Pursuant to Article 68 of the Budget System Law (“Official Gazette of the Republic of Serbia“, No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13 – correction, 108/13 and 142/2014) and Article 42, Paragraph 1 of the Law on Government (“Official Gazette of the Republic of Serbia”, No. 55/05, 71/05 – correction, 101/07, 65/08 and 16/11, 68/12 – Decision of the Constitutional Court, 72/12, 7/14- Decision of the Constitutional Court and 44/14), and in connection with Article 10 items 3 and 4 and Article 12 item 3 subitem c) of the Framework Agreement between the Republic of Serbia and the European Commission on the Rules for Implementation of the European Union Financial Assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II) (“Official Gazette of the Republic of Serbia – International Agreements”, No. 19/2014)

the Government adopts

**DECREE**

**оN APPOINTING the AUDIT AUTHORITY for auditing the management system FOR pre-accession assistance of the european uniOn under the instrument for pre-accession assistance (IPA II)**

**Introductory provisions**

Article 1

This decree shall define the Audit Authority Office of European Union Funds as the Audit Authority in accordance with Article 12. item 3. subitem c) of the Framework Agreement between the Republic of Serbia and the European Commission on the Rules for Implementation of the European Union Financial Assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II) and Article 5 of the Annex A to the same Agreement (hereinafter: Audit Authority).

**Definitions**

Article 2

Specific terms used in this Decree shall have the following meaning:

1. **Instrument for Pre-Accession Assistance (IPA II)** is financial instrument of the European Union which supports the enlargement Strategy of the European Union, with the purpose of providing assistance to candidate and potential candidate countries in the association process to the EU;
2. **National IPA Coordinator** (*NIPAC*) is a Government member, an official appointed by the Government or a civil servant in position appointed by the Government, who is responsible for the overall process of strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting on IPA II assistance, as well as cooperation with the European Commission with regard to utilisation of IPA II);
3. **National Authorising Officer** *(NAO)* is an official appointed by the Government or a civil servant in position appointed by the Government who is responsible for the financial management of the European Union Pre-Accession Assistance funds in the Republic of Serbia and for the effective functioning of the management and control system in the context of providing lawfulness and regularity of the transactions;
4. **Management structure** is composed of the National Fund and NAO support unit;
5. **Operating structures** are bodies which implement the pre-accession assistance programmes under IPA II;
6. **Programme financed under IPA II** means an action programme, a cross-border or transnational cooperation programme, or a rural development programme in the area of agriculture (IPARD programme). A part of the action programme is an action, and a component of an action is an activity. A component of a cross-border programme is operation;
7. **Final beneficiary** refers to a state authority responsible for coordination of proposal and implementation of actions, or components of an action. The final beneficiary can at the same time be an end recipient;
8. **End recipient** refers to a body of state administration, a state authority, a local self-government unit or other public funds beneficiary which participates in implementation of contracts concluded within realisation of components of action programmes, to which ownership of goods acquired on the grounds of a contract is conferred, regardless of whether these contracts concern provision of services, procurement of goods or works;
9. **Recipient** means a grant beneficiary (including a twinning contractor), contractor under service, supply or works contract, a beneficiary under a grant scheme, contracting party to a delegation agreement or any natural or legal person performing an activity aimed at generating income, which is, as such, registered in line with the law on registering and which is receiving assistance under IPA II;
10. **Beneficiary** **under cross-border and transnational cooperation programmes** refers to a body of state administration, a state authority, a local self-government unit, development agency, school, university, civil society organisation or other organisation set out in the cross-border cooperation programme;
11. **Lead beneficiary under cross-border or transnational programme** is one of the beneficiaries in the cross-border or transnational cooperation programme, selected by other beneficiaries prior to submission of proposal for operation, who assumes responsibility for financial implementation of the entire operation, ensures that the implementation is in line with requirements set out in the relevant contract, and regulates relationships with other beneficiaries so as to guarantee the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid.

**Activities of the Audit Authority**

Article 3

Audit Authority is responsible for conducting audits in state bodies and Governmental services within which management and operative structures have been established, as well as audits of final beneficiaries, end recipients, recipients, beneficiaries under cross-border and transnational cooperation programmes and lead beneficiaries under cross-border and transnational cooperation programmes.

Audit Authority conducts audits of the management and control system and audits of actions, transactions and financial statements in accordance with the internationally accepted audit standards and the audit strategy.

Audit Authority shall perform the following activities:

1. develop an audit strategy on a tri-annual basis, updated annually, by November of the current year, which is then submitted to the European Commission, the Government and the national authorising officer;
2. develop and submit reports and opinions to the Government, the European Commission, the national IPA coordinator and the national authorising officer;
3. verify the effective and sound functioning of the management and control system, aimed at lawful utilisation of IPA II funds;
4. participate in preparing regulations and other legal acts with regard to audit of management system for programmes financed under IPA II and prepare acts that closely regulate the method of work and performing of activities under its jurisdiction;
5. perform other tasks within its competencies.

**Independence of Audit Authority**

Article 4

In audit procedure and within its competencies, the Audit Authority is independent from the national IPA coordinator, national authorising officer, managing structure and operating structures.

Audit Authority has the necessary functional and financial independence.

**Auditing standards and cooperation**

Article 5

Audit Authority performs audits in line with the internationally accepted auditing standards and instructions provided by the European Commission.

In auditing, the Audit Authority cooperates with relevant state authorities, Governmental services and other institutions of the Republic of Serbia, the competent institutions of the European Union member countries and the candidate countries for the European Union membership.

The Audit Authority may perform joint audits with audit authorities of other countries, as well as with the European Commission and the European Court of Auditors.

**Audit strategy**

Article 6

Audit strategy defines audit methodology, sampling methods and audit planning.

The audit shall aim at verifying:

1. the completeness, accuracy and veracity of the annual financial reports, or statements and underlying transactions;
2. the efficient and effective functioning of the management, control and supervision system;
3. the legality and regularity of the underlying transactions.

Where a common management and control system applies to more than one programme financed under IPA II, a single audit strategy may be prepared for the programmes and actions concerned.

**Reports and opinions**

Article 7

The Audit Authority develops and submits a report and an opinion to the Commission and the Government of the Republic of Serbia:

1. by 15 March each year, an annual audit opinion on the annual financial reports for the preceding financial year, evaluating their completeness, accuracy and veracity, as well as functioning of the management and control system, legality and regularity of underlying transactions;
2. by 15 March each year, together with the Annual Audit Opinion, an annual audit activity report which contains findings from the audits conducted in line with the audit strategy for the given period and which represents bases for the Annual Audit Opinion. The Annual Audit Report sets out any deficiencies found in the management, control and supervision systems and any corrective measures taken or planned to be taken by the national authorising officer, the National Fund and operating structure;
3. A final audit report and audit opinion on final statement of expenditure for programmes financed under IPA II (or parts of programmes), upon programme (or part of a programme) closure;
4. Opinion on any final statement of expenditure needed for closure of any programme or part of a programme financed under IPA II (or part of a programme) that the NAO has submitted to the European Commission. The Opinion shall address validity of the final payment application and the accuracy of the financial information and may be based on the Final Audit Report. The Audit Authority submits the Opinion within three months of the submission of the relevant final statement of expenditure by NAO.

**Access to data**

Article 8

Whilst conducting audits, the Audit Authority may request any information relevant to the audit, including documentation, data and other information necessary for planning and performing the audit.

State bodies and Governmental services within which management and operative structures have been established, as well as audits of final beneficiaries, end recipients, recipients, beneficiaries under cross-border and transnational cooperation programmes and lead beneficiaries under cross-border and transnational cooperation programmes have the duty to provide the Audit Authority with free access to their business premises and property, acts, business records, electronic data and information systems, as well as ensure availability of their employees.

State bodies and Governmental services within which management and operative structures have been established, as well as audits of final beneficiaries, end recipients, recipients, beneficiaries under cross-border and transnational cooperation programmes and lead beneficiaries under cross-border and transnational cooperation programmes are obligated to provide copies of documents, as well as explanations for all issues relevant to the audit procedure.

**Responsibilities of auditors and Head of the Audit Authority**

Article 9

Auditors shall perform audit activities in accordance with the internationally accepted auditing standards and instructions provided by the European Commission.

In the event that in the course of audit an auditor establishes there is a reasonable doubt that an illegal act was committed, he/she must inform the head of the Audit Authority about it immediately.

The Head of the Audit Authority has a duty to inform the national authorising officer about the illegal act, as well as, if needed, other competent state authorities.

Auditor shall keep confidential the data gathered in the course of audits.

Auditors shall sign the Statement on impartiality, confidentiality and independence of auditors.

**Entry into force**

Article 10

This Decree shall enter into force on the eighth day from its publishing in “The Official Gazette of the Republic of Serbia”.

05 No: 110-10907/2015

In Belgrade, 14 October 2015

**GOVERNMENT**

PRIME MINISTER

Aleksandar Vucic