

**EU:n jäsenvaltioiden
tarkastusvirastojen
rinnakkaistarkastus
rakennerahastojen
jäljitysketjusta
mukaan
lukien 5 %:n
tarkastusvelvollisuus**

VALTIONTALOIDEN
TARKASTUSVIRASTO



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tarkastusvirastojen
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EDITA PRIMA OY

VALTIONTALOUDEN TARKASTUSVIRASTO
TARKASTUSKERTOMUS DNRO 91/54/05
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Valtiontalouden tarkastusvirasto on suorittanut vahvistamaansa tarkastussuunnitelmaan sisältyneen (nro 20234) EU:n jäsenvaltioiden tarkastusvirastojen rinnakkaistarkastus rakennerahastojen jäljitysketjusta mukaan lukien 5 %:n tarkastusvelvollisuus (Parallel audit on the audit trail including the 5 % check) liittyneen tarkastuksen.

Tarkastuksen perusteella tarkastusvirasto on antanut asiassa seuraavan sisältöisen tarkastuskertomuksen, joka lähetetään sisäasiainministeriölle sekä valtiovarainministeriölle ja valtiontilintarkastajille.

Suoritettuun tarkastukseen kohdistuvan jälkiseurannan yhteydessä tarkastusvirasto tulee erikseen selvittämään, mitä toimenpiteitä tarkastuskertomuksessa todettujen epäkohtien korjaamiseksi on tehty.

Tarkastusneuvos


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TARKASTUSVIRASTON JA YHTEISTARKASTUKSEN KANNANOTOT

- Useimmissa maissa jäljitysketju on riittävä neuvoston asetuksen (EY) N:o 1260/1999 soveltamista koskevista yksityiskohtaisista säännöistä rakennerahastoista myönnettävän tuen hallinto- ja valvontajärjestelmien osalta annetussa komission asetuksessa (EY) N:o 438/2001 tarkoitettussa mielessä. Yksittäisiä hankkeita tutkittaessa voitiin todeta eräitä puutteellisuuksia, mutta kyse ei ollut systemaattisista puutteellisuuksista vaan hankekohtaisista laiminlyönneistä. Todetuista puutteellisuuksista merkittävimpiä oli tehtyjen tarkastusten riittämätön dokumentointi sekä se, että sääntöjenvastaisuuksien ja silkkojen virheiden välistä eroa ei ole selvästi määritelty.
- Hankkeiden edistymisestä raportoiminen koettiin suhteellisen heikoksi. Raportoinnissa usein keskityttiin talousseurantaan niivomatta sitä mitenkään hankkeiden tuotoksiin ja tuloksiin.
- Valtaosassa maita toteutus ja vähintään 5 % tukeen oikeuttavista menoista kattaneiden tarkastusten raportointi oli komission asetuksen (EY) N:o 438/2001 mukaista. Silloin, kun näin ei ollut, kyseiset elimet olivat ryhtyneet oikeansuuntaisiin toimiin tarvittavien tarkastusten tekemiseksi ennen ohjelmakauden päättymistä.
- Vähintään 5 % tukeen oikeuttavista menoista käsittävät otanta-tarkastukset tehneiden tahojen riippumattomuudesta oli huolehdittu kaikissa ohjelmissa.
- Vähintään 5 % tukeen oikeuttavista menoista kattaneiden tarkastusten toimeenpano oli kaikissa maissa ollut suhteellisen vitkasta ja kausittain epätasaista.
- Euroopan komission rakennerahastoja koskevien säädösten sanamuodot jättävät sijaa epätarkoille, jopa ristiriitaisille tulkinnoille.
- Jäsenvaltiot lisäksi ilmaisivat huolestuneisuutensa siitä, että vuosien 2000–2006 uusien ohjelmäsäännösten toimeenpano käy entistä raskaammaksi ja että riskilähtöistä tarkastelutapaa voi-

daan siinä soveltaa vain rajallisesti, sekä siitä, että asiaan liittyviin resurssikustannuksiin ei ole saatavissa komission rahoitusta.

Hyvät käytännöt

Jäljitysketjut

Tarkistuslistoja käyttämällä voidaan todentaa vaatimusten noudattaminen ja edistää maakohtaisten käytänteiden vakiointia.

Hankejärjestelmien ennalta hyväksyttämällä voidaan välttää tuen maksamista hankkeille, joihin järjestelmät eivät sovellu. Samaa tavoitetta palvelevat selvitykset, joita tehdään hakemusten lopullisen hyväksymisen yhteydessä tai osana ensimmäiseen maksupyyntöön liittyviä tarkastuksia.

Tukiaineistojen toimittaminen maksupyyntöjen yhteydessä antaa maksuviranomaiselle yksityiskohtaisemmat ja paremmin ajoitetut mahdollisuudet vaatimusten tarkentamiseen. Tukiaineistojen puuttuessa pyyntöperusteet voidaan vaihtoehtoisesti riittävästi todentaa maksupyyntöjen riippumattomalla varmentamisella.

Hankkeiden edistymistä koskevat ilmoitukset ja niiden todentaminen hankekohtaisin käynnein ja tunnettuihin tietoihin vertaamalla osaltaan yhtenäistää yksittäisten hankkeiden tarkastelua.

Hankeraportoinnissa olisi käsiteltävä sekä talouteen että suoritteisiin liittyviä tavoitteita. Hanketaloutta koskevat tiedot ovat toki tärkeitä, mutta myös suoritteista olisi annettava tietoja, joiden avulla hankkeen edistymistä voidaan verrata menoihin. Suoritetiedot olisi annettava silloinkin, kun hankkeen edistyminen ei suoraan korreloi menoihin, esim. silloin, kun lopullinen tulos syntyy vasta, kun kaikki varat on käytetty.

Kansallisten viranomaisten sisäiset tarkastusyksiköt voivat oleellisella tavalla vaikuttaa säädösten mukaisten vaatimusten noudattamiseen, edistää hyvien käytänteiden yleistymistä ja kannustaa jatkuviin parannuksiin. Vähintään 5 % hankkeen tukeen oikeuttavista menoista kattavat tarkastukset voidaan vastaavasti nekin tehdä aikaisemmin ohjelmakaudella ja suunnitella siten, että myös ne osaltaan tukevat jäljitysketjujen laatua ja toimivuutta.

Vähintään 5 % tukeen oikeuttavista menoista kattavat tarkastukset

Vuosittaiset riskiarviot sekä virallistettu, järjestelmällinen kohdevalinta

Kun vähintään 5 % tukeen oikeuttavista menoista on tarkastettu, tarkastuskäynnistä laaditaan kertomus, jossa annetaan tarkastettua hanketta koskevia suosituksia, mm. oikea-aikaista palautetta, sekä arvioidaan mahdollisuuksia hyödyntää saatuja kokemuksia myöhemmissä hankkeissa.

Vuosittaiset järjestelmäarviot, joihin sisältyy aikaisemmissa tarkastuksissa tehtyjen havaintojen ja annettujen suositusten seuranta.

Tarkastelun ja raportoinnin yhtenäistäminen vakioitujen tarkistuslistojen avulla

Tarkastettavien elinten ottaminen aktiivisesti mukaan arvioimaan tavoitteiden toteutumista

Suosituks

Jäljitysketjut

Hankeseuranta on yleensä tehokasta useimmissa toteutuvissa hankkeissa, mutta vaikutuksia olisi arvioitava ennen hankkeen hyväksymistä ja edistymisraportointia koskevista vaatimuksista olisi tingittävä (takautuva raportointi).

Kelpoisuussääntöjä olisi tarkistettava siten, että rakennerahastotukea voitaisiin kohdistaa sinne, missä sille on saatavissa paras vastike.

Pyyntöjen todentamistarvetta olisi arvioitava riskilähtöisesti joko riippumattomalla varmentamisella tai toimitettavien tukiaineistojen perusteella, tai sisäiseen tarkastukseen tukeutumalla.

Jäsenvaltioiden sisäisiä tarkastusyksiköitä voitaisiin ohjeistaa säädösvaatimusten noudattamisen valvonnasta. Samalla vähennettäisiin rakennerahastotuen vastaanottajien tarkastuspaineita.

Vähintään 5 % tukeen oikeuttavista menoista kattavat tarkastukset

Uusiin (vuoden 2006 jälkeisiin) rakennerahastotukisäädöksiin olisi sisällytettävä laintasoinen velvoite toimittaa tarkastuksia aiempaa tasaisemmin pitkin ohjelmakausia.

Hallinto- ja valvontajärjestelmien tarkastuksille olisi annettava aiempaa keskeisempi asema, jotta järjestelmien heikkoudet kyettäisiin havaitsemaan ohjelmakausilla entistä varhaisemmin.

Riskiarviointia olisi säännöllisesti käytettävä valittaessa hankkeita vähintään 5 % tukeen oikeuttavista menoista kattaviin tarkastuksiin.

Komission olisi annettava ohjeet siitä, miten asetuksen (EY) N:o 438/2001 5 artiklaa olisi hallinto- ja valvontajärjestelmien tarkastamisessa tulkittava.

STÄLLNINGSTAGANDEN AV REVISIONSVERKET OCH VID DEN SAMFÄLLDA REVISIONEN

- I de flesta länder är verifieringskedjan tillräcklig med avseende på kommissionens förordning (EG) nr. 438/2001 om genomförandebestämmelser till rådets förordning (EG) nr. 1260/1999 beträffande förvaltnings- och kontrollsystemen för stöd som beviljas inom ramen för strukturfonderna. Vid granskningen av enskilda projekt kunde vissa bristfälligheter konstateras, men det var inte fråga om systematiska brister utan om projektspecifika försummelser. Av de konstaterade bristfälligheterna hörde till de viktigaste en otillräcklig dokumentation av de utförda revisionerna, samt att skillnaden mellan regelbrott och enkla misstag inte hade definierats klart.
- Rapporteringen om hur projekten framskrider upplevdes som tämligen svag. I rapporteringen fokuserades ofta på ekonomisk uppföljning utan att den på något sätt anknutits till projektens avkastning och resultat.
- I merparten av länderna iakttog genomförandet och rapporteringen av revisionen av åtminstone 5 % av de stödberättigande utgifterna kommissionens förordning (EG) nr. 438/2001. När så inte var fallet, hade ifrågavarande organ vidtagit rätta åtgärder för utförande av behövliga revisioner före programperiodens utgång.
- Oavhängigheten för de instanser som utfört sampelrevisionerna av åtminstone 5 % av de stödberättigande utgifterna hade beaktats i alla program.
- Revisionerna av åtminstone 5 % av de stödberättigande utgifterna hade i alla länder verkställts förhållandevis långsamt och periodvisa ojämnheter förekom.
- Formuleringarna i europeiska kommissionens stadganden om strukturfonderna lämnar rum för inexakta, rentav motstridiga tolkningar.
- Medlemsstaterna uttryckte därtill sin oro för att verkställandet av de nya programreglerna för åren 2000-2006 skall bli allt tyngre och att ett riskinriktat betraktelsesätt kan tillämpas endast

i begränsad omfattning, samt för att finansiering från kommissionen inte kommer att fås för de resurskostnader som uppstår.

God praxis

Verifieringskedjorna

1. Med checklistor kan verifieras hur kraven iakttagits och en standardiserad landsvis praxis främjas.
2. Med godkännande på förhand av projektsystemen kan undvikas att stöd betalas åt projekt, för vilka systemen inte är tillämpliga. Samma målsättning tjänas av utredningar som görs i samband med det slutliga godkännandet av ansökningarna eller som en del av kontrollerna i samband med den första ansökan om utbetalning.
3. Tillhandahållet stödmaterial i samband med ansökningarna om utbetalning ger den betalande myndigheten mera detaljerade och tidsmässigt bättre möjligheter att precisera kraven. Om stödmaterial saknas kan grunderna för ansökan alternativt konstateras tillräckligt med en oavhängig verifiering av ansökningarna om utbetalning.
4. Meddelanden om projektets framskridande och deras verifiering med projektvisa besök och jämförelser med kända data förenhetligar för sin del granskningen av enskilda projekt.
5. I projektrapporteringen borde behandlas både till ekonomin och resultaten anknutna målsättningar. Informationen om projektets ekonomi är för all del viktig, men också om resultaten borde ges upplysningar med hjälp av vilka projektets framskridande kan jämföras med utgifterna. Information om resultaten borde ges också när projektets framskridande inte direkt korrelerar med utgifterna, t.ex. när det slutliga resultatet uppkommer först när alla utgifter tagits i anspråk.
6. De nationella myndigheternas interna revisionsenheter kan på ett väsentligt sätt bidra till att kraven enligt regelverken iakttas, främja spridningen av god praxis och uppmuntra till kontinuerliga förbättringar. Revisionerna av åtminstone 5 % av de stödberättigade utgifterna kan motsvarigt utföras tidigare under programperioden och planeras så, att också de för sin del stöder verifieringskedjans kvalitet och ändamålsenlighet.

Revisioner av åtminstone 5 % av de stödberättigade utgifterna

7. Årliga riskbedömningar samt ett officiellt, systematiskt val av objekt.
8. När åtminstone 5 % av de stödberättigade utgifterna har reviderats, uppgörs över revisionsbesöket en berättelse i vilken ges rekommendationer beträffande det reviderade projektet, bl.a. respons i rätt tid, samt utvärderas möjligheterna att utnyttja de erhållna erfarenheterna vid kommande projekt.
9. Årliga systembedömningar, i vilka ingår uppföljning av vid tidigare revisioner gjorda observationer och framförda rekommendationer.
10. Förenhetligande av granskning och rapportering med hjälp av standardiserade checklistor.
11. De reviderade organen engageras aktivt i att utvärdera hur målsättningarna har förverkligats.

Rekommendationer

Verifieringskedjorna

12. Uppföljningen av projekten är i allmänhet effektiv vid de flesta genomförda projekt, men effekterna borde uppskattas före projektet godkänns och kraven på rapportering om framskridande borde lindras (retroaktiv rapportering).
13. Behörighetsreglerna borde anpassas så, att stöd från strukturfonderna kan inriktas på objekt som ger det bästa utfallet.
14. Behovet av att verifiera ansökningarna borde bedömas riskinriktat antingen med en oavhängig verifiering eller på basis av levererat stödmateriel eller en intern kontroll.
15. Medlemsstaternas interna revisionsenheter kunde ges föreskrifter om övervakningen av hur kraven i regelverken iakttas. Samtidigt kunde behovet av att revidera mottagarna av stöd från strukturfonderna minskas.

Revisioner av åtminstone 5 % av de stödberättigande utgifterna

16. I de nya (efter år 2006 införda) bestämmelserna om stöd från strukturfonderna borde inkluderas en skyldighet av lags dignitet att utföra revisioner jämnare under pågående programperioder.
17. Revisionerna av förvaltnings- och övervakningssystem borde ges en viktigare roll än för närvarande, så att svagheter i

systemen skall kunna upptäckas tidigare under programperioderna.

18. Riskbedömning borde regelbundet tillämpas vid val av föremål för revision av åtminstone 5 % av de stödberättigande utgifterna.
19. Kommissionen borde utfärda föreskrifter om hur 5 artikeln i förordningen (EG) nr. 438/2001 borde tolkas vid revision av förvaltnings- och kontrollsystem.

1. JOHDANTO

EU:n jäsenvaltioiden valtiontalouden tarkastusvirastojen pääjohtajien yhteistyöryhmä; ns. Contact Committee, on kokouksessaan 28.11.2002 antanut asettamalleen työryhmälle tehtäväksi valmistella tarkastussuunnitelma aiheesta:

EU:n jäsenvaltioiden tarkastusvirastojen rinnakkaistarkastus rakennerahastojen jäljitusketjusta mukaan lukien 5 %:n tarkastusvelvollisuus (Parallel audit on the audit trail including the 5 % check).

Yhteistyöryhmä hyväksyi suunnitelman 9.12.2003 ja käynnisti rinnakkaistarkastuksen. Tarkastusvirasto on osallistunut valmisteluun ja päättänyt osallistua myös rinnakkais-tarkastukseen. Siinä on mukana 8 tarkastusvirastoa: Tanskan, Suomen, Saksan, Italian, Alankomaiden, Portugalin, Espanjan ja Ruotsin sekä huomioitsijana Euroopan Tilintarkastustuomioistuin.

Vertailukelpoisuuden saavuttamiseksi tarkastus suoritettiin kaikissa osallistujavaltioissa yhteisesti hyväksytyn tarkastussuunnitelman mukaisesti.

Kansallisten tarkastusten tulosten nojalla laadittiin yhteinen tarkastuskertomus yhteistyöryhmälle. Yhteistyöryhmä hyväksyi sen kokouksessaan 6.12.2004.

2. TARKASTUSASETELMA

2.1 TARKASTUKSEN KOHDE

Berliinin Eurooppa - neuvosto päätti vuonna 1999 ohjata koheesion edistämiseen ohjelmakaudella 2000-2006 213 miljardia euroa, joista rakennerahastoille osoitettiin 195 miljardia euroa.

Suomen osuus tästä on koko ohjelmakaudella 2,09 miljardia euroa (alle 1 %) jakaantuen seuraavasti.

Tavoite 1	913 milj €
Tavoite 2	459 milj € (lisäksi siirtymäkauden tukea 30 milj €)
Tavoite 3	403 milj €
KOR	31 milj €
Yhteisöaloitteet	254 milj €

Seuraavassa vertailun vuoksi eräiden muiden jäsenvaltioiden saamia osuuksia arviomäärinä:

Mrd €	
Espanja	45
Portugali	18
Irlanti	3
Saksa	30
Ruotsi	2
Italia	30
Kreikka	22

2.2 TARKASTUKSEN TAVOITE, KRITEERIT JA TARKASTUSKYSYMYKSET

Tarkastuksessa keskitytään todentamaan jäljitysketjuja ja 5 %:n tarkastusvelvoitetta koskevien säännösten noudattaminen. Tarkastuksen tavoitteena on todentaa,

- että komission asetuksen (EY) N:o 438/2001) relevantteja artikloja on noudatettu
- miten tehokkaasti tämä on tehty

Jäsenvaltioiden hallinto- ja valvontajärjestelmiä koskevasta säädöskehystä on säädetty neuvoston asetuksella (EY) N:o 1260/1999 (34 ja 38 artiklat) ja komission asetuksella (EY) N:o 438/2001. Ensinmainittu säättää, että tukitoimien varainhoidon valvonnasta vastaavat ensisijaisesti jäsenvaltiot ja vaatii, että jäsenvaltiot ottavat käyttöön ja panevat täytäntöön hallinto- ja valvontajärjestelmät tavalla, jolla varmistetaan yhteisön varojen tehokas ja moitteeton käyttö.

Yksityiskohtaiset, tarkentavat tarkastuskysymykset ilmenevät liitteenä olevasta tarkastussuunnitelmasta.

2.3 TARKASTUSKOHTTEEN KUVAUS JA RAJAUKSET

Työryhmän mielestä tarkastus oli rajattava yksittäiseen ohjelmaan, joka oli valittavissa tavoitteista 1, 2 tai 3 sellaisina kuin ne on määriteltävä neuvoston asetuksen (EY) N:o 1260/1999 1 artiklassa.

Suomen osuuden kohteiksi valittiin Pohjois-Suomen tavoite 1 ohjelma (kansallisen rahoituksen sisältävä kokonaisrahoitus 1053 milj €) ja Itä-Suomen tavoite 1 ohjelma (samoin kokonaisrahoitus 2 558 milj €).

Valintaperusteena näille on ensinnäkin se että ne ovat rahallisesti merkittäviä ja toiseksi, että niiden toimeenpanoon osallistuu useita julkista valtaa käytäviä yksiköitä. Näin pyritään saamaan laaja ja monipuolinen kuva toiminnasta.

Pohjois-Suomen tavoite 1 ohjelmasta EU rahoituksen osuus on 30% (321 milj €) jakaantuen rahastoille seuraavasti:

EAKR 50%

ESR 28 %

EMOTR-O 21%

KOR 1 %

Itä-Suomen tavoite 1 ohjelmasta EU rahoituksen osuus on 24 %
(626 milj €) jakaantuen rahastoille seuraavasti:

EAKR 50%

ESR 29%

EMOTR-O 20%

KOR 1%

Rahastoista tarkastuksen kohteeksi valittiin suurin rahoittaja Euroopan aluekehitysrahasto (EAKR) . Siinä vastuuviranomaisena EU:lle eli ns. hallintoviranomaisena (Tavoitteet 1 ja 2) ja maksuviranomaisena toimii sisäasianministeriö

Euroopan yhteisöjen rakennerahastoja koskevista yleisistä säännöksistä annettu neuvoston asetus (EY) N:o 1260/1999 (jäljempänä yleisasetus) sisältää säännökset kaudella 2000-2006 sovellettavista tavoitteista, joihin rakennerahastovaroja kohdennetaan. Tavoite 1 on kehityksestä jälkeen jääneiden alueiden kehittämisen ja rakenteellisen mukauttamisen edistäminen.

Pohjois-Suomen Tavoite 1 –aluetta koskeva ohjelma-asiakirja hyväksyttiin komissiossa 31.3.2000 ja ohjelma-asiakirjan täydennys ohjelman seurantakomitean kokouksessa 10.5.2000.

Pohjois-Suomen tavoite 1 –alue kattaa Lapin maakunnan, Koillismaan, Oulunkaaren, Nivala-Haapajärven ja Siikalatvan seutukunnat Pohjois-Pohjanmaalta, Kaustisen seutukunnan Keski-Pohjanmaalta sekä Saarijärven ja Viitasaaren Keski-Suomesta. Alue ulottuu maan pohjoisimmista osista keskeiseen Suomeen; Pohjois-Lapin Nuorgamista Saarijärven kaupunkiin. Matka näiden kahden kaupungin välillä on noin 850 km. Alueen kokonaispinta-ala on 131 000 km², joka on 39 % koko maan pinta-alasta. Alueen väkiluku oli vuonna 2002 338 324. Suomen jäsenyysneuvotteluissa erittäin harvaan asutuksen alueiksi määriteltiin alueet, joiden asukastiheys on alle 8 asukasta/km². Keskimääräinen asukastiheys Pohjois-Suomen tavoite 1 –alueella on 2,8 asukasta / km². Alueen kannalta merkittävät maakuntakeskukset ovat Rovaniemi, Oulu, Kokkola ja Jyväskylä.

Pohjois-Suomen tavoite 1 –ohjelmaa toteutetaan neljällä toimintalinjalla.

TOIMINTALINJA 1: YRITYSTOIMINTA

Toimenpidekokonaisuus 1.1: Yritystoiminnan, klustereiden ja toimialarakenteen kehittäminen

Toimenpidekokonaisuus 1.2: Yritysten toimintaympäristön parantaminen

Toimenpidekokonaisuus 1.3: Yritysten henkilöstön kehittäminen ja yrittäjyyden edistäminen

TOIMINTALINJA 2: MAASEUTU

Toimenpidekokonaisuus 2.1: Maatilainvestoinnit

Toimenpidekokonaisuus 2.2: Nuorten viljelijöiden aloitustuki

Toimenpidekokonaisuus 2.3: Koulutus

Toimenpidekokonaisuus 2.4: Metsätaloustoimenpiteet

Toimenpidekokonaisuus 2.5: Maaseutualueiden sopeuttaminen ja kehittäminen

Toimenpidekokonaisuus 2.6: Osaamisen kehittäminen maaseudulla

Toimenpidekokonaisuus 2.7: Maaseudun toimintaympäristön parantaminen

KOR-toimenpiteiden yleisotsikko 2.8: Kalatalouden kannattavuuden, rakenteen ja toimintaedellytysten parantaminen

TOIMINTALINJA 3: OSAAMINEN JA TYÖLLISYYS

Toimenpidekokonaisuus 3.1: Osaamisen ja tietoyhteiskuntarakenteiden kehittäminen

Toimenpidekokonaisuus 3.2: Osaamisen ja avainalojen edistäminen

Toimenpidekokonaisuus 3.3: Työllistymisen edistäminen ja työttömyyden ehkäiseminen

Toimenpidekokonaisuus 3.4: Työmarkkinoilta syrjäytymisen ehkäiseminen ja tasa-arvon edistäminen työmarkkinoilla

TOIMINTALINJA 4: TEKNINEN APU

Pohjois-Suomen tavoite 1 ohjelman toteuttamisessa rahoitusta myöntävät useat alueella toimivat yksiköt:

4 maakunnan liittoa

4 TE keskusta

3 lääninhallitusta

4 ympäristökeskusta

Pohjois-Suomen tavoite 1 ohjelman toteuttajista tarkastuskohteeksi valittiin riskiarvion nojalla Lapin Liitto.

Itä-Suomen Tavoite 1 –aluetta koskeva ohjelma-asiakirja hyväksyttiin komissiossa 31.3.2000 ja ohjelma-asiakirjan täydennys ohjelman seurantakomitean kokouksessa 31.5.2000 .

Itä-Suomen tavoite 1 –alue kattaa Etelä-Savon, Kainuun, Pohjois-Karjalan ja Pohjois-Savon maakunnat. Ohjelma-alueella asuu noin 691 000 asukasta, joista yli puolet maaseudulla. Alueen suurimmat keskukset ovat Mikkeli, Kajaani, Joensuu ja Kuopio. Alueen kokonaispinta-ala on 85 200 neliökilometriä. Alueella on tyyppillistä harva asutus, asukastiheys on vain 8,2 asukasta neliökilometriä kohti, kun koko maassa on 15,2 asukasta neliökilometriä kohti.

Itä-Suomen tavoite 1 –ohjelmaa toteutetaan viidellä toimintalinjalla.

TOIMINTALINJA 1: YRITYSTOIMINNAN KEHITTÄMINEN JA YRITYSTEN TOIMINTAYMPÄRISTÖN PARANTAMINEN

Toimenpidekokonaisuus 1.1: Yritystoiminnan edistäminen

Toimenpidekokonaisuus 1.2: Yritysten toimintaympäristön parantaminen

TOIMINTALINJA 2: OSAAMISEN VAHVISTAMINEN JA TYÖVOIMAN VALMIUKSIEN PARANTAMINEN

Toimenpidekokonaisuus 2.1: Koulutusjärjestelmien kehittäminen ja koulutuksen laadun ja vaikuttavuuden parantaminen

Toimenpidekokonaisuus 2.2: Osaamispääoman kehittäminen ja työvoiman osaamisen lisääminen

Toimenpidekokonaisuus 2.3: Työmarkkinoiden toimivuuden ja työllistyvyyden edistäminen

Toimenpidekokonaisuus 2.4: Työelämän tasa-arvon edistäminen

TOIMINTALINJA 3: MAASEUDUN KEHITTÄMINEN

Toimenpidekokonaisuus 3.1: Maaseutualueiden sopeuttaminen ja kehittäminen

Toimenpidekokonaisuus 3.2: Metsätaloustoimenpiteet

Toimenpidekokonaisuus 3.3: Koulutus

Toimenpidekokonaisuus 3.4: Maatalouden investoinnit

Toimenpidekokonaisuus 3.5: Nuorten viljelijöiden aloitustuki

KOR -toimenpiteiden yleisotsikko 3.6: Elinkeinokalatalouden kehittäminen

TOIMINTALINJA 4: RAKENTEIDEN JA HYVÄN YMPÄRISTÖN KEHITTÄMINEN

Toimenpidekokonaisuus 4.1: Osaamisen ja koulutuksen rakenteiden kehittäminen

Toimenpidekokonaisuus 4.2: Sisäisen ja ulkoisen yhteysverkon kehittäminen

Toimenpidekokonaisuus 4.3: Luonnon- ja rakennetun ympäristön hoito

Toimenpidekokonaisuus 4.4: Arkielämän rakenteiden kehittäminen

TOIMINTALINJA 5: TEKNINEN APU

Itä-Suomen tavoite 1 ohjelman toteuttamisessa rahoitusta myöntävät useat alueella toimivat yksiköt:

4 maakunnan liittoa

4 TE – keskusta

4 ympäristökeskusta

4 lääninhallitusta

Itä-Suomen tavoite 1 ohjelman toteuttajista tarkastuskohteeksi valittiin riskiarvion nojalla Kainuun Liitto.

Ohjelmakaudella 2000 – 2006 on 31.3.2003 mennessä Itä-Suomen tavoite 1 ohjelmassa sitouduttu yhteensä 5.196 hankkeen ja Pohjois-Suomen tavoite 1 ohjelmassa 3.197 hankkeen toteuttamiseen. Tarkastuksessa kummaltakin valitulta toteuttajalta eli Lapin ja Kainuun Liitolta valittiin tarkastettavaksi yhdeltä toimintalinjalta yhdestä toimenpidekokonaisuudesta kahden projektin jäljitysketju seuraavasti:

– Lapin Liitto

Toimenpidekokonaisuudesta: Yritysten toimintaympäristön parantaminen projekti: Lapin puuohjelma ja toimenpidekokonaisuudesta Maaseudun toimintaympäristön parantaminen projekti: Posio design

– Kainuun liitto

Toimenpidekokonaisuudesta Osaamisen ja koulutuksen raken-

teiden kehittäminen projekti: Kainuun Etu Oy:n projekti : Must!
– mittausta, uusimmat sovellukset ja tekniikat ja toimenpidekokonaisuudesta Tekninen tuki projekti: Kainuun Liiton Tekninen tuki (Hallinnollinen tekninen tuki)

Jäljitysketju tarkastettiin liitoista lopullisiin tuen saajiin saakka.

2.4 TARKASTUSMENETELMÄT

Tarkastus rajattiin kahtaalta: tarkastettavaksi valittuun ohjelmaan ja ohjelmasta valittuihin hankkeisiin (toimiin).

Tarkastusmenetelmä käsitti järjestelmäarviointia ja asiakysymyksiin liittyviä menettelyjä. Tarkastus kattoi jäsenvaltioiden viranomaisten (hallinto- ja maksuviranomaisten, välittävien ja valvontaelinten) rahastotoimien tarkastusta sekä lopullisiin edunsaajiin ja vastaanottajiin kohdistuneita tarkastuksia, mm. valvontakokeita, joilla todennettiin, että sisäiset hallinto- ja valvontajärjestelmät olivat olemassa ja että niiden toiminta oli jatkuvaa, yhdenmukaista ja tehokasta. Asiakysymyksiä koskeneilla tarkastuksilla todennettiin, että tapahtumat oli täydellisesti, asianmukaisesti ja pätevästi kirjattu. Tarkastuksen yleistavoitteena oli todentaa komissiolle toimitetun kuvauksen mukaisen hallinto- ja valvontajärjestelmän olemassaolo.

- Hallinto- ja maksuviranomaisten järjestelmiä tarkastettiin ja niiden toimivuutta kokeiltiin (mm. todentamalla välittävien elinten ilmoittamia menoja maksuviranomaisten kirjanpitojärjestelmistä). Lisäksi tutkittiin valittujen välittävien elinten sisäisen tarkastuksen kertomuksia.
- Käytiin kahdessa välittävässä elimessä tarkastamassa ja testaamassa niiden järjestelmiä. Menetelmänä käytettiin tässäkin mm. ilmoitettujen menojen todentamista.
- Käytiin valittujen lopullisten edunsaajien ja/tai vastaanottajien luona kokeilemassa paikallisjärjestelmiä ja todentamassa ilmoitettuja menoja paikallisista kirjanpitojärjestelmistä. Paikallistason menojen otantatarkastuksista laadittuja kertomuksia tarkastettiin.

Suomen osuudessa tarkastustietoa hankittiin myös vastuuhenkilöiden haastatteluilla hallinto-, maksu- ja toteuttajaviranomaisissa.

Tarkastuksen on tehnyt tarkastuspäällikkö Jukka Kulonpalo. Tietojen keruussa on avustanut hallintotieteiden yo Mikael Mantila

3. TARKASTUSHAVAINNOT

Suomen tarkastuksessa tehdyt havainnot ja tarkastusviraston kannanotot esitetään sovitussa pelkistetyssä muodossa englannin kielellä tarkastussuunnitelman mukaisessa järjestyksessä seuraavassa Suomen kansallisessa kertomuksessa (luku B).

Sisäasiainministeriö on tutustunut kertomusluonnokseen ja esittänyt huomautuksia, jotka on otettu huomioon kertomusta laadittaessa.

Kaikkien osallistujien havaintojen nojalla laadittu yhteistarkastuksen tarkastuskertomus seuraa jäljempänä.

4. B. FINLAND'S COUNTRY REPORT TO EU WORKING GROUP ON STRUCTURAL FUNDS

At its meeting on 28 November 2002 the Contact Committee of the heads of the national audit bodies of the EU Member States appointed a Working Group to prepare an audit plan on the topic:

Parallel audit on the audit trail including the 5% check

The Contact Committee approved the plan on 9 December 2003 and began the parallel audit. The State Audit Office of Finland participated in the preparation and decided to participate in the parallel audit as well. To ensure comparability the audit was conducted according to an audit plan jointly approved by all the participating states.

5. FOCUS OF THE AUDIT

The Berlin European Council decided in 1999 to steer 213 billion euros to promote cohesion during the programme period 2000-2006, including 195 billion euros appropriated to structural funds.

Finland's share of this during the entire programme period is 2.09 billion euros (less than 1%), divided as follows:

Objective 1	913 million euros
Objective 2	459 million euros (plus transition period support 30 million euros)
Objective 3	403 million euros
FIFG	31 million euros
Community initiatives	254 million euros

The Working Group agreed that the audit should be focused at the programme level. A programme can be chosen from any of the Objectives as defined by Article 1 of Council Regulation 1260/1999.

5.1 AUDIT OBJECTIVES

The regulatory framework for Member States' management and control systems is laid down in Council Regulation (EC) 1260/1999 (Articles 34 and 38), and Commission Regulation (EC) No 438/2001.

Regulation (EC) No 1260/1999 provides that Member States shall take responsibility in the first instance for the financial control of assistance and requires that Member States: verify that management and control systems have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly. The Member States, each country and/or region has developed its own management and control systems. These individual systems should include the relevant bodies set out below:

- paying authority, which is the body authorized to issue certificates of expenditure under Article 32 of Regulation (EC) No 1260/1999 and Article 9 of Regulation (EC) 438/2001;
- managing authority, which is responsible for the management and implementation of the assistance in accordance with Article 34 of Regulation (EC) No 1260/1999;
- intermediate bodies, which carry out functions delegated to them by a paying authority or managing authority as defined in Article 2.2 of Regulation (EC) No 438/2001;
- control authorities, which have been designated as responsible for carrying out sample checks under Article 10 of Regulation (EC) No 438/2001 and/or the declaration of validity on the winding up of the assistance under Article 15; and
- final beneficiaries/final recipients, at which level the specific operations are implemented.

The essential components of the control system required by the Regulation are:

- verification procedures at the management level on the delivery of the products and services co-financed and the reality of the expenditure claimed (Article 4);
- verification of the effectiveness of the management and control systems and checks on operations on an appropriate sampling basis covering at least 5% of total eligible expenditure by a body which can assure an appropriate separation of tasks (Article 10).

The objective of the audit is to determine:

- Compliance with the relevant articles of Regulation 438/2001
- The effectiveness with which this has been done.

To be able to meet this objective, the audit was focused at two levels, first on the level of the programme selected for the audit and subsequently within the programme a number of selected projects (also referred to as 'operations').

5.2 SCOPE OF THE AUDIT

The Northern Finland Objective 1 programme (total funding including national funding 1 053 million euros) and the Eastern Finland Objective 1 programme (total funding including national funding 2 558 million euros) were selected for examination.

These programmes were selected because they are financially significant and because a number of public bodies participate in their implementation.

The Objective 1 programme promotes the development and structural adjustment of regions whose economies are in decline. The EU provides 30% of funds for the Northern Finland Objective 1 programme (321 million euros), broken down as follows:

ERDF 50%
ESF 28%
EAGGF-Guidance 21%
FIFG 1%

The EU provides 24% of funds for the Eastern Finland Objective 1 programme (626 million euros), broken down as follows:

ERDF 50%
ESF 29%
EAGGF-Guidance 20%
FIFG 1%

The biggest source of funds, the European Regional Development Fund (ERDF), was selected for examination. The Ministry of the Interior is the managing authority (Objective 1 and 2) and paying authority.

The programme document for the Northern Finland Objective 1 programme was approved by the Commission on 31 March 2000. It covers the Province of Lapland and the Koillismaa, Oulunkaari, Niivala-Haapajärvi, Siikalatva, Kaustinen, Saarijärvi and Viitasaari districts. It extends from the northernmost parts of the country to central Finland, from Nuorgam to Saarijärvi. The distance between these two towns is about 850 kilometres. The total area is 131,000 square kilometres, which is 39% of Finland's total area. The popula-

tion in this area was 338,324 in 2002. In Finland's membership negotiations sparsely populated regions were defined as those with a population density of less than eight persons per square kilometre. The average population density in the Northern Finland Objective 1 area is 2.8 persons per square kilometre.

The Northern Finland Objective 1 programme has four priorities:

1. Business development
2. Rural development
3. Skills and employment
4. Technical help

In the Northern Finland Objective 1 programme funds are granted by 15 units in the area. Among these intermediate bodies Lapin Liitto was selected for examination on the basis of a risk assessment.

The programme document for the Eastern Finland Objective 1 programme was approved by the Commission on 31 March 2000. It covers the South Savo, Kainuu, North Karelia and North Savo regions. Around 691,000 people live in these regions, with over half in rural areas. The total area is 85,200 square kilometres. Most of Eastern Finland is sparsely populated. The average population density is only 8.2 persons per square kilometre, compared with 15.2 persons per square kilometre in the country as a whole.

The Eastern Finland Objective 1 programme has five priorities:

1. Business development and improving enterprises' operating environment
2. Improving knowledge and skills
3. Rural development
4. Developing infrastructure
5. Technical help

In the Eastern Finland Objective 1 programme funds are granted by 16 units in the area. Among these intermediate bodies Kainuun Liitto was selected for examination on the basis of a risk assessment.

During the programme period 2000-2006 commitments were made to 3,197 projects in the Northern Finland Objective 1 pro-

gramme and 5,196 projects in the Eastern Finland Objective 1 programme up to 31 March 2003.

Two projects (measures) were selected for each of the intermediate bodies for the audit trail:

- Lapin Liitto
From action: Improving Enterprises' Operating Environment project: Lapland Wood Programme and from action: Developing the Rural Operating Environment project: Posio Design
- Kainuun Liitto
From action: Developing Knowledge and Education Structures project: Must! (Measuring, User Systems and Technologies) and from action: Technical Support project: Kainuun Liitto's Technical Support (Administrative Technical Support)

The audit method used was a combination of systems review and substantive procedures. The audit approach covers the examination of Funds activities within the Member State's authorities (managing authority, paying authority, intermediate bodies, and control bodies) and at the level of final beneficiaries and final recipients. In particular it includes tests of controls to determine whether internal management and control procedures exist and are operating continuously, coherently and effectively; and substantive testing to check the completeness, accuracy and validity of transactions. During the whole of the audit, the aim is to verify the existence of the management and control system as presented in the description communicated to the Commission.

In Finland's part audit evidence was obtained by conducting interviews at the managing and paying authorities and intermediate bodies and by performing local audits of intermediate bodies and final recipients.

The observations made in the audit are presented below in the order of the audit objectives with only brief grounds. Detailed grounds are presented in the national audit memorandum.

6. PART 1. AUDIT TRAIL

6.1 PART A: AUDIT AT THE PROGRAMME LEVEL

6.1.1 Objective 1 - Auditor's conclusion: The intermediate bodies have adequate procedures for ensuring the administration of applications.

A. Parts of control working well and supporting conclusion:

1. All applications are registered upon receipt at the registrar's office, in the Finnish Monitoring System (FIMOS) and in the intermediate body's own Excel table.
2. Application forms and the application guide are available on the intermediate body's website.
3. Applications for funds are received continuously. Applications can be transferred to another authority. An applicant can also withdraw an application.
4. The point of departure in evaluating projects is the Objective 1 programme document, supplementary information, annual co-operation documents and priorities for projects. All applications are handled by the regional cooperation group's secretariat. Decisions concerning funds are signed by the director of the regional council.
5. A project evaluation form must be completed for all projects. The project team must keep minutes of meetings.
6. According to the Act on State Aid, an intermediate body issues a written decision concerning state aid. This can be appealed by the party concerned. The applicant is informed of a positive or negative decision concerning funding.
7. An impact evaluation form must be appended to an application. This form sets out the project's quantitative objectives, effects, innovation, networking and regional significance.
8. The funding decision sets a time limit within which funding can be used to cover approved costs.

9. Applications are handled by the regional cooperation group's secretariat.
10. A cost estimate and financial plan for the project must be appended to an application.
11. Project planners study all the factors influencing a decision by preparing a project report for all applications that are received.
12. The task of the regional cooperation group is to ensure that the environmental impact of projects is analysed before a decision is made concerning funding. An environmental impact analysis form must be appended to applications.

B. Parts of control which need to be improved:

1. When small organizations carry out projects themselves, as a result of their limited personnel it is difficult to find people in the organization who have a sufficiently independent position.

6.1.2 Audit Objective 2 - Auditor's conclusion: The intermediate bodies have adequate procedures to ensure the correct payment of funds.

A. Parts of control working well and supporting conclusion:

1. The authority has set time limits for the submission of payment requests.
2. Payment requests are made on a form. The steering group's minutes, a list of accounts, reporting forms and other information if necessary must be appended.
3. The control authority goes over the payment request documents and makes sure that the project is conducted according to the project plan and decisions. Auditors can ask projects to submit original receipts or copies of receipts or visit projects to inspect original receipts.
4. Advance payments are seldom made.
5. Invoices are reconciled to statements of expenditure.
6. The auditor goes over eligible and ineligible expenditure with the control authority and does an arithmetical check of the payment request.

7. The funding decision sets a time limit within which funding can be used to cover approved costs. The control authority monitors the progress of the project and the timetable for presenting payment requests.
8. Payment is made using a bank programme. Aid paid into receiver's account are entered in the accounts of the intermediate body in payment order using bank statements.
9. The source of funds is specified in the funding decision and the payment decision.
10. The project secretary inspects the payment request, checks numbers and other information and corrects observed errors immediately.
11. A form concerning on the spot verifications is prepared. This includes the date, the person conducting verifications, the product, the results of verifications and corrective measures in case of divisions. The project secretary monitors corrective measures when payment requests are inspected.
12. If irregularities are noted, the necessary measures are taken. A written notification is sent to the ministry concerning the recovery of funds. Demands concerning the recovery of funds are registered in the journal. Financial secretaries monitor the returning of funds.
13. A decision made by a state aid authority can be appealed by the party concerned. A decision on an appeal can also be appealed.
14. The programme's internal audit and project audit are separate from administrative and payment tasks. The Ministry of the Interior's Internal Audit Unit conducts the system audits required by Commission Regulation 438/2001 normally every 2-3 years. The ministry's audit reports are discussed by the project team and are forwarded to the regional council together with the control authority's comments.

B. Parts of control which need to be improved:

1. In handling payment requests small intermediate bodies may not have a check-list to ensure that all the details concerning payment are checked.
2. Small intermediate bodies may not have specific internal auditors. Internal audits are performed by external audit firms which audit the bodies' own administration as well. Then the internal

control function is not subject to regular monitoring by senior management.

6.1.3 Audit Objective 3 - Auditor's conclusion: The intermediate bodies have financial and accounting systems which ensure that expenditure is correctly recorded and properly allocated.

A. Parts of control working well and supporting conclusion:

1. All structural fund transactions are recorded individually and according to year, fund and programme. The same applies to the use of funds. Account entries are matched monthly with the FIMOS monitoring system.
2. When the payment decision is prepared the account number is attached to payment orders so that payment is correctly allocated.
3. Project payment information is recorded in the FIMOS monitoring system and the intermediate body's own monitoring register. Aid paid is entered to the intermediate body's accounts in the payment order using bank statements. Payment decisions are matched monthly with the monitoring system. Monitoring and accounting information are also matched at the annual level.
4. A receipt showing payment must be issued by the financial institution through which funds were paid.
5. Funding decisions are recorded in accounts according to fund and programme. The same applies to the use of funds.

6.1.4 Audit Objective 4 - Auditor's conclusion: There are sound arrangements to ensure that payments requests made to the Commission accurately reflect the amount paid to final beneficiaries

A. Parts of control working well and supporting conclusion:

1. In the Ministry Interior payment claims are prepared by a definite person at the Finance Unit. The Unit works directly under

supervision of the Permanent Secretary. It is functionally independent

2. Authorization of payment claims to the Commission has been delegated to the Finance Director of the Ministry of Interior
3. Checks to ensure that only amounts due are included in claims to the Commission is based on intermediate bodies' signed and checked verifications. Verifications are done in writing of every Programme on a form, which includes supporting material from FIMOS– system and reconciliation with it and the intermediate bodies' accounts.
4. All payments are made in euros
5. Person who prepares the claims reconciliates claims' information with the previously accounted information
6. Verification of the delivery of the products and services co-financed and the reality of expenditure is certified by a form including on-the-spot check's date, the verifier, verified product, result of the check and action if needed.
7. Respect of national and community project and expenditure eligibility rules is verified by the Project Secretary
8. Sufficient number of checks has been carried out.
9. Checking is not complete. Sampling methodology is used. At least 5 % of projects is checked.
10. Controls carried out on the spot is documented by a standardized format specifying date ,the verifier, verified product, result of the check and action if needed.

B. Parts of control which need to be improved

1. Controllers in the Managing and Paying Authority sometimes rely on the presumption that persons checking at the intermediate bodies are competent and that the 5% checks are sufficient. They do not personally do on-the- spot checks at intermediate bodies

6.2 PART B: AUDITS AT THE PROJECT LEVEL

6.2.1 Objective 5 - Auditor's conclusion: The eligibility rules have been followed in selecting project managers and projects for structural fund support.

Four projects have been analysed at project level to form the auditor's conclusion:

Lapin Liitto: Lapland Wood Programme and Posio Design
Kainuun Liitto: Must! (Measuring, User Systems and Technologies)
and Kainuun Liitto's Technical Support

In all of these:

- the final beneficiary has been correctly identified
- the name, status and address of the project manager or operator is verified
- the bank account number of the final beneficiary is correct
- the project is eligible to receive structural fund support
- the project / action fulfils all relevant eligibility conditions
- the project / action has remained eligible during the execution of the action subsidized

6.2.2 Objective 6 - Auditor's conclusion: The projects have implemented appropriate systems to ensure that receipts and payments are accurately recorded in the accounting system, assets are correctly recorded, and these amounts are correctly reflected in payment requests.

Four projects have been analysed at the project level. In all of these:

A. Parts of control working well and supporting conclusion

1. The project secretary inspects payment requests and checks numbers and other information.

2. The control authority conducts reception checks and the project secretary payment checks.
3. Accounts are matched with the FIMOS monitoring system and the intermediate body's own Excel table monthly.
4. Payments were made only in respect of goods or services which have been received and which conform to eligibility rules.
5. Payments were made in the correct amount.
6. There were arrangements to ensure that management fees and administrative charges are deducted from the grant amount.
7. The aid recipient kept separate project accounts so that project expenditure can be verified on the basis of account entries and receipts.
8. The project implementer must have an external audit that meets statutory requirements.
9. Payment requests were signed by a person authorized to sign for the project implementer. Accounting materials were signed by the person responsible for accounting.
10. A certified account run and a summary of project costs must be appended to a payment request.
11. At intermediate bodies the standard of statements was rated good or excellent.
12. Project expenses could be verified on the basis of account entries and receipts.
13. The project implementer has an external audit that meets statutory requirements.
14. The external auditor had made no material observations.

B. Parts of control which may need to be improved

1. When projects are managed / operated by small private institutions or companies they seldom have an internal audit function.

6.2.3 Objective 7 - Auditor's conclusion: Progress made is truly and fairly reflected in reports or other information submitted to Member State / Programme authorities.

Parts of control working well and supporting conclusion:

1. Project objectives are presented in the project decision.
2. The control authority monitors the achievement of objectives. Result information is requested on the reporting form that is with the payment request.
3. The control authority verifies information.
4. The control authority monitors the project.
5. Monitoring forms are required twice a year and at the end of the project. Result information is requested on the reporting form an average of 2-3 times a year.
6. Monitoring and result information is recorded in the FIMOS monitoring system.
7. Monitoring forms are required twice a year and at the end of the project.
8. Monitoring forms are sufficiently detailed.
9. The control authority inspects reports with spot checks.

B. Parts of control which need to be improved:

1. The objectives set when projects are started often appear demanding.

6.3 PART C: AUDITOR'S OVERALL CONCLUSION

6.3.1 Objectives 8- 9: The Audit Trail is sufficient and effective.

Points of good practice which contribute to this are noted above in parts of controls working well.

7. PART 2. THE 5% CHECKS

7.1 PART A: AUDIT AT THE PROGRAMME LEVEL

7.1.1 Objective 1 - Auditor's General quantitative overview of the 5% sample check: The conducted 5% sample checks are in compliance with the relevant articles of Regulation 438/2001 and effective.

Commission regulation 438/2001 states that the checks carried out before the winding-up of each programme shall cover at least 5% of the total eligible expenditure and be based on a representative sample of the projects approved. Member States shall seek to spread the implementation of the checks evenly over the period concerned. They shall ensure an appropriate separation of tasks as between such checks and implementation or payment procedures concerning operations.

Parts of control working well

1. Every administrative sector conducts its own checks. The Ministry of the Interior's Internal Audit Unit conducts the 5% sample checks of the programme administered by the local councils. This agency is fully independent from the managing and paying authority because the functional independence of the Internal Audit Unit is based on the fact that it works directly under the Permanent Secretary outside the Ministry's division into departments and units.
2. The Ministry of the Interior audited 19 projects in the Northern Finland Objective 1 programme and the Eastern Finland Objective 1 programme in 2002. These received 2 528 169 euros in aids. The percentage of audited aids accumulates as audits proceed.
3. At the Ministry of the Interior the Permanent Secretary approves an annual audit plan which includes checks of projects receiving aid from the EU's structural funds.

4. At the Ministry of the Interior audit work is divided between different years so that at the end of the final year checks have been made of at least 5% of aids.

7.1.2 Objective 2 - Auditor's conclusion: Selection for the 5% check is carried out properly.

Commission Regulation 438/2001 states that the selection of the sample of operations to be checked shall take into account: the need to check a representative sample covering all types and sizes of projects, the concentration of operations under certain intermediate bodies or certain final beneficiaries, so that the main intermediate bodies and final beneficiaries are checked at least once before the winding-up of each single assistance.

Parts of control working well

1. At the Ministry of the Interior there is a formalized and systematic sample selection approach.
2. Risk assessment is carried out e.g. annually to estimate risks relating to items.
3. Four risk categories are: 1) risk related to the organization 2) risk related to the form of assistance 3) big risk 4) small risk.
4. The selection of projects based on a representative sample covered:
 - all regions or sub-regions
 - all aspects of the programme
 - all important intermediaries
 - all important final beneficiaries
 - both large and small projects;
 - is planned to cover the whole programme period
5. In the selection of the sample concentration of operations under certain intermediate bodies and certain final beneficiaries is taken into account.
6. The main intermediate bodies and final beneficiaries are checked at least once before the winding-up of each assistance.

7. An annual control plan is primarily based on the appropriate sampling.
8. The main implementing authorities and the final beneficiaries must be subject to at least one control before the closure of each form of assistance.

7.1.3 Objective 3 - Auditor's conclusion: The content of the checklist used for the 5% sample checks is appropriate.

Commission Regulation 438/2001 states that Member States shall organize checks on operations designed in particular to verify: the effectiveness of the management and control systems and the expenditure declarations made at the various levels.

Parts of the Ministry of the Interior's Audit Unit's controls are:

- 1.1. The application is signed by a person authorized to sign for the organization.
- 1.2. The application has been submitted before the start of activities and registered in the journal.
- 1.3. There is an approvable plan/agreement for total project funding.
- 1.4. The financial plan corresponds to the operational plan and cost estimate.
- 1.5. The project's objectives are realistic, achievable and measurable.
- 1.6. An environmental impact analysis has been conducted for the project.
- 1.7. The application has been approved by the regional cooperation group/working section.
- 2.1. The funding decision is based on adequate preparation materials.
- 2.2. Only persons who are not impeded have participated in preparation and decision-making.
- 2.3. The project has been located in the right action.
- 2.4. The funding decision specifies the shares of different sources of finance as well as maximum aids and maximum percentage shares.
- 2.5. The project period is specified in the decision.
- 2.6. The processing period has been reasonable.

- 3.1. The payment request has followed the conditions and deadlines in the funding decision.
- 3.2. Sufficient evidence has been presented to support the payment request.
- 3.3. The person who has signed the payment request is authorized to sign for the organization.
- 3.4. The expenses in the payment request arose during the project period.
- 3.5. Expenses belong to the project, are eligible for aid and have been paid.
- 3.6. Project income has been deducted from eligible expenses.
- 3.7. The check has been performed properly.
- 4.1. The payment decision shows what has been regarded as eligible expenses.
- 4.2. Aid has been paid according to the funding decision and in the correct amount.
- 4.3. The funding decision has been made correctly and by persons who are not impeded.
- 4.4. Payment has been sent correctly and in a reasonable period of time.
- 4.5. Payment information has been recorded properly in the monitoring system.
- 5.1. The project implementer has kept the required accounts.
- 5.2. A print-out of the ledger is appended to the request. This provides correct and sufficient information on costs.
- 5.3. Accounting information agrees with the information in the monitoring system.
- 5.4. The information in payment requests can be easily checked from original receipts.
- 5.5. Expenses have arisen during the eligibility period.
- 5.6. The division of expenses has been properly explained and decided.
- 5.7. Expenses have not been recorded in another account.
- 6.1. Indicator information has been recorded in the monitoring system and reports.
- 6.2. On-site checks have been performed.
- 6.3. Public procurement regulations have been complied with.
- 6.4. Project results have been properly reported.
- 6.5. Aid has been used in accordance with the funding decision.
- 6.6. The final report and accounts have been submitted by the deadline.
- 6.7. Results are evaluated to see if they meet objectives.

7.1.4 Objective 4 - Auditor's conclusion: The information requirements have been met.

Article 13 of Regulation 438/2001 states that Member States shall inform the Commission by 30 June each year and, for the first time by 30 June 2001, of their application of Articles 10 to 12 of Regulation 438/2001 in the previous calendar year.

Points of good practice which contributed to this are

1. The Ministry of the Interior has issued annual reports to inform the Commission since the programme started.
2. Annual reports have been issued in time, i.e. before 30 June of each year. In 2003 the issue date was 10 June 2003 (Eastern Finland Objective 1 programme's annual report for 2002).
3. The annual reports contain information about 5% checks in terms of findings:
Checks during the present programme period indicate that administration has become more effective.
4. The reported information was found to be correct.

7.2 PART B: AUDIT AT THE PROJECT LEVEL

Four projects that also were included in the 5% sample check were selected on the basis of risk analysis to verify on a basic level the general findings on the programme level. A second criterion was to select projects from different beneficiaries and from different regions. The available audit resources had to be taken into consideration as well.

7.2.1 Objective 5 - Auditor's conclusion: No reason to doubt the general findings was found.

Points of good practice which contributed to this are

1. The sum of total eligible expenditure of the projects was 874 727 euros.

2. Project documents included in the Ministry of the Interior's check list have been audited.
3. The total amount that has been audited for the 5% audit was 12 204 euros.
4. Only audited invoices were included in the calculation of the audited amount.
5. The checks are carried out on the level and at the premises of the final beneficiary.

7.2.2 Objective 6 - Auditor's conclusion: On the project level the information requirements related to the 5% check have been met, and the information has been transferred correctly to the programme level.

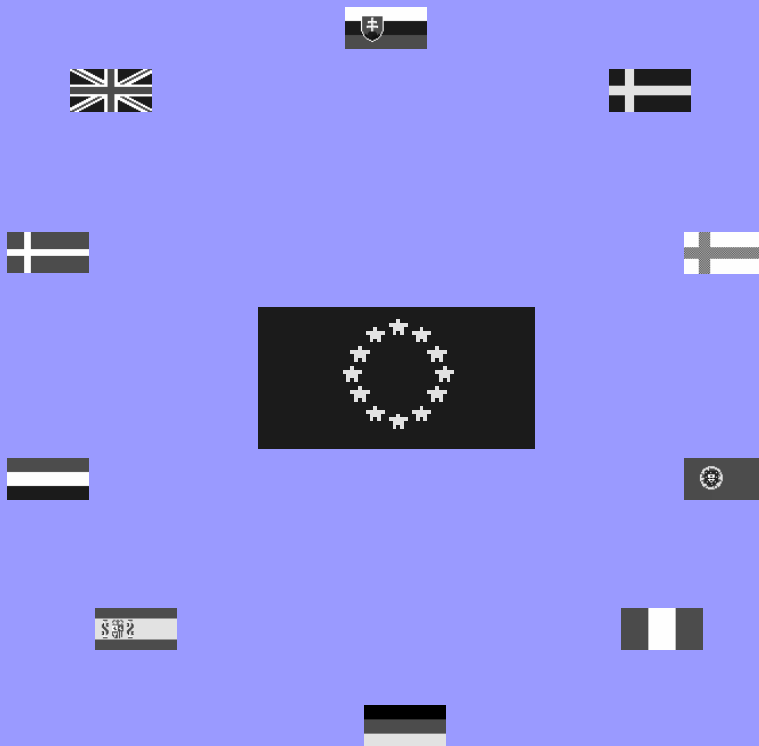
Points of good practice which contributed to this are

1. The main findings of the 5% check are only individual shortcomings in projects:
 - arranging tenders for procurements
 - determining personnel expenses and general administrative costs
 - faulty checks of payment requests
 - systematic use of EU symbols in publications and ads
2. If faults are observed in checks and corrective measures are required, the implementer is asked to report changes.
3. Findings of the 5% audit are made known to the auditee and to the Ministry of the Interior's units acting as managing and paying authority.
4. There were no irregularities (over 4,000 euros) to be reported to the Commission.
5. The National Authority or the European Commission had made no corrections.

7.3 PART C: AUDITOR'S OVERALL CONCLUSION

7.3.1 Objective 7-8: Based on the above reported findings the 5% check of selected projects was found to be sufficient and effective.

Report
to the
Contact Committee
of
the Heads of the Supreme Audit Institutions of the
EU Member States and the
European Court of Auditors



On the
**Parallel Audit of the Management and
Control Systems for Assistance Granted
under the Structural Funds**
by the Working Group on Structural Funds

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Executive Summary

Background and main conclusions

1. In 2000 the Contact Committee of the Heads of the Supreme Audit Institutions (SAIs) of the EU Member States and the European Court of Auditors (the Contact Committee) established a Working Group¹ to carry out an exploratory survey of EU structural funds. This work was undertaken to gain an understanding of how these funds were controlled and managed by the Member States and to identify possible risk areas that the Contact Committee might focus further investigations on as part of the structured programme. Subsequently the Contact Committee agreed that the Working Group should carry out a parallel audit on the application of the Structural Funds regulations, to ensure that all Member States establish appropriate audit trails and implement independent checks on 5% of transactions. The results of the audit would be used by all current and prospective new Member States in developing their own management and control systems.
2. In order to undertake this work, the Working Group developed an Audit Plan (Appendix), to be used by SAIs in carrying out their respective national audits. Each SAI has worked to this common format and produced their respective Country Report to a deadline of 31 May 2004. As guided by the Core Group of Germany (Chair), Denmark, the Netherlands and the United Kingdom, the Working Group have then finalised this combined report summarising the key findings and recommendations from those Country Reports.
3. Our main conclusions are:
 - In most countries there is a sufficient audit trail as required by Commission Regulation 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds (OJ L 63/21). Although some weaknesses in the audit trail were noted when examining individual projects, these were not usually systematic weaknesses, but individual project failings. The most significant weaknesses identified were the lack of complete documentation of the examinations carried out, and the lack of a defini-

¹ Denmark (DK), Finland (SF), Germany (D), Italy (I), Netherlands (NL), Portugal (P), Spain (E), Sweden (S), United Kingdom (UK), ECA (with observer status)

tion of the distinction between irregularities and simple errors.

- The progress reporting of projects was felt to be relatively weak, focussing largely on financial monitoring without providing any link to the outputs and outcomes of the projects.
- In most countries the execution and reporting of the 5% checks complied with Commission Regulation 438/2001. Where this is not the case, the relevant authorities have taken steps in the right direction to ensure that the required checks will be carried out by the end of the programming period.
- The independence of the organisations that carry out the 5% sample checks was guaranteed in all programmes.
- The implementation of the 5% checks across all countries has been relatively slow and has often not been evenly spread over the period to date.
- The way the Structural Fund rules are formulated by the European Commission (Commission) leaves room for ambiguous or even contradictory interpretations.
- Furthermore, some Member States expressed concern about an increasing burden to implement the new provisions for the 2000 - 2006 Programme, with little opportunity to apply a risk-based approach, and associated resource costs that were out of proportion to the funding provided by the European Union.

Good practice

On the audit trail

4. Checklists can be used as an aid to help ensure compliance with requirements and to assist in standardising country practices.
5. The approval of project systems in advance helps reduce the risk of payments being made to projects where systems are inadequate. Such risks can also be reduced by examinations during the final application approvals stage, or as a part of the audit of the first payment request.
6. The submission of supporting documents with requests for payment allows for a more detailed and timely review

of claims by the paying authority. In the absence of supporting documentation, independent certification of payment requests is an alternative approach which provides adequate assurance regarding the validity of the claim.

7. Project progress reports validated through both project visits and comparison with other known information help ensure that a consistent view is presented of individual projects.
8. Progress reports should address both financial and performance objectives. Financial information will always be important but performance information should also be provided to compare project progress with expenditure. Even when there is not a direct correlation between project progress and expenditure, for example, where final outcomes only accrue some time after all funds have been expended, performance information should still be provided.
9. The internal audit units of the national authorities can play an important role in ensuring that regulatory requirements are being met and provide a catalyst for sharing good practice and encouraging continuous improvement. Similarly, when carried out earlier in the programming period, the 5% inspection work at projects can also be designed to contribute to the confirmation of the quality and operation of the audit trail.

On the 5% checks

10. Annual risk assessments and a formalised and systematic sample selection approach can lead to the detection of system errors which might otherwise go undetected.
11. After carrying out a 5% check a visit report is drafted with recommendations for the project audited, providing timely feedback and opportunities for future projects to apply lessons learnt.
12. Annual systems reviews carried out should include following-up on the findings and recommendations from previous audits.
13. Use of a standard checklist helps ensure a consistent approach and report.
14. Audited bodies are proactive in assessing whether or not the objectives of the projects have been fulfilled.

Recommendations

On the Audit Trail

15. While project monitoring operates effectively for most projects, where projects are already completed, the impact of the project should be assessed before approval and the requirement for progress reports dispensed with (retrospection).
16. The eligibility rules should be reviewed so as to ensure that Structural Fund support can be directed to achieve best value for money.
17. There should be a risk-based assessment of the need for the verification of claims, whether by independent certification or submission of supporting documentation, or reliance on the work of internal audit.
18. Guidance could be produced for Member States internal audit units, to use in ensuring that regulatory requirements are being met, and also serve to minimise the audit burden falling on those in receipt of structural fund support.

On the 5% Checks

19. The new Structural Funds regulations (post 2006) should contain a legal obligation to spread the execution of the 5% checks more evenly over the programme period.
20. The audit of the management and control systems should be given a higher priority to detect weaknesses in the systems at an early stage of the programming period.
21. Risk assessments should be routinely used when selecting projects for the 5% checks (see Annex C for risk factors to be considered).
22. Member states should try and convince the Commission to provide guidance on the interpretation of Article 5 of Regulation 438/2001 in respect of the examination of the management and control systems. This would help the managing authorities to improve their systems.

Future Parallel Audit considerations

23. In carrying out this review, other risk areas were identified which might warrant further investigation and reporting. These are summarised below:
 - **Irregularities** - a review of the processes in place in all Member States for identifying, reporting and following-

up on irregularities, in compliance with Commission guidance;

- **Performance of 2000-2006 Structural Funds** - a review of the performance to date, focussing on the content and quality of the mid-term evaluations carried out in 2003 and of the critical examination by the Commission that links to the achievement of the Performance Reserve;
 - **Article 15 Closure of the 2000-2006 Programme** - to examine the lessons learnt from the exercise in respect of the 1994-99 Programme, and to review how all current Member States are prepared for the 2000-2006 closure exercise.
24. On balance it was agreed that the review of Irregularities would be an appropriate topic to be considered for the next review, as it would afford a good opportunity for wider participation by all Member States and would provide timely recommendations on compliance with the Commission regulations and guidance. On the other hand, auditing mid-term evaluation and closure of the programme would allow taking into consideration performance and value for money, as well as goal orientation of the programme and projects.

Part One Introduction

Background

- 1.1. In total the 2000-2006 Structural Funds programme involves an expenditure of 141,5 billion Euro (without Community initiatives, innovative measures and technical assistance) to the nine Member States whose SAIs carried out the parallel audit (detailed at Annex A).
- 1.2. The significance of the value of Structural Funds to all Member States prompted the Contact Committee in 2000 to establish a Working Group to carry out an exploratory survey of EU structural funds. A questionnaire was sent to the SAIs to gain an understanding of how these funds were controlled and managed by the various countries and to identify possible risk areas. Work was planned to coincide with the 2000-2006 funding cycle and revision of the regulations covering the funds, most notably Council Regulation 1260/1999, of 21 June 1999, laying down general provisions on the Structural Funds (OJ L 161/1); and Commission Regulation 438/2001. The Working Group reported its findings from this work to the Contact Committee in November 2002.
- 1.3. The Working Group recommended to the Contact Committee that a parallel audit should be conducted which aims to identify parts of the controls that need to be improved, and provide an overview of best practice. It was determined that the best way to achieve this was to focus the parallel audit on the application of the regulations, to ensure that all Member States establish appropriate audit trails for transactions and implement independent checks on 5% of transactions. The results of the audit would be used not only for the then Member States, but also for the new Member States.
- 1.4. The Contact Committee at their meeting on 27 and 28 November 2002 acknowledged the Working Groups report, which analysed and presented the results with a risk-based focus. They noted the proposal that the Working Group should focus their work on the area of "the Audit Trail" and "the 5%-check" which it was considered offered the best opportunity for continuing the existing widely inclusive approach. The Contact Committee mandated the Working Group to continue accordingly and agreed:
 - that the Working Group would carry out its work in such a way as to provide an interim progress report to the 2003 Contact Committee; and,

- that the Working Group would aim to produce a final report in time for the 2004 Contact Committee.
- 1.5. In order to comply with the 2002 mandate the Working Group developed an Audit Plan (Appendix) to be used by SAIs in carrying out their respective national audits. Each SAI has worked to this common format and produced their respective Country Reports to a deadline of 31 May 2004. Each SAI produced a Country Report which has been consolidated to provide an overall conclusion, identify good practice, weaknesses and recommendations arising from the work. Issues raised by individual SAIs are annotated under each Objective where appropriate. The Working Group have then produced this combined report summarising the key findings and recommendations from those Country Reports.
 - 1.6. The Working Group has kept all new Member States informed about the study and has provided them with details of the planned audit work.
 - 1.7. The coverage by each of the SAIs is set out at Annex B. All Funds and Objectives have been covered in the conduct of the work which underlies this report.

Audit approach

- 1.8. The overarching objective of this report was to capture the SAIs' judgments in identifying those parts of the controls within the regulations that need to be improved and provide an overview of good practice in their implementation. In order to ensure a consistent approach, the Working Group issued the Audit Plan referred to above, which addressed the key requirements of both the audit trail and the 5% checks as set out in Commission Regulations. The audit programme consists of a series of audit objectives, supplemented by more detailed guidance under each objective; although it was left to each SAI to decide on the most appropriate audit approach to address those objectives. These objectives have been used to provide the structure of Parts 2 and 3 of this report.
- 1.9. The Working Group acknowledges that constraints within Member States have influenced the coverage of the Country Reports across the Funds, Objectives and Programmes; these include resource availability and the access rights of SAIs.
- 1.10 In reporting the results country references are given against examples of good practice. This does not mean, however, that similar good practice was not operating in other Member States. Under some Objectives no examples of good practice or weaknesses were identified.

1.11 The audit approach was enhanced through the participation of the European Court of Auditors (ECA), who sat as observers on the working group. The working group would like to thank the ECA for their valuable role played in the parallel audit process. In particular, towards the end of the report drafting process the ECA benchmarked the draft report findings and recommendations against those reported by the ECA, which gave assurance over the comparability of results.

Part Two Audit trail

Introduction

- 2.1. The objective of an Audit Trail is to provide assurance that each and every transaction is subjected to proper control throughout its life (“from cradle to grave”). From an audit perspective, the key aspects that have to be addressed are completeness, timeliness, accuracy, eligibility, regularity, recording and reporting of transactions.
- 2.2. Article 7 of Regulation 438/2001 refers specifically to the need for “Member States’ management and control systems to provide a sufficient audit trail.” But this provides only the broad principles required for an effective audit trail and does not provide a complete, coherent framework. Specific controls and procedures are referred to in several different areas of the governing regulations on Structural Funds and with different levels of detail and definition.
- 2.3. As a result the Working Group created their own framework for the audit, building on the principles in the regulations but also using their professional appreciation of the requirements of an effective audit trail. Key objectives were set which required audit activity at both the level of the Member State or programme authorities and at the project level. The detailed audit approach and techniques to be adopted were left to individual SAIs to decide.
- 2.4. The resulting report on the audit trail is in three parts: Objectives 1 – 4 dealing with issues at the programme level; Objectives 5 - 7 dealing with issues at the project level; and finally Objective 8 provides comments on any other issues relevant to the audit.

Audit Findings by Objectives

Objective 1: Do the managing authorities² have adequate procedures for ensuring the administration of applications?

Conclusion

All SAIs concluded that the managing authorities have adequate procedures for the administration of applications which reflect the objectives of the programmes; although the findings identified some weaknesses.

Findings

Most of the managing authorities have adequate measures to ensure that all applications are recorded and dealt with appropriately. Applications must be submitted using standard application forms and are often processed by comprehensive IT-systems and using checklists for each step in the evaluation process. However, such checklists are not always used to their full extent.

Most managing authorities have established clear criteria to evaluate applications and have applied them consistently. On occasion, other additional criteria have been applied which impairs the consistency of this process.

Most project managers find it difficult to identify clear measurable objectives when formulating an application. Therefore, most of the managing authorities find it problematic to develop procedures for evaluating the formulated objectives and appraising the underlying financial plan.

Some managing authorities have difficulties in confirming the additional value gained from EU funding and in preventing the double-funding of the operations.

One country was prepared to accept less information in respect of applications from smaller operations, where there were limited resources to apply.

Good practice

Some SAIs commended the use by managing authorities of identification numbers for applications (incl. all supporting documentation) from the point where applications are first received. This guarantees completeness in that all applications can be identified individually and that all relevant information is evaluated and retained (e.g. D, DK, S, UK).

² including intermediate bodies

All managing authorities use standard application forms which increase the quality of the evaluation process. Some managing authorities publish the application forms on the internet along with suitable guidelines, to make them available to potential project managers (e.g. DK, SF, UK).

Some managing authorities have informal discussions with project managers in the early stages of the evaluation of applications to increase the quality of the applications and thereby reduce the time spent on reviewing non-viable applications, which were rejected (e.g. D, NL, UK).

One managing authority has a central IT-system in which checks for double-funding can be performed electronically and prior experiences with the project manager can be recorded (I).

Recommendations

Improved guidance should be developed to help project managers formulate clear objectives in their applications.

Rejected and amended applications should be registered in the same way as approved applications. This gives the managing authority a complete audit trail by which all applications can be identified and analysed.

The managing authorities should have standard procedures for handling rejected or amended applications, and complaints.

Objective 2: Do the managing authorities have adequate procedures to ensure the payment of funds?**Conclusion**

Most SAIs concluded that the managing authorities have adequate control and management systems for payment of funds to final beneficiaries and for handling errors appropriately; although the findings identified some weaknesses.

Findings

All managing authorities require the use of a standard form for the payment request sent by the project manager. Some managing authorities have developed IT-systems in which the payment requests are transferred electronically and recorded automatically upon receipt.

All managing authorities have defined what supporting documentation is required for payment applications, although a variety of practices exist. Some managing authorities require the project manager to provide copies of documentation such as invoices to support the payment request; one only requires the list of transactions; while others do not require any supporting documentation to be provided. Finally, some demand that the payment request is certified by qualified independent auditors.

All managing authorities have procedures to ensure that actual expenditure is compared to the original budget and that actual expenditure is consistent with project activity. Tests evidenced that some managing authorities did not document satisfactory compliance with these procedures in all the files examined.

All paying authorities have systematic payment arrangements that ensure that there are no significant delays in payments to final beneficiaries.

All managing and paying authorities have procedures for handling irregularities according to Commission Regulation 1681/94 of 11 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organization of an information system in this field (OJ L 178/43) and for reporting irregularities to the Commission.

All SAIs agreed that a clearer definition of the distinction between an error and an irregularity would be desirable.

Good practice

The managing or paying authority uses a standard letter to advise project managers of errors in payment requests (e.g. DK, UK).

One SAI identified an example where the managing authority publishes an online handbook with FAQ's on eligible costs, which can be helpful to the project managers when issuing the payment requests (DK).

Another managing authority published an integral handbook of procedures for administration, follow up and control of the Structural Funds, in which the functions and responsibilities for the whole activity generated by these resources are regulated. This handbook obtained the certification ISO 9001 (E).

Weaknesses and recommendations

Weakness

Managing authorities have difficulties in checking the link between the projects activity and the financing because payment requests only have a financial focus.

Recommendations

The need for supporting documentation is handled in different ways across the managing authorities. The managing and paying authorities should consider the need for supporting documentation when designing their systems. The systems should be designed to address all risk factors known to the managing and paying authorities while not unnecessarily overloading the project managers.

Commission Regulation 1681/94 has a broad definition of the concept of an irregularity. It is considered important by all SAIs that this be elaborated to provide guidance that will allow managing and paying authorities to more consistently differentiate between an irregularity and a simple error.

Objective 3: Does the authority have financial and accounting systems which ensure that expenditure is correctly recorded and properly allocated?

Conclusion

Most SAIs concluded that paying authorities have systems in place to accurately record and allocate payments made at Programme level and that such documentation is retained throughout the programme and winding-up periods; although the findings identified some weaknesses.

Findings

All payment transactions are recorded separately at the Programme level in the managing and paying authorities' IT systems. Some managing and paying authorities have problems with IT-systems which generate unreliable data either because of poor controls, or because of errors made when data is entered into the system.

Reconciliation between the managing and paying authorities' systems is carried out in all programme authorities; although the frequency differs between monthly, to each time a payment request is submitted to the Commission.

The final recipient can be identified in all paying authorities either directly in the payment system or in underlying payment systems at intermediate bodies.

Good practice

In one instance, an IT system was used to hold both payment information and other related information, from which reports can be generated automatically (S).

The key prerequisite for an effective IT system is that all controls should be built into the system and tested regularly (I).

Weaknesses and recommendations

Weakness

Some managing and paying authorities are co-located within the same organisation and as a result one SAI has identified that there is not adequate segregation of duties.

Recommendation

If the Programme authority chooses to develop a centralised shared grant administration system which has interfaces for both operators and the involved managing and paying authorities, the system should be properly tested and documented before it is implemented. Some SAIs have found that such a system was implemented without being properly tested, which has had a

major impact on the entire management system, as some parts of the system did not function effectively and hence manual checks had to be carried out.

Where the managing and paying authorities are co-located, clear job descriptions are necessary to ensure that there is adequate segregation of duties.

Objective 4: Are there sound arrangements to ensure that payment requests to the Commission are made using the appropriate exchange rates and accurately reflect the amount paid to and due to recipients?

Conclusion

Payment requests to the Commission are complete and accurate and the systems ensure that the funds are allocated to the correct recipients.

Findings

All paying authorities prepare and verify payment requests prior to submission to the Commission. One paying authority, however, did not carry out these responsibilities independently from the managing authorities.

Some member states have delegated the submission of payment requests to the Commission to different paying authorities. This has led to differing procedures being used within Member States and has occasionally resulted in the Commission challenging the payment requests.

All paying authorities verify that the funding is allocated to the correct recipients once it is transferred from the Commission.

The review findings confirmed that the correct exchange rates were being used by non-euro member states.

Good practice

One SAI identified that the paying authority sets a time limit by which the payment request from the project manager should result in a transfer of funds. This increases the focus on transfer periods and prevents delays (DK).

In another instance the paying authority carries out additional sample checks on a fixed percentage of the underlying transactions included in a payment request to the Commission. Providing this sample is representative of the total population, this approach should reduce the probability of errors arising (UK).

One intermediate body has implemented procedures to guarantee through IT that certified payments sent to the paying authorities only include the payments registered in the accounting of the different managing bodies (E).

Both the managing authorities of the ERDF and ESF have implemented effective IT data systems for the administration and integrated control of the funds (E).

Recommendations

The payment request to the Commission is a consolidated request of underlying payment requests submitted to the paying authority. Where reliance is placed on the controls operated by authorities at lower levels in the payment procedure it is important that those controls are fully tested to ensure that payment requests to the Commission are accurate and reliable.

Objective 5: Have eligibility rules been followed in selecting project managers and projects for Structural Fund support?

Conclusion

The eligibility rules are followed in selecting project managers and projects. In particular, the final beneficiaries are correctly identified and projects are eligible for Structural Fund support.

Findings

No countries reported any difficulties regarding the identification of final beneficiaries. Similarly, the selection of project managers and projects is carried out in accordance with the regulations. In some instance checklists are used to assist in confirming eligibility for support. One country reported a lack of evidence to confirm compliance in some minor areas, but this did not detract from an overall positive conclusion.

While all SAs have concluded that eligibility rules have been followed, some countries commented that these rules themselves are drawn very widely leading them to question the efficiency of the support mechanism. This has led to projects being funded in retrospect; receiving support even though they were already completed.

Good practice

The use of a checklist to confirm eligibility helps ensure a consistent approach to confirming compliance with requirements (e.g. DK, S, UK)

One managing authority has a central IT-system which maintains project details (I).

Weaknesses and recommendations

Weakness

The eligibility rules are drawn so wide that projects have been eligible for support even though the projects had already been completed, or even before Programmes had been approved by the Commission. This raises questions regarding the efficiency and effectiveness of the support.

Recommendation

The eligibility rules should be reviewed so as to ensure that Structural Funds support can be directed to achieve best value for money, rather than just to achieve spend targets.

Objective 6: Has the project implemented appropriate systems to ensure that receipts and payments are accurately recorded in the accounting system, assets are correctly recorded, and that these amounts are correctly reflected in demands for payment?

Conclusion

Most SAIs concluded that appropriate systems are implemented to ensure the accurate recording of receipts, payments and assets and that amounts are correctly reflected in demands for payment. Where there are doubts regarding the systems, these arise because not all SAIs visited projects, but relied on information gained through responses from projects to questionnaires, which in turn were not always complete.

Findings

The use of a consistent grant system, or common accounting regime and national requirements, helps to ensure that systems are satisfactory. Other countries either require the submission of copies of all supporting documents for each claim or require claims to be certified to help ensure the completeness and accuracy of payment claims. In one case, the project systems are approved in advance as part of the final approval of the project application. In another instance, the project systems are subject to a full audit when the first payment request is received.

The assurance that can be taken from the work of internal and external audit functions operating within projects is variable. Only two SAIs reported both an effective internal and external audit function, whilst one SAI reported an effective internal audit function. These three SAIs also acknowledged that the presence of an internal audit function is less likely in projects operated by smaller organisations.

Good practice

The approval of project systems in advance helps reduce the risk of payments being made to projects where systems are inadequate. Such risks can also be reduced by examinations during the final application approvals stage, or as a part of the audit of the first payment request (DK, E).

The submission of supporting documents with requests for payment allows for a more detailed review of claims by the authorities (e.g. I, P, S) In the absence of supporting documentation, independent certification of payment requests is an alternative approach which might provide adequate assurance regarding the validity of the claim (e.g. D, SF).

Weaknesses and recommendations

Weakness

The use of a uniform approach to independent certification of claims or requiring supporting documentation for claims ensures consistency, but is inefficient and does not acknowledge the differing risks attached to different claims.

Recommendation

There should be a risk-based assessment of the need for the verification of claims, whether by independent certification or submission of supporting documentation, or reliance on the work of internal audit.

Objective 7: Is progress made truly and fairly reflected in any reports or other information submitted to Programme authorities?

Conclusion

Projects have established procedures to monitor and report on progress to programme authorities; although these procedures were not always consistently documented.

Findings

Most SAIs reported that payment requests are accompanied by progress reports and typically, payments will only be authorised when the progress report has been approved.

All SAIs agreed that progress reports should be monitored for their submission and should contain both financial and performance information.

Good practice

Project progress reports are validated through both project visits and comparison with other known information, which helps ensure that a consistent view is presented of individual projects (e.g. D, NL, SF).

Progress reports address both financial and performance objectives. Financial information will always be important but performance information should also be provided to compare project progress with expenditure. Even when there is not a direct correlation between project progress and expenditure, for example, where final outcomes only accrue some time after all funds have been expended, performance information should still be provided.

Weaknesses and recommendations

Weaknesses

While the reporting process operates effectively for most projects, where projects are approved retrospectively, the usefulness of the project progress reports are reduced. In such cases reports are prepared and submitted simply to ensure compliance with the Regulations, without containing any information on the progress of the project.

In one case, however, it was reported that the progress reports tended to focus on the financial information and even that, at times, was incomplete. It was also noted that no assessment of the impacts of a project was made after the project was completed and the final report submitted.

Progress reports should also be monitored for performance against the project's objectives. In one case it was reported that the managing authority had failed to ensure that projects achieved their targets or to pass on experience gained from their examination to implementing bodies.

Recommendation

Where projects are already completed, the impact of the project should be assessed before approval and the requirement for progress reports dispensed with.

Objective 8: Other relevant matters arising from the audit

Conclusion

The overall conclusion is that there is a sound audit trail as required by Commission Regulation 438/2001. Some SAIs identified that the administrative arrangements within their own Member State could be improved so as to improve the efficiency of their operations.

Findings

One SAI pointed out that administration of individual Programmes varied, and that in the case of one Programme, decentralisation had resulted in an individual project being analysed and discussed at least five times before a decision for approval could be reached.

Another SAI reported that the administration of the ESF was being reorganised in order to comply with the Commission's recommendations to rectify errors and shortcomings identified in the past.

There were contrasting findings on the level of internal audit examination of Structural Fund systems and control. In one instance it was felt that internal audit performed a very important role, providing an ongoing review of systems and making many constructive recommendations in the form of Action Plans. In another case, it was found that internal audit only carried out a very limited review of the decentralised programmes.

Good practice

The internal audit units of the national authorities can play an important role in ensuring that regulatory requirements are being met and provide a catalyst for sharing good practice and encouraging continuous improvement (e.g. SF, UK). Similarly, when carried out early in the programming period, the 5% inspection work at projects can also contribute to the confirmation of the quality and operation of a sound audit trail.

Weaknesses and recommendations

Weakness

In general, insufficient use is made of the work carried out by internal audit units within Member States.

Recommendations

Guidance could be produced for Member State internal audit units to use in ensuring that regulatory requirements are being met, and also serve to minimise the audit burden falling on those in receipt of structural fund support.

Administrative arrangements should be proportionate and sufficient to meet regulatory requirements but also need to have regard to their cost-effectiveness.

Part Three 5% Checks

Introduction

- 3.1. The requirements for the 5% sample checks on operations are set out in Articles 10 to 14 of Commission Regulation 438/2001. In particular Article 10 states that the checks carried out before the winding-up of each programme shall:
 - cover at least 5% of the total eligible expenditure;
 - be based on a representative sample of approved projects;
 - seek to spread the implementation of the checks evenly over the period concerned; and
 - ensure an appropriate separation of tasks, between such checks and operational functions.
- 3.2. The objectives of the audit work were set so as to enable the SAIs to conclude on:
 - the extent of compliance with the relevant articles of Commission Regulation 438/2001; and
 - the effectiveness with which this has been done.
- 3.3. The resulting report on the 5% check is in three parts: Objectives 1 – 4 dealing with issues at the programme level; Objectives 5 - 6 dealing with issues at the project level; and finally Objective 7 provides comments on any other issues relevant to the audit.

Audit Findings by Objectives

Objective 1: Quantitative overview of the 5% sample checks

Conclusion

Most SAIs concluded that the execution of the 5% checks in general complies with Commission Regulation 438/2001. Where this is not the case, the relevant authorities have taken steps to ensure that the required checks will be carried out by the end of the programming period. The independence of the organisations that carry out the 5% sample checks is fully guaranteed in most countries.

Findings

In most countries the start of the 5% checks has been relatively slow and often not evenly spread over the period to date. In most countries where the 5% checks were found to be lagging behind, the relevant bodies believe that steps in the right direction have been taken and that by the end of the programming period all the required checks will have been carried out.

In some countries there are variances in the proportion of the total programme subsidies incorporated in the 5% checks. In one or more programmes in these countries more than 5% - sometimes much more – of the total programme expenditures had been included in the checks. At the same time, in other programmes only a small proportion of the programme subsidies had been included in the checks, sometimes combined with delays in the execution of the checks.

In some countries the checks only included declarations of expenditure and excluded the required audit of the managing and control systems.

Sufficient safeguards have been built-in to guarantee the independence of the inspection teams.

In some countries more than 5% of the total expenditure was checked in order to compensate for the fact that the number of projects is small and therefore a representative statistical sample cannot be drawn.

Weaknesses and recommendations

Weaknesses

In general, the volumes of 5% checks carried out to date have not been sufficient to make a significant contribution to the development and improvement of the systems.

The regulations do not direct member states to carry out the checks over the lifetime of the programme, thus leaving the possibility for the checks to be completed at the end of the period in 2008. This, however, is too late to influence the performance of projects.

Recommendation

The new structural funds regulations (post 2006) should contain a legal obligation to spread the execution of the 5% checks more evenly over the programme period.

Objective 2: How was the selection carried out of projects to be included in the 5% checks?

Conclusion

In most countries the selection process for the projects to be included in the 5% checks conforms to the rules laid down in Article 10 of Commission Regulation 438/2001. In these countries a risk assessment and/or a representative sample were used to select the projects. In other countries the selection process can be improved.

Findings

In most countries, the selection of the projects for the 5% checks conforms to the rules laid down in Article 10 of Commission Regulation 438/2001. This means that a risk assessment was used in the selection and/or a representative sample of the projects was drawn.

In some countries the selection of the projects for the 5% check could be improved. In some of the selection processes, especially the risk assessments that form the basis for the process, improvements can be made, for example by making them more systematic against specified criteria.

For one programme it was reported that the selection process was not well documented.

On occasion the selection criteria used within managing authorities are not consistent. The Regulation allows for different selection methods; it was found that the interpretation of the Regulation rules was not always consistent between Directorates-General of the European Commission.

Good practice

Annual risk assessments and a formalised and systematic sample selection process were used (SF).

Weaknesses and Recommendations

Weakness

Not all countries complied with the requirement for both a risk assessment and a representative sample to be used in the selection process.

Recommendations

Risk assessments should be used more systematically when selecting projects for the 5% checks.

The European Commission should provide uniform interpretations of the European rules across the different Directorates-General.

Objective 3: Content of the checklist for the 5% checks

Conclusion

The checklists used for the 5% checks are generally in compliance with Commission Regulation 438/2001. In some countries the managing and control systems are not explicitly addressed in the checks.

Findings

In general the contents of the checklists used for carrying out the 5% checks are satisfactory and are in compliance with the requirements set out in article 11 of Commission Regulation 438/2001.

In one country, the checklist used for the system checks was considered to be almost too comprehensive, which reduced its usefulness.

Within some countries and programmes, there are inconsistencies in the contents of the checklists, against the set guidance. Whilst in others countries the checklists did not sufficiently cover the required checks of the management and control systems.

Good practice

Use of a standard checklist for the 5% checks helps ensure a consistent approach and report (UK).

Inspection reports include recommendations to the project, intermediate bodies, and the paying and managing authorities, as appropriate (UK).

Recommendation

The audit of the management and control systems should be given a higher priority, to detect flaws in the systems at an early stage of the programming period.

Objective 4: Have information requirements been met?**Conclusion**

In most cases the information requirements of Article 13 have been met in terms of correctness and timeliness. However, in some cases the information could be more complete, more detailed, and more explicit regarding the outcome of the 5% checks and the way these checks were carried out.

Findings

The requirements of Article 13 of Commission Regulation 438/2001 indicate that each year the Member State should report on the application of Articles 10 to 12 and on the update of the management and control system. These requirements remain somewhat vague as to what exactly should be reported, and in how much detail, to the European Commission.

The Article 13 reports were usually submitted to the European Commission on time – i.e. before 30 June of each year - with two exceptions.

The information contained in these Article 13 reports was considered to be accurate. However, the reports could be more complete, giving more details and including a clear and explicit report on the way the checks were carried out. The information in one country focussed more on the quantitative outline of how much was checked rather than on the findings of these checks.

Good practice

The Audit Programme routinely includes follow-up on the results from previous audits (NL).

Recommendations

The Article 13 reports should contain detailed information on the 5% checks (findings, methods, coverage, etc.) in compliance with Annex 5 to the Commission Guideline on management and control systems.

In the regulations covering the post 2006 programme period, guidance on the production of the Article 13 reports should be more explicit and detailed in relation to the information required in respect of Article 10 to 12 issues.

Objective 5: Examination of the reports of the 5% checks

Conclusion

Most of the SAIs were satisfied with the quality of the audit reports, although in one case the formal reporting of the 5% checks was inadequately documented.

Findings

All SAIs have reviewed the reports produced by the 5% inspection teams. In general, the supporting files were well referenced and the results of the checks and basis of selection of projects are well documented. In one country the list of documents and invoices which had been the basis of the 5% checks was missing; hence the SAI was not in a position to follow the checking process in detail and to give recommendations on how to improve the quality of the checks.

Good practice

In some countries the inspection reports included an assessment of the progress of the project against agreed objectives.

Weaknesses and recommendations

Weakness

Inspection reports often focussed on financial information and provided little comment on the project's activities and on the progress in meeting objectives.

Recommendations

All reports should, as a minimum, contain the information demanded in Annex 5 to the Commission Guideline on management and control systems.

The basis of selection of projects for examination and the results of the checks carried out should be clearly documented.

Objective 6: Findings of the 5% checks

Conclusion

In most countries, the quality, contents and robustness of the 5% inspection reports were satisfactory.

Findings

Most SAIs found that the 5% check bodies had established good practice which enabled the managing authorities to act on the results of the checks for future work. Errors reported are based on individual and procedural shortcomings. Common errors were:

- missing or wrong time registration in educational projects (for attendants, consultants and instructors);
- VAT incorrectly taken as expenditure;
- payroll overheads and depreciation overstated;
- costs not correctly apportioned or attributed to the projects.

In one country some incorrect payments of EU contributions to private individuals were identified.

Good practice

Errors found as a result of the 5% checks are used to evaluate the effectiveness and coverage of the 5% checking programme.

A final beneficiary of an ESF programme receives from its internal control body complete information about irregularities through an IT administration system which allows to following them up (E).

Weaknesses and recommendations

Weakness

The existence of frequent errors suggested that projects did not always amend their internal control systems in response to shortcomings previously identified.

Recommendation

Errors found as a result of the 5% checks should be summarised and reported back to projects in order to help prevent errors being repeated.

Objective 7: Other relevant matters arising from the audit**Conclusion**

The SAIs found that the interpretation of Structural Fund rules by the Commission was at times ambiguous or even contradictory. Furthermore, Member States expressed concern at the increasing bureaucracy in the implementation of the new provisions for the 2000 – 2006 Programme and felt that the associated resource costs were out of proportion to the EU's funding.

Findings

Some SAIs believe that they could advise the audited bodies how to avoid mistakes and to proceed better in future, partly by general recommendations, partly by specific guidance. Member States commented that the way in which the regulations are formulated by the Commission can lead to ambiguous or even contradictory interpretations; for example on the sampling and transaction testing methodology, and on the extrapolation of results.

Furthermore, they expressed concern at the increased bureaucracy in the implementation of the provisions for the 2000 – 2006 Programme, resulting in increased staff and other costs.

The timing of the 5% checks, particularly if carried out early during the programming period, does not necessarily provide assurance that the project will succeed.

Recommendations

The 5% checks should include an audit of the effectiveness of the existing systems of internal control, as required by article 10, sub article 1 of Commission Regulation 438/2001.

The Commission should provide guidance on the interpretation of Article 5 of Commission Regulation 438/2001 in respect of the examination of the management and control systems. This would help the managing authorities to improve their systems.

Annex A: Distribution of Structural Funds by Member States*

Distribution of Structural Funds by Member States represented in the Working Group for the period 2000-20063 (in EUR million at 1999 prices)					
Member State	Objective 1	Objective 2	Objective 3	Fisheries Instrument (outside obj. 1 areas)	Total
Denmark	0	183	365	197	745
Finland	913	489	403	31	1.836
Germany	19.958	3.510	4.581	107	28.156
Netherlands	123	795	1.686	31	2.635
Italy	22.122	2.522	3.744	96	28.484
Portugal	19.029	0	0	0	19.029
Spain	38.096	2.651	2.140	200	43.087
Sweden	722	406	720	60	1.908
United Kingdom	6.251	4.695	4.568	121	15.635
Total	107.214	15.251	18.207	843	141.515

* Without Communities Initiatives, innovative measures and technical assistance.

3 Newsletter No. 65 of the „inforegio news“ published in June 1999 by the EC Directorate-General for Regional Policy and Cohesion (Document number CX-AB-99-006-EN-C)

Annex B: Coverage of the Audit

Funds covered:

Member State	ERDF	ESF	EAGGF	FIFG
Denmark		X		
Finland	X			
Germany		X		X
Netherlands	X		X	X
Italy	X	X	X	X
Portugal	X	X	X	
Spain	X	X	X	
Sweden	X	X		
United Kingdom	X	X		

Projects covered:

(Project files checked / project questionnaires / or project visits)

Projects					
Member State	ERDF	ESF	EAGGF	FIFG	Total
Denmark		45			45
Finland	4				4
Germany		11		2	13
Netherlands	41		2	2	45
Italy	6	4	2	5	17
Portugal	10	6			16
Spain	22	1	7		30
Sweden	18	6			24
United Kingdom	20	20			40

Objectives covered (number of programmes):

Objectives			
Member State	1	2	3
Denmark			1
Finland	2		
Germany	6		1
Netherlands	1	2	
Italy	3	1	1
Portugal	1		
Spain	3		1
Sweden		1	1
United Kingdom	2	7	7

Annex C: Risk factors

The 5 % inspection body must base the control of each Programme on a 5 % sample selection of the total Fund-expenditure according to the following criteria in Commission Regulation 438/2001:

- Different project types and grant amounts
- Risk assessment
- Material intermediate bodies and final beneficiaries must be checked at least once during the programming period.

To create a more comprehensive sample selection for the control of the Programme the SAIs recommend that the 5 % inspection body consider the following risk factors:

- Changing project managers
- Project managing divided between more partners
- Previous experience with individual project managers
- Small scale projects with non sufficient segregation between internal control functions and any other business
- Use of distribution scales for overhead costs
- Project characteristics complicate physical control (e.g. participation in web-based training)
- High salary costs for project staff
- 5 % inspection body's previous experience with this type of project
- Project dependence on project manager's other activities
- Press coverage
- Payment request problems
- High consultancy fees
- Type of assistance.

Typical errors found in 5 % checks:

The SAIs recommend that the 5 % inspection body analyses the findings of the controls and include any additional risk factors in the next sample selection. The SAIs have found the following risk factors based on finalised controls carried out by the 5 % inspection bodies:

- Problems concerning time registration for participants in educational projects, including non-attendance policy
- Lack of internal control when records are entered in the shared grant administration system
- Lack of documentation of internal salaries
- Lack of documentation of other co-financing
- Lack of time registration for consultants and instructors
- No reconciliation of local bookkeeping to records in the shared grant administration system
- Lack of documentation for distribution scales for overhead costs
- Problems with estimation of depreciation rates
- Problems involving IT security concerning the shared grant administration system
- Lack of procedures for dealing with irregularities
- Non-compliance with tendering regulations

Annex D: List of Abbreviations

EAGGF: European Agricultural Guidance and Guarantee Fund

EC: European Commission (Commission)

ECA: European Court of Auditors

ERDF: European Regional Development Fund

ESF: European Social Fund

EU: European Union

FAQs: Frequently Asked Questions

FIFG: Financial Instrument for Fisheries Guidance

IT: Information Technology

OJ: Official Journal

SAI: Supreme Audit Institution

VAT: Value Added Tax

Countries

D: Germany

DK: Denmark

E: Spain

I: Italy

NL: Netherlands

P: Portugal

S: Sweden

SF: Finland

UK: United Kingdom

Appendix: Audit Plan

**WORKING GROUP ON STRUCTURAL FUNDS
AUDIT PLAN**

In order to comply with the 2002 mandate the Working Group⁴ at their meeting in Bonn on 16 and 17 June 2003 developed an Audit Plan, including an “Audit Trail Annex” and a “5 % Check Annex”. The Working Group herewith combined their expectation that the SAIs participating in the parallel audit will make use of the Audit Plan for the purposes of their respective national audits. In the Working Group’s opinion this would ensure certain unison in the fact finding and evaluation phase of the national audits which, in turn, is an essential condition for the comprehensive final report envisaged.

- **Focus and selection**

The essential topics of the audit are therefore the application of the regulations covering audit trails and the 5%-check.

The regulations covering the structural fund are focused at the programme level. The Working Group considered where the parallel audit should focus. As the regulation Objectives are set at a high level and are translated into different sub-objectives for each country they were concerned that any work focused at this level would not provide results which would be comparable across countries. In addition they considered focusing the parallel audit at a Fund level. However as each country has a different concentration of each Fund, the Working Group was concerned that a Fund focus would not provide a representation of activities within each country. It was therefore agreed that the audit should be focused at the programme level. A programme can be chosen from any of the Objectives one, two or three as defined by Article 1 of Council Regulation 1260/1999.

⁴ Denmark, Finland, Germany, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom, ECA (with observer-status)

Sufficient audit work and sampling should be conducted by SAIs in order for them to form a conclusion on the effectiveness of the application of the regulations within these two topic areas, being the audit trails and the 5% sample check.

Within the programmes selected for sample the Working Group recommend that an appropriate mix of projects is selected for further analysis in order to cover a variety of different Funds.

The selection of programmes to be audited is a matter of choice for each audit institution. It will need to take into account the level of resources the SAI has available to apply to this exercise. Some of the criteria which might be taken into account are listed below:

- the size of the EU subsidy and the subsidy's share of the total expenditure;
- risk factors such as complexity (see below): the higher the risks the more extensive the investigations;
- representativity of the programmes in terms of the funds and regions covered (we recommend more than one programme is selected);
- representativity of the projects within the programmes selected (we recommend more than one project is selected);
- focus on the current audit trails operating and the most recent audit trail checks.

- **Audit approach**

The approach recognises that member states are responsible for the implementation, monitoring and effectiveness of Structural Fund assistance. They are obliged to ensure the regularity and compliance of structural fund operations and are held accountable for the effectiveness of the control systems. As a result of their specific constitutional and administrative structures the member states have developed differing management and control systems. To ensure that the differing systems work properly within the bodies responsible the records and control need to be described in an audit trail and systematically verified through a programme of 5% checks.

The investigation of the **audit trail** has to meet the minimum requirements set out in Article 7 of Commission Regulation 438/2001, amended by Commission Regulation 2355/2002. In addition the Working Group has recognized that the audit trail needs to incorporate many other requirements spread throughout the Council and Commission regulations. To address this, the Working Group has compiled a guidance annex (1), which interprets the main requirements of the audit trail and the key audit objectives associated with each.

The investigation of the **5% check** has to meet the minimum requirements set out within article 10 to 14 of Commission Regulation 438/2001. The Working Group has compiled a guidance annex (2) which draws out the requirements of each single provision and the key audit objectives associated with each.

In undertaking work to achieve each audit objective, as set out in the audit guidance, each SAI could utilize a number of different audit techniques, such as interviews, checking files, on-the-spot checks and questionnaires.

The overarching objective of our work and our final report are to capture the SAIs judgments identifying those parts of the controls within the regulations that need to be improved and provide an overview of best practice.

AUDIT QUESTIONS FOR PERFORMANCE AND CONTROL SYSTEMS TO ENSURE THE AUDIT TRAIL

Introduction

The objective of an Audit Trail is to provide assurance that each and every transaction is subjected to proper control throughout its life (“From cradle to grave”). The key aspects that have to be addressed are completeness, timeliness, accuracy, validity, regularity, recording and reporting.

Article 7 of Commission Regulation 438/2001, amended by Commission Regulation 2355/2002, lays down rules for the implementation of Council Regulation 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds. Article 7 paragraph 1 of Regulation 438/2001 refers specifically to the need for “Member States’ management and control systems [to] provide a sufficient audit trail.” Otherwise, however, Article 7 provides only the broad principles re-

quired for an effective audit trail. It does not provide a complete, coherent framework. In fact this does not exist in any one place. Specific controls and procedures are referred to in several different areas of the governing regulations on Structural Funds and with different levels of detail and definition.

The Working Group therefore decided that there was a need to create their own framework for this audit building on the principles in the regulations but also using the Working Group's professional appreciation of the requirements of an adequate audit trail. The following guidance seeks to establish a series of practical steps that the Working Group feel would be necessary components of an effective audit trail. Key objectives and high level questions have been identified which may be asked at an audit at the level of the Member State or Programme authorities and at the level of individual final beneficiary. In carrying out this work the auditor will need to employ a combination of systems review and substantive procedures. The decision will, to some extent, depend on the level within the process that is being examined (programme level or project level).

The framework has 3 parts. Part A deals with issues at the programme level (objectives 1-4) and Part B deals with issues at the project level (objectives 5-7). Each objective is in terms of a contribution to the audit trail and identifies the key issues that would need to be addressed if this objective were to be met. Some of the questions may already have been addressed by the auditor as part of the SAI's national audit responsibilities and may not necessitate additional audit work. Additional possible questions are provided at the end of this Annex which might be of help in assessing the effectiveness of these key issues. However, these are provided for guidance in developing each SAI's Country Audit – they are not mandatory nor are they necessarily the only questions that might be relevant in each case.

For each objective the auditor is required to conclude on whether the control objective(s) have been met and to justify his or her view by, so far as possible, highlighting what were the main reasons for the judgement (NB. This should cover good or strong points as well as failures or weaknesses).

Finally, Part C (objectives 8-9) of the framework asks the auditor to give an overall opinion on the sufficiency and effectiveness of the audit trail as well as providing an opportunity to raise any other issues relevant to the audit.

Part A: Audit at the Programme level

Objective 1: Does the Managing authority/Intermediate body have adequate procedures for ensuring the administration of applications?

The objective is to ensure complete and accurate administration of applications which reflect the objectives of the Programme and that the decision (approval) process is transparent.

There are four key elements (a – d).

- Are there adequate measures to ensure that all applications are recorded and dealt with?
- Are all applications evaluated on the basis of consistent and relevant criteria? (this question includes also applications which are denied support from the Structural Funds)
- Do final beneficiaries/applicants set out clear and measurable objectives linked to a sound financial plan?
- Are decisions on actions to be supported taken by an appropriate authorised individual or individuals and do those actions comply with the relevant rules?

Auditor's conclusion: Has objective 1 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 2: Does the Payment authority/Intermediate body have adequate procedures to ensure the correct payment of funds?

The objective is to ensure adequate control and management systems for payments to beneficiaries including investigating and resolving any errors found.

There are six key elements (a – f).

- a) Do final beneficiaries submit suitable payment requests and are these in an appropriate form?
- b) Do payment requests contain appropriate information on expenditure and sufficient justifying documents (if available)?
- c) Are there adequate checks to ensure that payment requests are appropriate and that they are approved by an appropriate person?
- d) Has the authority introduced suitable payment arrangements?
- e) Is appropriate action taken when errors are found in payment requests and when errors or irregularities are found during on the spot checks?
- f) Can the internal control arrangements ensure that Community funds are satisfactory safeguarded by Member State authorities?

Auditor's conclusion: Has objective 2 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?)

Objective 3: Does the Paying authority/Intermediate body have financial and accounting systems which ensure that expenditure is correctly recorded and properly allocated?

The objective is to ensure that systems are in place to accurately record and allocate payments made at the programme level and to keep appropriate supporting documentation.

There are two key elements (a – b).

- a) Has the Paying authority established a sound financial accounting system in which all of the relevant transactions are recorded?

- b) Does the accounting system at the paying authority make possible that the relevant final beneficiaries and the reasons for payment are identified?

Auditor's conclusion: Has objective 3 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 4: Are there sound arrangements to ensure that payments requests made to the Commission accurately reflect the amount paid to final beneficiaries?

The objective is to ensure that Member States can produce complete and accurate claims for funds from the Commission and that these claims are allocated to the correct recipient. There are two key elements (a – b).

- a) Has the authority established procedures to ensure the completeness and accuracy of all payment claims to the Commission?
- b) Are satisfactory procedures established to ensure the implementation of rules layed down in article 4 of Commission Regulation 438/2001

Auditors' conclusion: Has objective 4 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Part B: Audits at the Project level⁵

Objectives 5 to 7 require a number of Projects to be analysed/checked.

Objective 5: Have eligibility rules been followed in selecting project managers and projects for Structural Fund support?

The objective is to ensure the projects that receive support are actually eligible to receive support. Questions relate to the project managers and to projects themselves.

There are two key elements (a – b).

- a) Has the final beneficiary been correctly identified?

- b) Is the project eligible to receive Structural Fund support?

Auditor's conclusion: Has objective 5 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 6: Has the project implemented appropriate systems to ensure that receipts and payments are accurately recorded in the accounting system, assets are correctly recorded, and that these amounts are correctly reflected in demands for payment?

The objective is to ensure payments are accurately recorded and allocated at the Project level and that adequate supporting documentation is retained.

There are five key elements (a – e).

- a) Are the amounts paid accurately recorded in the accounting system?

- b) Are the amounts paid correctly reflected in demands for payment sent to the Member State or Programme authority?

⁵ EC Regulations usually speak of “operations” but we prefer the more day-to-day term “project”. For some useful definitions see article 9 of Council Regulation 1260/99.

- c) Has the project established systems to ensure the completeness and accuracy of all payment claims?
- d) Is there a satisfactory internal audit function (where appropriate)?
- e) Is the project subject to a satisfactory external audit?

Auditor's conclusion: Has objective 6 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 7: Is progress made truly and fairly reflected in any reports or other information submitted to Member State or Programme authorities?

The objective is to ensure that progress reports from Project managers to the Programme authorities are relevant, timely and reliable.

There are two key elements (a – b).

- a) Has the project established procedures to monitor progress of funded activities regularly and to verify that this information is accurate?
- b) Has the project established satisfactory reporting procedures to ensure that Member State or Programme authorities and the Commission receive regular and accurate information on the progress of actions?

Auditor's conclusion: Has objective 8 been met?

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Part C: Additional information and Auditor's overall conclusion

Objective 8: Auditors to raise any other matters arising from their audit which they feel are relevant to their work

Objective 9: Auditor's overall conclusion on whether the Audit Trail is sufficient and effective

If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

PERFORMANCE AND CONTROL SYSTEMS TO ENSURE THE AUDIT TRAIL

Possible Additional questions

Objective 1: Does the Managing authority/Intermediate body have adequate procedures for ensuring the administration of applications?

1. Are there adequate measures to ensure that all applications are recorded and dealt with?
 - Are all applications registered upon receipt?
 - Are all requests for support received centrally within the authority?
 - Are separate files maintained containing details of all application for support under particular programmes?
- Are all applications evaluated on the basis of consistent and relevant criteria (this question includes also applications which are denied support from the Structural Funds)?
 - a) Are there arrangements to ensure that evaluation criteria are set for the applications?
 - b) Is there a check that the set criteria meet Commission rules?
 - c) Is there evidence that these criteria are consistently applied?
 - d) Are the results of all assessments against the criteria recorded and kept?
 - e) Are the reasons for acceptance or rejection of application clearly set out?
- Do final beneficiaries/applicants set out clear and measurable objectives linked to a sound financial plan?
 - a) Does the authority check that applicants have set clear and quantified objectives?
 - b) Does the authority check that applicants have set dates for achievements of objectives together with relevant performance measures?
 - c) Are there checks to ensure that objectives are in accordance with the operational programme of which the action forms part?

- d) Are there checks to ensure that all applications are supported by a detailed financial plan setting out clearly how funds will be used?
- Are decisions on actions to be supported taken by an appropriate authorised individual or individuals and do those actions comply with the relevant rules?
 - a. Is there a designated independent person or persons within the authority with responsibility for approving applications for support?
 - b. Are there checks that there is no double funding under different Funds or programmes?
 - c. Are there arrangements to ensure that all approved applications are properly authorised (e.g. with a signature or seal)?
 - d. Are there checks that the selected projects comply with the relevant rules and environmental requirements?

Objective 2: Does the Payment authority/Intermediate body have adequate procedures to ensure the correct payment of funds?

- Do final beneficiaries submit suitable payment requests and are these in an appropriate form?
 1. Has the authority set suitable time limits for the submission of payment request?
 2. Are there procedures to follow-up cases where payment requests are not submitted within the limits?
 3. Has the authority set out supporting documentation which should accompany payment requests?
 4. Does the authority require that copied documents are certified true copies?
 5. Is there a standard form set out for the submission of payment requests?
- Do payment requests contain appropriate information on expenditure and sufficient justifying documents (if available)?
 - Do payment requests compare actual expenditure with the financial plan?

- Are there checks to ensure that payment requests are accompanied by appropriate supporting documentation?
- a) Are there adequate checks to ensure that payment requests are appropriate and that they are approved by an appropriate person?
- a. Does the authority have written procedures covering the checking of payment requests?
 - b. Are the checks set out in standard checklist?
 - c. Are the checks evidenced (for example by initials of the checking officer)?
 - d. Are there checks that the claim or parts of it have not been paid before?
 - e. Are there checks to ensure that expenditure is actual and not notional or planned?
 - f. Are there procedures to check that the appropriate criteria for making an advance have been met?
 - g. Are invoices reconciled to statements of expenditure?
 - h. Are there suitable checks to ensure that the beneficiary remains eligible to receive funding and that all expenses are eligible?
 - i. Is there an arithmetical check of the payment request?
- b) Has the authority introduced suitable payment arrangements?
1. Has the authority set a timetable for the making of payments to beneficiaries?
 2. Are there procedures to ensure that payments are made within the set timescale?
 3. Are payment delays monitored and action taken when these are exceeded?
 4. Does the authority have procedures to ensure the use of the correct modalities of payment?
 5. Has the authority set specific conditions for the final payment which accord with Commission requirements?
 6. Has the authority set specific and appropriate rules on national and regional co-financing?
- c) Is appropriate action taken when errors are found in payment requests and when errors or irregularities are found during on the spot checks?

1. Has the authority established written procedures on how errors in payment requests should be treated?
 2. Are errors in payment requests recorded and written records kept of the follow up and correction of those errors?
 3. Are there procedures to ensure that errors found in on the spot checks are recorded?
 4. Are there arrangements to ensure that errors found in on the spot checks do not appear in the subsequent payment requests?
 5. Are there written procedures on how fraud and irregularities should be recorded and dealt with?
 6. Are there procedures to ensure that managers are informed of and take action to monitor cases of fraud and irregularities?
 7. Are there procedures to ensure that apparent irregularities are followed up within six months?
- Are there procedures to ensure that any irregularity not investigated within six months are reported to the Commission?
 - Are there arrangements to take action to address systematic irregularities?
 - Are there procedures to ensure that the relevant authorities are informed of fraud?
 - Are there written procedures covering appeals by beneficiaries against the disallowance of claims?
- d) Can the internal control arrangements ensure that Community funds are satisfactory safeguarded by Member State authorities?
1. Are there written and approved procedures setting out the authority's internal control framework?
 2. Is the internal control function subject to regular monitoring by senior management?
 3. Are there suitable arrangements for the periodic audit of the authority's Structural Fund activities?
 4. Has the authority designated an appropriate individual with responsibility for monitoring the results of audits of the authority and taking action to address weaknesses found by auditors?

Objective 3: Does the Paying authority/Intermediate body have financial and accounting systems which ensure that expenditure is correctly recorded and properly allocated?

- a) Has the Paying authority established a sound financial accounting system in which all relevant transactions are recorded?
- Are all Structural Fund transactions recorded individually?
 - Are there checks to ensure that Structural Fund expenditure is recorded against the correct budget heading?
 - Is there a check to ensure that all transactions have been recorded (completeness)?
- b) Does the accounting system at the paying authority make possible that relevant final beneficiaries and the reasons for payment are identified?
- Do the accounting records clearly show the beneficiary of a payment?
 - Do accounting records clearly identify the source of funds for each payment?

Objective 4: Are there sound arrangements to ensure that payments requests made to the Commission accurately reflect the amount paid to final beneficiaries?

- o Has the authority established procedures to ensure the completeness and accuracy of all payment claims to the Commission?
- Has the authority delegated responsibility to an appropriate person or persons for the preparation of payment claims to the Commission?
 - Has the authority delegated responsibility to an appropriate person for the authorisation of payment claims to the Commission?
 - Has the authority established checks to ensure that only amounts due are included in claims to the Commission?
 - Has the authority established checks to ensure that amounts are not claimed twice?

- Has the authority established checks to ensure that correct exchange rates are used?
- Is there an independent or management check of payment claims to the Commission before they are authorised and despatched?
- Are there procedures laid down to ensure payment is made on or before the agreed latest date?

Are satisfactory procedures established to ensure the implementation of rules laid down in article 4 of Commission Regulation 438/2001

Additional questions initiated by Zacharias Koliass:

- Have control procedures been established to verify the delivery of the products and services co-financed and the reality of expenditure?
- Do the controls include tests which aim to ensure the respect of national and community project and expenditure eligibility rules and in addition the respect of procurement, state aid and environment rules?
- Has a sufficient number of checks been carried out (sufficient in relation to the amounts declared to the Commission)?
- Do the checks aim to cover all co-financed operations? If not, is the sampling methodology justified?
- Are the controls carried out for the verification of projects on the spot well documented using a standardised format? Do they clearly state the work done and the results of this work?
- Are irregularities and errors identified adequately followed-up?

Objective 5: Have eligibility rules been followed in selecting project managers and projects for Structural Fund support?

1. Has the final beneficiary been correctly identified?
 - g) Are the name, status and address of the project manager or operator correct?

h) Is the bank account number of the final beneficiary correct?

2. Is the project eligible to receive Structural Fund support?

a) Does the project/action fulfil all relevant eligibility conditions?

b) Has the project/action remained eligible during the execution of the action subsidised?

Objective 6: Has the project implemented appropriate systems to ensure that receipts and payments are accurately recorded in the accounting system, assets are correctly recorded, and that these amounts are correctly reflected in demands for payment?

1. Are the amounts paid accurately recorded in the accounting system?

c) Is there at least one person responsible for examination of the validity and accuracy of claims for payments?

d) Is there a clear segregation of duties between staff responsible for certifying the receipt of goods and services and those who make payments?

e) Are there procedures to ensure that payments cannot be made without being recorded (e.g. through reconciliation of the ledger with bank accounts and cash)?

f) Are there procedures to ensure that payments cannot be recorded without being made?

g) Are payments made only in respect of goods or services which have been received and which conform to eligibility rules?

h) Are payments made at the correct amount?

i) Are there arrangements to ensure that management fees and administrative charges are deducted from the grant amount?

j) Is VAT relating to the action recorded separately? Is refundable VAT deducted?

e) Are the amounts paid correctly reflected in demands for payment sent to the Member State or Programme authority?

c) Are receipts and payments for the action separately identifiable within the financial and accounting system from other activities undertaken by the organisation?

- d) Are there procedures to ensure that receipts and payments are recorded against the appropriate action?
- f) Has the project established systems to ensure the completeness and accuracy of all payment claims?
- a. Is there an appropriate member of staff designated by the project manager/operator with responsibility for checking claims and for certifying their correctness?
 - b. Has the project manager or operator provided the designated authority with statements of expenditure accompanied by relevant invoices or copies of invoices?
 - c. Has the standard of the statements of expenditure submitted by the final beneficiary been rated as excellent, satisfactory, unsatisfactory or poor?
 - d. Are the checks carried out by the project manager/operator on claims clearly set out and evidenced in respect of each claim for reimbursement?
 - e. Are there procedures to ensure that all amounts due, and only amounts due, are included in claims?
- g) Is there a satisfactory internal audit function (where appropriate)?
- c)** Is there an internal supervisory body which is responsible for overseeing internal audits, which is functionally independent (for example, an audit committee)?
 - d)** Has internal audit established suitable working methods?
 - e)** Has internal audit or internal supervisory body examined the operation of the project manager/operator's financial and accounting systems?
 - f)** Is there a satisfactory follow-up to internal audit's findings?
 - g)** Has the project manager/operator taken appropriate action in the light of internal audit's recommendations?
- h) Is the project subject to a satisfactory external audit?
- f)** Is the project manager/operator subject to public or private external audit?

- g) Has the external auditor identified any problems relating to the operation of the action(s) supported by the Structural Funds?
- h) Has the project manager/operator taken action in response to the recommendations of the external auditor?

Objective 7: Is progress made truly and fairly reflected in any reports or other information submitted to Member State/Programme authorities?

1. Has the project established procedures to monitor progress of funded activities regularly and to verify that this information is accurate?
 - Has the project manager/operator established suitable performance targets and indicators for assessing the progress of actions?
 - c) Has the project manager/operator established suitable performance arrangements for physically monitoring the progress of actions?
 - d) Is performance and monitoring information reviewed by staff at the appropriate level?
 - e) Is action taken to address problems identified during monitoring?

2. Has the project established satisfactory reporting procedures to ensure that Member State or Programme authorities and the Commission receive regular and accurate information on the progress of actions?
 - a. Has a reporting system been established by the project manager or operator?
 - Are reports directed towards the appropriate individuals within the project manager's or operator's organisation?
 - Are reports prepared on a regular basis?
 - Are reports well documented?
 - Do reports fully reflect the information available on individual actions?
 - Are reports vetted at the appropriate level by the project manager or operator?

AUDIT QUESTIONS FOR THE 5% SAMPLE CHECKS

Introduction

The draft audit plan of the EU-Working Group on Structural Funds has its legal basis in the requirements for the 5% sample checks on operations as stipulated in article 10 to 14 of Commission Regulation (EC) No 438/2001 of 2 March 2001, laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.

The objective of the draft audit plan is to determine:

3. Compliance with the relevant articles of Regulation 438/2001; and
4. The effectiveness with which this has been done.

To be able to meet this objective, audit questioning should be focused at two levels, first a number of questions can be asked on the level of the programme selected for the audit. Subsequently, within each programme that is being audited, a number of projects (also referred to as 'operations') should be selected. At this project level a number of questions can then be addressed as well (see part B).

At both the programme level and the project level the audit questions can be grouped under a number of objectives. This document contains a suggested overview of relevant objectives and proposals for the audit questions. Following these proposed audit steps and questions could lead us to the fulfilment of the above two-fold objective of the audit.

It is important to note that you consult the Commission guidelines relating to the 5% checks. Your national/regional 5% body should have these guidelines. Moreover, it is necessary to check whether the European Commission or the European Court of Auditors carried out an audit into the programmes you are going to audit!

Part A: Audit at the programme level⁶

Select a number of programmes that you find suitable and representative for the programmes in your country. It is recommended to select more than one programme.

Objective 1: Obtain the general quantitative overview of the 5% sample check

The objective is to ensure that the requirements set out in Article 10 *paragraph 2* of Commission Regulation 438/2001 are met. It states that the checks carried out before the winding-up of each programme shall cover at least 5 % of the total eligible expenditure and be based on a representative sample of the projects approved. It furthermore states that Member States shall seek to spread the implementation of the checks evenly over the period concerned. They shall ensure an appropriate separation of tasks as between such checks and implementation or payment procedures concerning operations.

Proposed questions:

6. Which agency or organisation conducts the 5% sample checks of the programme? Is this agency fully independent from the managing and paying authority? If not, why not?
7. What is the sum of the expenditures of the programme audited? Did the 5% body correctly identify the completeness of the population based on declarations made to the Commission?
8. Is a planning scheme present for the 5% sample checks of the programme? If yes, what does it look like?
9. Are the checks evenly spread over the life of the programme period?
10. Which amount of the programme expenditures has been included in the 5% sample check carried out so far?
11. Which proportion (%) of the programme expenditures has been included in the 5% sample check carried out so far?

⁶ Programme should be understood as to mean either Operational Programme (OP) or Single Programming Document (SPD). Community

Initiative programmes are not included in this audit.

Auditor's conclusion:

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 2: How was the selection for the 5% audit carried out?

The objective is to ensure that the requirements set out in Article 10 *paragraph 3* of Commission Regulation 438/2001 are met. It states that the selection of the sample of operations to be checked shall take into account:

2. The need to check a representative sample covering all types and sizes of projects;
3. Has the 5% body taken account of risk analysis when selecting the sample to be examined;
4. The concentration of operations under certain intermediate bodies or certain final beneficiaries, so that the main intermediate bodies and final beneficiaries are checked at least once before the winding-up of each single assistance.

Proposed questions:

3. What was the selection methodology used?
4. Was there a formalised and systematic sample selection approach? If YES, please give a short description. If not, why not?
5. Was the selection of projects based on a representative sample covering:
 - the whole programme period;
 - all regions or sub-regions;
 - all aspects of the programme;
 - all important intermediaries;
 - all important final beneficiaries;
 - both large and small projects;

6. Was the selection based on a risk analysis? Did the risk analysis take into account the size and complexity of the project, the level of public interest in the project and the level of political risk associated with the project, and the material importance? More specifically, risk factors that *could* be taken into account are (following list is not comprehensive nor compulsory):
- Complexity in terms of multiple streams of funds for one programme, legislation, administrative organisation, decentralisation;
 - Payments that are not based on the beneficiary's invoiced expenses are a greater risk than those based on invoices, as non-invoiced expenses generally are more difficult to document (e.g. internal pay-role costs);
 - The size of the subsidy and the increase of the subsidy's share of the total expenditure.
 - The type of programme: certain programmes or project types may be connected with greater inherent risk than others;
 - The project manager. There can be public or private project managers, they can be newly established or experienced;
 - Great staff turnover or substitutes within the organisation;
 - Control risk: the risk that the organisation's internal controls do not discover the errors.
7. Is in the selection of the sample of operations the concentration of operations under certain intermediate bodies or certain final beneficiaries taken into account? Is it certain that the main intermediate bodies and final beneficiaries are checked at least once before the winding-up of each assistance?

Please note that the Commission issued guidance notes on how to draw a sample based on a risk analysis and representativity.

Auditor's conclusion:

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 3: What is the content of the checklist used for the 5% sample check?

The aim is to obtain an overview of the issues addressed in the 5% sample checks. Article 10 paragraph 1 of Commission Regulation 438/2001 states that Member States shall organise checks on operations on an appropriate sampling basis, designed in particular to verify: (a) The effectiveness of the management and control systems; (b) The expenditure declarations made at the various levels concerned, on the basis of risk analysis. The 5% check should address a number of issues, which are laid down in Art. 11 of Commission Regulation 438/2001.

Note: make sure to consult the report of the system control as it is carried out by the 5% body as well.

Proposed questions:

2. Are the issues laid down in Article 11 addressed in the minimum 5% sample check?
Please provide the main results for each of the bullets below:
3. Practical application and effectiveness of the management and control systems;
4. Correspondence of accounting records with supporting documents held by intermediate bodies, final beneficiaries and the bodies carrying out the operations;
5. Sufficient audit trail (but this is also included in the Audit Trail Annex);
6. Eligibility of expenditure (art. 30 of Regulation 1260/1999 and Commission Regulation No 1685/20007)
7. Consistency between the use of the project and the use described in the original application to the EC;
8. Sufficient national co-financing;
9. EC contributions are within the limits laid down in art.29 (par. 3 and 4) of Regulation 1260/1999;
10. EC grants are paid to final beneficiaries without any reduction or delay;

7 Commission Regulation 1685/2000 of 28 July 2000, laying down detailed rules for the implementation of Council Regulation 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds.

11. Compatibility with other EU policies and actions, including rules on competition, on the award of public contracts (tenders) and on environmental protection (art. 12 of Regulation 1260/1999).
12. Has the project actually been carried out? Is there sufficient evidence to support this?

Auditor's conclusion:

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 4: Have the information requirements been met?

The aim is to check if the information requirements related to the 5% check have been met. Article 13 of Regulation 438/2001 states that Member States shall inform the Commission by 30 June each year and, for the first time by 30 June 2001, of their application of Articles 10 to 12 of Regulation 438/2001 in the previous calendar year.

Proposed questions:

7. Has the management authority issued annual reports to inform the Commission since the programme started?
8. If yes, have the annual reports been issued in time, i.e. before 30 June of each year? If not, why not?
9. Did the annual reports contain information about the 5% checks (Articles 10 to 12 of Regulation 438/2001) in terms of findings and number of checks carried out? Were any systematic errors reported?
10. If yes, was the information in accordance with the conclusions of the sample checks (see Step 1, question 5) and with the planning scheme (see also Step 1, question 2)? If not, what are the main differences/inconsistencies and why did they occur?

Auditor's conclusion:

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Part B: Audit at the project level⁸

When objectives 1 to 4 have been looked at, the general picture is clear on the level of the programme as a whole. It is then useful to select a number of projects that also were included in the 5% sample check. This is important to verify on a basic level the general findings on the programme level.

It will be useful for auditors to make the selection of projects on the basis of a risk-analysis. For example, one might choose projects with high costs, project is great political or material interest, or complex projects e.g. projects in which subsidies from more than one structural fund are used. Next to these risk factors, obtaining a cross-section of projects would be useful. Therefore, a second criterion could be to select – if possible – projects from different funds, with different beneficiaries and/or from different regions (or different parts within a region). Please give the reasons why you made a certain selection.

Objective 5: Examine the report of the 5% audit of those projects

The objective is to examine at the project level if there could be reason to doubt the general findings at the programme level (especially as included in Objective 1).

Proposed questions for each project selected:

8. What is the sum of total eligible expenditure of the projects?
9. Which project documents have been audited? For example: final expense account, quarterly report, project administration, etc.
10. What is the total amount that has been audited for the 5% audit?
11. Ascertain that only audited invoices were included in the calculation of the audited amount (question 3). *Note that the audited amount can also include amounts via extrapolation.*
12. Was the 5% check carried out on the level of the final beneficiary?

Auditor's conclusion:

⁸ EC Regulations usually speak of 'operations' but we prefer the more day-to-day term 'project'. For some useful definitions see article 9 of Council Regulation 1260/1999.

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Objective 6: What are the findings of the 5% checks for the projects?

The aim is to check on the project level if the information requirements related to the 5% check have been met, and that the information has been transferred correctly to the programme level.

Proposed questions for each project selected:

5. What are the main findings of the 5% check? Please give a summary of the results.
6. What follow-up actions were undertaken / will be undertaken to redress shortcomings?
7. How are the findings of the 5% audit made known? To whom?
8. Were there any irregularities (over € 4000) reported to the Commission? If so, how many and what amount?
9. Are the findings reported in the annual report(s) (30 June), in the final report or in the findings report (step 5)?
10. Has a national authority or the European Commission made corrections? What was the amount of the corrections and what were the reasons for these?

Auditor's conclusion:

Has the objective been met? If YES, can you identify immediately any specific points of good practice which contributed to this; if NO, what are the main factors or weaknesses that caused this; are there any other interesting factors to be highlighted?

Part C: Additional information and Auditor's overall conclusion

Objective 7: Are there any other matters arising from your audit which you feel are relevant to our work?

Objective 8: Auditor's overall conclusion on whether the 5% check is sufficient and effective

If YES, what are in general the points of good practice which contributed to this? If NO, what are the main factors or weaknesses that caused this? Are there any other interesting factors to be highlighted?

Vuodesta 2001 lukien ilmestyneet toiminnantarkastuksen tarkastuskertomukset

- 1/2001 Sotainvalidien sairaanhoitopalvelujen hankinta
- 2/2001 Puolustushallinnon hankintatoimi
Päivittäistavarahankinnat
- 3/2001 Maatalouden rakenteen kehittäminen
- 4/2001 Ympäristöhallinnon tuloksellisuusraportointi
erityisesti luonnonsuojelu- ja ympäristönsuojelutehtävien osalta
- 5/2001 Vankeinhoitolaitoksen henkilöstön sopeuttaminen
- 6/2001 Maatalousyrittäjien luopumistukea koskeva informaatio talousarvioesityksissä
- 7/2001 Losseja korvaavat Tielaitoksen siltahankkeet
- 8/2001 Itämeren suojelusopimuksen toteuttaminen Suomessa
Helsingin sopimuksen merkitys vesiensuojelun ohjauksena erityisesti maalta peräisin olevan kuormituksen vähentämisessä
- 9/2001 Työvoima- ja elinkeinokeskukset
Ohjauksen ja johtamisjärjestelmien toimivuus
- 10/2001 Tuomioistuintulot
- 11/2001 THL – tilausvaltuuden käyttö
- 12/2001 Maatalousyrittäjien lomituspalvelut
- 13/2001 Osaamiskeskukset aluekehitystyössä
- 14/2001 Euron käyttöönottovalmius valtionhallinnossa
- 15/2001 Vuosaaren satamahanke
- 16/2001 Oy Veikkaus Ab:n harjoittama sponsorointi
- 17/2001 Valtion liikelaitosten tulos- ja omistajaohjaus
- 18/2001 Verosaatavien kuittaus
- 19/2001 Valtion tukien ilmoittamisessa komissiolle noudatettava menettely Euroopan yhteisön perustamissopimuksen 87 – 89 artiklojen mukaan
- 20/2002 Ympäristönsuojelun edistämisyhteistyöt
- 21/2002 Riista- ja kalatalouden tutkimuslaitoksen tuloksellisuusraportointi
- 22/2002 Korkeakoulun osallistuminen teknologian siirtotoimintaan
korkeakoulun tutkimustulosten ja innovaatioiden siirtäminen yritysten hyödynnettäväksi
- 23/2002 Matkailun yritystuet

- 24/2002 Näennäisviljely
tavanomaisen viljelytavan valvonnan ongelmat
- 25/2002 Ulkopuolinen rahoitus yliopistojen tulosohjauksen näkökulmasta
esimerkkinä Jyväskylän yliopisto
- 26/2002 Kapiteeli Oy:n perustaminen – osa valtion kiinteistöstrategiaa
- 27/2002 Radanpidon taloudellisuus ja rataverkolla tapahtuva kilpailu
- 28/2002 EU-rahoituksen toteutuminen ohjelmakauden 1995 – 1999 rakennerahastohankkeissa
- 29/2002 Alueelliset taidetoimikunnat
- 30/2002 Ympäristölupien valvonta
erityisesti ilmansuojelun kannalta
- 31/2002 Maa- ja metsätalousministeriön luonnonvarastrategia ja porotalous
- 32/2002 Yliopistojen hankintatoimi
- 33/2002 Häätäkeskusten perustaminen
- 34/2002 Paikallisen poliisitoimen resurssointi
- 35/2002 Raha-automaattiyhdistyksen tuottojen tuloutus valtiolle
- 36/2002 Uudet palkkausjärjestelmät valtionhallinnossa
- 37/2002 Maataloustuen tavoitteet ja vaikutukset
tulotuen talousarvioperustelujen ja vaikuttavuuden arviointia
- 38/2002 Valtion erityisrahoitustoiminta
Finnvera Oyj
Suomen Teollisuussijoitus Oy
- 39/2002 Lääninhallitusten myöntämä ESR-rahoitus kehittämis- ja koulutushankkeisiin
- 40/2002 Sosiaali- ja terveydenhuollon tavoite- ja toimintaohjelma
ohjelman toteutus ja vaikutus kunnissa
- 41/2002 Liikennesuoritteiden ohjailu
- 42/2003 Lähialueyhteistyöhankkeet
- 43/2003 Monitoimimurtajien hankinta ja kaupallinen toiminta
- 44/2003 Laki yritystoiminnan tukemisesta – Pk-yritysten kehittämishankkeet
- 45/2003 Suomen valtion maksuliikehankinta
- 46/2003 Tulosohtaus Suomen kahdenvälisessä kehitysyhteistyössä
- 47/2003 Määrärahojen alueellinen jakaminen

- 48/2003 Yhteiskunnallista erityistehtävää toteuttavien valtionyhtiöiden omistajaohjaus
- 49/2003 Verohallinnon systeemityön ja atk- konsultointipalvelujen hankinnat
- 50/2003 Puolustushallinnon tukitoimintojen ulkoistamisen tila helmikuussa 2003
- 51/2003 Sektoritutkimustoiminnan ohjaus ja rahoitus sosiaali- ja terveysministeriön hallinnonalalla
- 52/2003 Valtiovarainministeriön hallinnonalan tuloksellisuusraportointi eduskunnalle
- 53/2003 Vesihuollon tukeminen
valtion osallistuminen vesihuollon järjestämiseen
- 54/2003 Raja- ja merivartijoiden rekrytointi ja koulutus
- 55/2003 Siviilipalvelus
- 56/2003 Tutkijakoulujen toiminta
- 57/2003 Alueelliset kuljetustuet
- 58/2003 Tilastokeskuksen palveluhankinnat
- 59/2003 Fyysinen tietoturvallisuus sosiaali- ja terveysministeriön hallinnonalalla
- 60/2003 Joukkoliikennepalvelujen hankinnat
- 61/2003 Pelastustoimen kehittämishanke
- 62/2003 Valtakunnansyyttäjänviraston toiminta
- 63/2003 Maatilarakentamisen ja konehankintojen tukeminen
- 64/2003 Arktisen keskuksen näyttelytoiminta
- 65/2003 Ministeriöiden ohjaus eräissä Kansaneläkelaitoksen toimeenpanemissa sosiaaliturvaetuuksissa
- 66/2003 Ympäristötukien vaikuttavuus
energiatuet ympäristönsuojelun välineenä
- 67/2004 Säteilyn käytön valvonta
- 68/2004 Henkilöstön hankinta valtionhallinnossa
- 69/2004 Tuoteturvallisuusvalvonta
- 70/2004 Lentolisäjärjestelmä ja yhteyslentotoiminta Puolustusvoimissa
- 71/2004 Lasten ja nuorten psykiatrian valtionavustusmenettely
- 72/2004 Finpro ry:n toiminta
- 73/2004 Hansel Oy:n rakennejärjestelyt ja yhtiö osana valtion hankintatoimen strategiaa
- 74/2004 Ulkomaalaisviraston toiminta
lähinnä toimintaprosessien näkökulmasta tarkasteltuna
- 75/2004 Geodeettisen laitoksen toiminta

- 76/2004 Viranomaistoiminta harmaan talouden ja talousrikollisuuden torjunnassa
- 77/2004 Korruptio; riski kahdenvälisen kehitysyhteistyön tuloksellisuudelle
- 78/2004 Sosiaali- ja terveystieteiden ministeriön hallinnonalan tuloksellisuusraportointi eduskunnalle
- 79/2004 Oikeusministeriön hallinnonalan tuloksellisuusraportointi eduskunnalle
- 80/2004 Valtion ydinjätehuoltorahasto
- 81/2004 Kansanopistojärjestelmä
- 82/2004 Innovatiivisten toimien alueelliset ohjelmat
- 83/2004 Valtion liikelaitoksia koskeva tuloksellisuusraportointi eduskunnalle
- 84/2004 Resurssien käytön tuottavuuden hallinta
- 85/2004 Alkoholivalvonta
- 86/2004 Tutkimus- ja kehittämistoiminta liikenne- ja viestintäministeriössä
- 87/2004 Jäteverotus
- 88/2004 Valtionavustuslain ohjausvaikutus
- 89/2004 Paikalliset toimintaryhmät maaseudun kehittäjinä
- 90/2004 Kansallisen metsäohjelman toimeenpano
- 91/2004 Luonnonmukaisen tuotannon tukeminen
- 92/2005 EU:n jäsenvaltioiden tarkastusvirastojen rinnakkaistarkastus rakennerahastojen jäljitysketjusta mukaan lukien 5 %:n tarkastusvelvollisuus

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