ACCOUNTS

Information of this section refers to all funds (European Social Fund (including Youth Employment Initiative), European Regional Development Fund and Cohesion Fund) of the OP.

⁴ Source of information: Managing Authority's progress report to Cabinet of Ministers (7 January 2016) and Management Information system (KP VIS)

The institutions - Managing Authority and the Certifying Authority have been designated as at 30 June 2015, EC was notified on 5 August 2015. During the first accounting year till 30 June 2015 no expenditure were declared to the EC and no accounts had been prepared to be submitted to the EC on 15 February 2016 (according to the Statement of the Head of Certifying Authority submitted to the Audit Authority on 22 December 2015).

Consequently no audit of accounts was carried out by the Audit Authority. It is planned that in future audits of accounts will be carried out solely by Audit Authority itself.

7. COORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK BY THE AUDIT AUTHORITY (where applicable)

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

For the ACR purposes and the Opinion of the Audit Authority as the functions of the Audit Authority are performed solely by the EU Funds Audit Department Ministry of Finance, the Audit Authority did not rely on the work of internal audit bodies or any other audit body.

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

Not applicable.

8. OTHER INFORMATION

8.1 Where applicable, information on reported fraud and suspicions of fraud detected in the context of the audits performed by the audit authority (including the cases reported by other national or EU bodies and related to operations audited by the audit authority), together with the measures taken

No cases of suspected fraud were identified.

8.2 Where applicable, subsequent events occurred after the submission of the accounts to the audit authority and before the transmission of the annual control report under Article 127(5)(b) of Regulation (EU) No 1303/2013 to the Commission and considered when establishing the level of assurance and opinion by the audit authority

Not applicable – no accounts have been prepared to be submitted by 15 February 2016.

9. OVERALL LEVEL OF ASSURANCE

9.1 Indication of the overall level of assurance on the proper functioning of the management and control system (6), and explanation of how such level was obtained from the combination of the results of the system audits (as reflected in section 10.2 below) and audits of operations (as reflected in section 10.3 below). Where relevant, the audit authority shall take also account of the results of other national or Union audit work carried out in relation to the accounting year

The Managing Authority and the Certifying Authority are both responsible to set-up the proper management and control system. In Latvia there is one multi-fund Operational Programme “Growth and Employment” covering three funds –ESF (YEI), ERDF and CF. The established management and control system has been audited by the Independent Audit Body – the EU Funds Audit Department of Ministry of Finance, in accordance to the designation criteria set by the EC (Regulation (EU) No 1303/2013 Annex XIII).

The initial designation procedure audit started on 13 January 2015 and was completed on 10 June 2015. The purpose of the audit was to obtain reasonable assurance on the management and control system established by the Managing and Certifying Authority for the 2014-2020 programming period and whether these authorities are in a position to fulfil its responsibilities under Articles 72, 125 and 126 of the Regulation (EU) No 1303/2013 and to provide audit report to the Cabinet of Ministers for making the decision on the designation of authorities.

Initially there were two main risks identified – whether the IT system will be set up in accordance to the ISO standard and on a timely manner and whether the single Co-operation Institution (CFCA) has sufficient capacity to ensure the implementation of its delegated functions. The two risks along with other risks identified were assessed during the designation procedure audit and the Unqualified Audit Opinion was provided by the IAB with two emphases of matters. The emphases of matters were in regards to the lack of the Rules of the Cabinet of Ministers for irregularities and the readiness of the IT system. In addition, the IAB had 15 recommendations reported that had no significant impact on the established management and control system. All of recommendations have been implemented in accordance to agreed action plan, except for 1 recommendation in regards to the technical assistance project administration which has no significant impact on the opinion issued. In accordance to the International Standards on Auditing (ISA) and the national rules and regulations, the IAB (AA) has to perform certain audit procedures in order to confirm and clarify certain issues and specific requests and it is expected to verify the implementation of the recommendation in the on-coming system audits. The Audit Opinion along with audit report and the Order of the Cabinet of Ministers were submitted to the EC on 5 August 2015.

The designation procedure was based on the Description detailing the functions and procedures established for the Managing Authority and the Certifying Authority, the external rules and regulations, internal procedures, human resource plan and other documents, interviews with management and the staff, information obtained in regular meetings during the audit process. Although the major changes considered in comparison to the 2007-2013 programming period were related to the upgrading the CFCA as a one-stop agency, it had a good action plan to gradually increase the number

of staff and build up the missing competences, including close cooperation with Managing Authority and the Certifying Authority. In regards to the functional operations of the IT system – to generate at least the payment claim, the IAB in its follow-up procedural review concluded that the system is operating in line with test mode and that it has all the necessary data to be recorded and stored in computerised form in the monitoring system as required by the EC (Delegated regulation No 480/2014 Annex III).

Taking into account all of the above (especially *Section 4, 5, and 6*), in accordance to the reference period it is considered to be the exceptional case and the Audit Authority considers that the Audit Authority was not able to audit the accounts, the expenditure declared or the functioning of the management and control system due to external factors outside the responsibilities of the Audit Authority and issues a disclaimer of opinion on the proper functioning of the management and control system.

9.2 Assessment of any mitigating actions implemented, such as financial corrections and assessment of the need for any additional corrective measures necessary, both from a system and financial perspective

IAB during the designation audit issued 15 recommendations that had no significant impact on the established management and control system. All of recommendations, except for one that has no effect on the opinion issued have been implemented in accordance to agreed action plan.

Prepared by:

EU Funds Audit Department, Ministry of Finance, Latvia

Agnese Abula

Inese Brēmane

Marita Markevica

Approved by:

Head of the Audit Authority

Nata Lasmane

