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Report on the audit of and management and control systems for Structural Fund measures in the Member States

(presented by the Commission)

***Report on the audit of management and control systems for Structural Fund measures
in the Member States***

by the Commission's Financial Controller

***acting pursuant to Article 40 of the Regulation implementing the Financial
Regulation***

Introduction

1. In 1991 and 1992 the Financial Controller carried out a series of on-the-spot inspections in all the Member States to verify the operation of financial circuits from the time a payment request is made to the Commission to the time final payment is received by the intended recipient. Two reports to the Commission (SEC(91)1557, 31.7.1991; SEC(92)1912 final, 5.11.1992) presented the inspections programme and the findings. Improvements have subsequently been made to procedures at the Commission and in the Member States, but the problems encountered have not been entirely cleared up. When the Structural Funds Regulations were amended in 1993, the need to speed up the payment process was emphasized, and the Commission is now allowed a maximum of two months to make a payment validly requested by a Member State; a further three months are allowed following receipt of funds by a Member State for the money to reach an intended recipient who has made a valid request to the authorities in the Member State.

Programme of systems audits (1992-93)

2. In July 1992 the Financial Controller informed all the Member States' audit authorities that he was planning to undertake a systems audit for each of the Funds by the end of 1993. He asked for documents describing the management and control systems for measures co-financed by the Structural Funds set up by virtue of Article 23(1) of the Funds coordination Regulation, No 4253/88. The 1992-93 programme of systems audits was the logical follow-on to the 1991-92 programme of inspections of financial circuits.

3. The relevant audit bodies and administrative departments were subsequently notified of the dates and procedures (see Annexes 4 and 5).

Audit procedures

4. The audits began at central management authorities, with an examination of systems for inspecting expenditure co-financed by each of the Funds at the various management levels (national, regional, final beneficiaries). The next stage looked at the certification of declared expenditure by designated authorities (generally the Ministry responsible for managing measures under the Fund in question) on the basis of payment requests to the Commission. The Commission auditors then examined the management of measures by intermediate-level bodies and final beneficiaries, firstly at the relevant ministry and subsequently on the spot by monitoring a given operational programme. The on-the-spot examination of the operational programmes focused primarily on:

- checking how expenditure declared to the Commission by the designated authority is verified in practice at all operational levels;
- checking the scope and effectiveness of such verifications by analysing expenditure at all levels (including final beneficiaries) listed in the declarations to the Commission relating to support for projects in hand; the national authorities were notified in advance of the sample of sub-programmes to be considered for the purpose.

5. The first part of the audit consisted of checking (or making) a description of the systems used and performing walk-through tests to ascertain whether systems existed and worked well at the various levels of management; the second consisted of applying quality controls to a series of case-files (selected to give a representative sample in line with Financial Control's sampling techniques) so as to establish whether the systems yielded the desired results. The methodology was applied to all three Funds and was notified in advance in Financial Control's Systems Audit Guide.

6. Annex 3 lists the missions undertaken in the national systems audit programme.

Scope of the audit

7. Subject to a few exceptions, relating notably to the EAGGF Guidance Section and the European Social Fund, the audit extended to all three Funds in all Member States. Most Member States did not supply descriptions of central inspection systems, and these had to be established by the on-the-spot inspectors. It should be remembered that the demands made on the Member States are set out in Article 23(1) of Regulation No 2082/93, which requires them to *'notify the Commission of the description of the management and control systems established to ensure the efficient implementation of operations.'* DG XX's audit file for each Fund and each Member State contains elements of such descriptions, but the full descriptions are needed by the end of 1994. In some cases it will be enough to update or confirm descriptions already supplied.

8. For each Fund the on-the-spot audit in each Member State set out to track financial management from central department via regional authorities to the final beneficiary. In addition to a general description of management and control systems at central level, each audit file (subject to a few exceptions) currently contains a survey of the system applied in at least one region of each Member State for each Fund and the systems operated by several final beneficiaries for each Member State and Fund. It also contains the results of walk-through tests and quality controls on a sample of case files compiled by final beneficiaries selected for the audit.

9. It follows that the systems audit process will have to be amplified by broadening the sample of regions and especially of final beneficiaries to be subjected to quality controls covering all operational programmes co-financed by the Funds. In some Member States (e.g. Metropolitan France, Ireland, the Netherlands), analysis of systems applied in one region can be extrapolated to others, since the regional administrative procedures are fairly homogeneous. In others (e.g. Germany, Italy, Spain), the individual regions will have to be reviewed. But in both cases quality controls will have to be run on a sample of

final beneficiaries in all regions, though in the former group of countries the workload will be all the lighter as the audit of management and control systems will not be necessary region by region.

10. Financial Control does not have the resources to complete the full process within a reasonable time frame. There will therefore have to be coordinated use of resources available elsewhere. Financial Control is already sending its findings to authorizing departments in the Commission, to its counterpart in the Member States and to the European Court of Auditors. On-the-spot inspections are already coordinated with UCLAF and authorizing departments, and the Financial Controller is concluding protocols with his counterparts in audit bodies in the Member States which are suitable (they have already been signed with Italy, Luxembourg and Spain) whereby national bodies perform audits in accordance with the Commission's standards and methods. Financial Control exchanges Commission audit programmes with the Court of Auditors and records both the Commission authorizing departments' on-the-spot inspections and inspections done by the Court of Auditors in the monthly reports to the Member States on the schedule of inspections of European Union finances for the months ahead. And Financial Control gives Commission departments, the Member States' audit bodies (where there is a protocol) and the Court of Auditors access to the audit files for each Fund and each Member State.

11. It should be stressed that the limited samples on which quality controls were run in the 1992 and 1993 systems audits revealed no cases of fraud or serious irregularities warranting major correction or recovery operations. However, UCLAF has still to decide whether to investigate any cases in more detail. Quality controls performed from 1994 onwards in the course of on-the-spot inspections will cover a growing number of requests for final payment, and it is possible that the number of correction and recovery operations they generate will rise. In the most serious cases of defective management and control systems, as regards both the distribution of tasks (multi-tasking engenders multiple risks) and actual practice (some systems may have a stronger existence on paper than in reality), it is likely that isolated instances that occurred between 1989 and 1993 will recur in 1994: with the agreement of the national audit bodies and the designated authorities, either Community payments will be frozen pending remedial measures in the regional or local authorities, or final payments and/or subsequent annual tranches will be cut back.

12. See Annex 2 for a summary of the key findings of the audits that have been performed.

Summary of conclusions and key findings of systems audits already performed

13. Systems audits have shown that as a general rule the first two stages of the procedure within the Member States -- receipt of Community funds by the Finance Ministry or Treasury and subsequent transfer to the relevant ministry or region -- does not create problems except where there is a link to the national budget. But Community funds do sometimes stay in national or regional accounts for too long before being passed on to final beneficiaries, and it is not always clear what happens to the bank interest this generates.

14. The main problems concern the speed and efficiency with which data is gathered and the quality of certification by the designated authority in support of requests for payment or release of an annual tranche of Community support. The systems audit revealed that monitoring systems do not in general ensure computerized data-collection at proper intervals and that the designated authority commonly relies on systems operated by intermediate-level bodies and final beneficiaries themselves without undertaking any substantial checks on their functioning and reliability. At central and regional levels there is provision for checks, but they are not always carried out because of inadequate human resources.

15. The difficulties detected in the financial management and control systems can have the effect that expenditure certified to the Commission is not in reality expenditure incurred by the final beneficiary. In a very limited number of cases certified expenditure turned out to be forecast expenditure or sums paid to recipients by way of advances. Since there is no provision requiring documentary evidence in support of requests to the Commission for Structural Fund payments -- even for final payments -- the Commission's only opportunity to verify that the certification is in order arises when an on-the-spot inspection is done. In 1992, for instance, Financial Control concluded that expenditure declared in several Member States was in fact composed extensively of estimates and agreed with the authorizing departments and the designated authorities that both final payments and subsequent annual tranches should be reduced pending corrections to figures on the basis of expenditure actually incurred (see para 10).

16. Systems audits concentrated on examination of the systems themselves and quality controls were feasible only on a limited number of cases in a single region alone. But even that sample contained cases of requests for payment of ineligible expenditure such as:

- salaries of national or regional civil servants;
- overheads not related to projects supported;
- reimbursable VAT;
- fines, penalty payments and court costs;
- bank charges and interest;
- depreciation treated as expenditure actually incurred;
- national co-financing in kind;
- land purchases, in certain cases where the expenditure involved is ineligible;
- performance guarantees withheld by project manager;
- administrative costs withheld by the designated authority.

17. The audits also revealed problems in the case of some Funds with applying the legislation on publicity relating to Community support.

18. The limited sample audited contained only one case of a project involving public procurement that should have been preceded by an invitation to tender in the Official Journal. But this isolated failure to publish cannot be used as a ground for conclusions about compliance with Community rules on public procurement.

19. See Annex 1 for a detailed report on the findings of the national systems audits for each of the Structural Funds.

Conclusions and recommendations

20. The inadequacies of the management and control systems brought to light by examination of a limited sample underscore the need for adequate coordination of on-the-spot controls by the Commission, national audit bodies and the Court of Auditors. There is an audit file for each Fund and each Member State; inspections should be targeted on the basis of a risk assessment proceeding from the initial system audit and permanently backed up by input from subsequent on-the-spot inspections, having regard to the sums at stake, the audits that have already been performed and the operational programme involved.

21. Financial Control proposes the following measures:

(i) Amplify the audit file by updating the description of each management and control system as required by Article 23(1) of Regulation No 2082/93; for that purpose write to each designated authority for each Fund in each Member State asking for a full description or an updated description, as the case may be, six months being allowed.

(ii) Agree measures with authorizing departments, UCLAF, national audit bodies and the Court of Auditors to ensure the coordination at inspections in future years, bearing in mind the need to extend the audits to all regions and all final beneficiaries and to incorporate the findings in the initial audit file.

(iii) Take the findings of the initial audits recorded in the audit file as a basis for assessing the reliability of management and control systems for each Fund and each Member State, the assessment to be notified to all the Community and national audit bodies and the relevant designated authorities.

(iv) Report to the Commission from time to time on the operation and findings of the Structural Funds systems audits.

ANNEX 1

***Report on the audit of and management and control systems for Structural Fund
measures in the Member States***

List of abbreviations used in Annex 1 (and possibly in Annex 2)

DA: Designated authority
EAGGF: European Agriculture Guidance and Guarantee Fund
ERDF: European Regional Development Fund
ESF: European Social Fund
OP: Operational programme
FB: Final beneficiary

***Report on the audit of and management and control systems for Structural Fund
measures in the Member States***

INTRODUCTION

1. The following analysis of the systems set up by the Member States for each Fund is based on two presuppositions:

a) the central, designated authorities are responsible for certifying expenditure by final beneficiaries which triggers the payment of Community advances to the appropriate ministry or designated regions. Often however, these authorities rely solely on expenditure statements certified by intermediate-level managers or the FBs themselves. There was thus a growing need for an appraisal of the intermediate-level systems set up by the regions and intermediate-level national authorities (where these exist);

b) the structure of intermediate-level management differs from one Member State to another (in some, this function is performed by regional or other authorities, in others by ministries, government departments, public and private intermediate-level managers (e.g. institutes), public sector bodies or other organizations). For the sake of simplicity, all these structures will be referred to as "regional" intermediate-level managers (since the regions do play a predominant role) and more precise details will be given only where necessary. Spot checks on regional intermediate-level systems, selected on the basis of the amounts processed, were needed to cover all the different types of structure. Furthermore, intermediate management and control systems coordinate the action of many FBs, who should all be audited. Some of the conclusions drawn from the audit visits needed to be confirmed at FB.

Note: "final beneficiaries" are defined in the "Financial implementation provisions for assistance" (XXII/33/91-rev.1 of 6 April 1992, note 2 (p.2)) as "public or private bodies or firms responsible for commissioning works". This definition is also set out in XVI/390/93-rev. of 24 January 1994.

2. There is thus a pyramid of systems, constructed as follows: the designated authority, with responsibility for the central system, is at the top; then come the intermediate-level systems (set up by the intermediate-level managers, the regions or other major public-sector or private bodies) and at the bottom, there are the FBs, who actually operate co-financed projects.

3. Since it is the aim of this report to give a coherent overview, it deals only with the central and intermediate ("regional") systems despite the fact that many FBs were inspected during a number of missions.

4. The information gathered on the various systems during the audit missions has been arranged into synoptic tables, which show, in a thematic analysis grid, the distribution of the various responsibilities under the present regulations. These tables are to be found in Annex 2.

5. Lastly, the system audit will:

5.1 make it possible to build up a permanent database on the control and management systems established for the operational programmes implemented in the Member States. The base will have to be updated during future missions to take account of changes and improvements made to the national systems in the interests of better management of public funds and better information for FBs;

5.2 highlight the shortcomings found in the systems and make recommendations to the designated authorities and national control bodies on how to keep on improving their systems so as to ensure that procedures are as efficient as possible;

5.3 enable the Community, wherever possible and using an identical approach, to set up, in cooperation with the designated authorities and the national control bodies, a framework which will allow for coordinated and harmonious analysis, monitoring and control of the operational programmes co-financed by the Structural Funds as part of an active, integrated policy underlying the funds;

6. A separate chapter is devoted to each of the various Funds (ESF, ERDF and the Guidance Section of the EAGGF). The same approach, consisting of a detailed commentary on the synoptic tables, conclusions and recommendations, is used for each Fund.

I - AUDIT OF MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE EUROPEAN SOCIAL FUND (ESF) IN THE MEMBER STATES

(See Annex 2 for synoptic tables showing the findings of the missions)

There are as many management and control systems for the ESF as there are Member States and intermediate-level managers. For the purposes of the audit, however, a distinction has been drawn between the central level and the local level.

At the central level is the designated authority (the organization in the Member State responsible for dealing with the ESF and sending in implementation certificates and payment requests). The DA is often the Labour Ministry, with a special department or division responsible for monitoring projects co-financed by the ESF (e.g. Mission ESF in France or the DAFSE in Portugal).

At the regional level are:

- a) the "regional" authorities (the regions in France, Greece and Italy, the autonomous communities in Spain, the Länder in Germany, and the regional labour offices in the Netherlands), which monitor and control the smaller intermediate-level managers or the FBs directly; and
- b) the ministries, authorities or private bodies with national responsibilities (e.g. the Department of Education or Scottish Enterprise in the UK, the Ministry of Education in Luxembourg and the OAED in Greece), which monitor the FBs through their local subsidiaries (e.g. Local Enterprise Companies in the case of Scottish Enterprise and the local offices of the OAED in Greece).

A) - FINDINGS OF AUDIT MISSIONS CARRIED OUT BY THE FINANCIAL CONTROLLER IN 1992 AND 1993

1 - Systems audit of designated authorities (the central systems in the Member States)

1.1 - Sound management of financial flows

1.1.1 - Factual and accounting certification

The DAs often play only a minor role, merely sending the Commission the certified expenditure statements submitted to them by the intermediate-level managers. Some DAs (in Greece, Ireland, Luxembourg, the Netherlands, Portugal and the UK) do carry out accounting checks on the documents supporting the statements but the checks carried out are often either insufficient (Denmark, Spain and France) or non-existent (Belgium, Germany and Italy).

Furthermore, except in Greece, Portugal and the UK, these document checks are not always backed up by inspection visits, which are the only way of ensuring the training has really been supplied. France and the Netherlands do make such visits but they are rare. This lack of checks at central level stems primarily from a lack of resources in the administrations in question (inspection staff are simply non-existent or are too busy with management tasks).

1.1.2 - Consequently the DAs rely on the control systems set up at the intermediate level without being able to keep adequate checks on the authorities at this level. However, Financial Control, usually accompanied by representatives of the central level, has made control visits to the regions and the intermediate-level managers.

Supporting documents are not available at central level in most Member States (Denmark and Luxembourg being the exceptions).

In some instances, the national control authorities take part in Commission controls or make control visits on the DA's behalf either because of insufficient resources at the DA (Italy) or because national rules on the tasks of the public bodies in question so provide (Greece).

1.1.3 - Balance declarations are usually based on actual expenditure, as required by the fund rules, but expenditure is still estimated in some cases (implementation certificates not based on receipted invoices). This may apply only to a small proportion of expenditure, producing only a minor distortion vis-à-vis the accounts (Denmark and Portugal) or it may be done systematically, making it hard to assess the extent of the distortion (France and the UK). Furthermore flat-rate or agreed charges negotiated with the intermediate-level managers are sometimes included (France and the UK) or there are no precise rules on certain costs such as book depreciation of equipment (Luxembourg, UK).

1.1.4 - Certain DAs do not stamp invoices submitted in support of a request for payment of the balance or instruct the intermediate-level managers to do this (Italy and Spain), so there is a risk that the same invoice might be submitted twice for one payment.

1.1.5 - It is not always possible to establish clearly what funding scheme (e.g. advances, prefinancing or reimbursement) is used in a particular Member State. Often the central level uses a combination of schemes to fund the FBs - be it officially with appropriate financial channels and budget procedures or unofficially. However, the various systems can be divided into broad categories;

- Certain Member States pay advances to the FBs (Ireland, Greece, Portugal and the UK). This makes it easier for operators with few financial resources to provide training.
- Owing to the slowness of certain financial channels (see conclusions of the "Financial Channels" Report, SEC(92) 1912 final), advances are sometimes paid too late, after FBs have paid invoices from their own funds. In practice, the payment is a reimbursement (France, Greece, Ireland, the Netherlands and the UK), though the scheme cannot properly be called a reimbursement scheme.
- In other Member States (Denmark, France, Luxembourg and the Netherlands), the DA provides prefinancing for operators. Either the national and the Community contributions are paid, in which case the national authorities are refunded by the ESF for the sums they have paid, or only the national contribution is paid before the Community funding comes through, though this does not constitute prefinancing strictly speaking; the point is merely that Community funds and national funds are released at different times.

The funding systems are very diverse and, in practice, two or more schemes often run alongside each other in a single Member State. This is even more true of the intermediate-level managers.

1.2 - Sound administrative management

The authorities are required to pursue the objective of sound administrative management. Under Article 16(1) of the Fund coordination Regulation (Regulation No 2082/93), intermediate-level managers "must have the necessary administrative capabilities to manage the operations envisaged by the Commission" and devise administrative procedures for the management and monitoring of projects cofinanced by the funds.

1.2.1 - Methods of selecting FBs and providing them with information

The methods used to select final beneficiaries are in general fair, efficient and clear (thanks to guides on the selection of projects and FBs in Greece, the Netherlands and Portugal, for example, or to the involvement of representatives of political or industrial circles in the selection procedures). In some cases, the central level merely lays down selection criteria for the intermediate-level managers, who recruit and preselect projects and operators, which the DAs then approve.

Financial Control felt that preselection procedures in Ireland and the Netherlands were too long; training projects would start before the DA had given its official approval, forcing FBs to prefinance the operation from their own funds (or, if resources were too scarce for this, to suspend the training until the national and Community contributions were paid).

Information procedures are generally satisfactory, with leaflets and guides available on eligibility and the procedures to be followed when submitting a project (in Denmark, England and France, for example).

Monitoring of selection methods and provision of information varies significantly from one Member State to another, ranging from fair (Denmark and Germany) to quite good (Greece, Ireland, the Netherlands and England). Judging by the figures available, computerization is not widespread (Ireland and the Netherlands).

1.2.2. - Monitoring of projects

Project-monitoring is most often unsatisfactory at DA level when the authority relies on the intermediate-level managers nearest the ground to carry out the task, the exceptions being Luxembourg, the Netherlands and the United Kingdom, where the monitoring undertaken by the DA is deemed satisfactory. Relying on the monitoring work done at the intermediate level would be acceptable if there were an efficient system for checking procedures at levels below the DA, but this is not always the case (see above).

In addition, monitoring has not been systematically computerized (except in Ireland, the Netherlands, Portugal and the UK), which further complicates the task (Portugal recently acquired a computer system for monitoring, but it does not yet meet Financial Control's quality criteria).

1.2.3 - Rule on advertising of Community cofinancing

There is a great degree of variation in the extent to which this rule, laid down by Article 32 of the coordination Regulation referred to above, is observed by the various DAs. Sometimes it is disregarded completely. A distinction can be made between Member States which observe it closely or quite closely (Germany, Ireland, Italy and Portugal), those which implement it patchily or unsatisfactorily (France, Greece, Luxembourg, the Netherlands and the UK) and those who too often fail to comply completely (Spain).

There is a correlation here with the Commission's final report on financial channels (SEC(92) 1912 final, 5 November 1992): it would appear that the two countries which include the Community's contributions in the regional budgets (Italy and Germany) both comply with the publicity rule while the degree of compliance is less satisfactory in countries which include Community payments in the national budget or treat payments as reimbursements (France, Greece, Luxembourg, the Netherlands and the UK). This link was already hinted at in the report on financial channels (point 5 of SEC(92) 1912 final, page 5). The pattern of observance of the publicity rule is slightly different amongst intermediate-level managers, however.

1.2.4. - Organization of DAs and staffing levels

The organization charts for the DAs responsible for managing and controlling operations cofinanced by the ESF are generally correctly presented, with a separation of functions (between management and control activities, for example).

However, staffing levels in the DAs, irrespective of aptitude, are generally deemed to be inadequate to undertake the tasks entrusted to them, with the result that the quality of monitoring and control is too low (management tasks often take precedence over controls). Certain Member States have reduced the impact of understaffing to a satisfactory degree by drafting in help from external public bodies (Ireland and Luxembourg). Others have decided to devolve certain activities to regional administrations (Greece), but have encountered problems with low efficiency levels in local authorities. Still others have brought in private consultants, using technical assistance funds (Germany and, previously, Portugal). This last option is not a long-term solution, however and the DAs in those Member States should develop independent management and control capabilities as soon as possible.

2- Systems audit of intermediate-level managers (with regional or national responsibilities)

The findings of the control visits made by Financial Control to the various regional and national intermediate-level managers are representative but must be confirmed by subsequent visits before any definitive conclusions may be drawn for countries as a whole.

2.1 - Sound management of financial flows

2.1.1. - Accounting and factual certification

This question should not apply to the intermediate level of management as the DAs have sole responsibility for certifying eligible expenditure to the Commission. In practice, however, all levels from the FBs to the DA are involved in the certification process, though it is the DA which actually sends the Commission the implementation certificates. In reality, it is often the regional authorities or the intermediate-level managers who certify expenditure (the Länder in Germany, the regions in Italy, the regional delegations for vocational training in France, the autonomous communities in Spain, the communities in Belgium, the RBAs (regional employment offices) in the Netherlands, and the Ministry of Education or other intermediate-level managers in Luxembourg and the UK) even though, officially, the DA is responsible for certification.

In other Member States (Denmark, Greece and Portugal), the DA is the only party involved in factual and accounting certification. In these centralized systems, the control systems (internal audits, inspection visits) are more effective because the authorities are better equipped to implement them.

2.1.2

Control systems

Where the intermediate-level managers carry out the task of certification on behalf of the central authorities, they have in many cases developed control systems which are independent of the central system (which then relies on the regional controls). However, in some Member States (France, Germany, Italy, Spain and the UK), these controls were neither systematic nor thorough enough in any of the regions audited, often owing to a lack of staff.

It is, however, not possible to draw conclusions for whole countries from these findings until the sample has been expanded by further control visits.

The intermediate-level control systems should be coordinated at central level and internal audit procedures should be tightened up. In some places, this is not happening. The situation in the Netherlands is typical: the CBA (central employment office) lays down rules but does not check to see that they are properly observed by the 28 RBAs.

Supporting documents

Supporting documents are sometimes available from the intermediate-level managers, irrespective of whether they have been involved in certifying the documents or not. Documents are often available from regional authorities or intermediate-level managers not only in Belgium, Germany, Italy, Luxembourg and the Netherlands, where supporting documents are certified by the intermediate-level managers, but also in Denmark and Ireland, where certification is done exclusively by the central authorities. In the other Member States, supporting documents are not always available from the intermediate-level (Germany, Greece, Portugal and Spain) and, in some cases, are kept by the FBs (France and the UK). Intermediate-level managers who do not have supporting documents but who are involved in the certification process, must necessarily rely on the expenditure statements submitted to them by the FBs. These statements should then be verified during accounting audits and inspection visits but, in some Member States, such checks vary greatly from one region to another (France, Germany, Greece and the UK).

2.1.3. - Balance statements are generally based on real expenditure as at the central level, albeit with the qualifications already mentioned (in Denmark; in Germany the system varies from one Land to another and in Spain from one autonomous community to another; in France expenditure is always estimated; in Portugal, efforts are being made to use real expenditure in 1993 and in the UK the systems vary).

2.1.4. - Stamping of invoices

The situation described at point 1.1.4. is the same at regional level.

2.1.5. - Financing schemes for FBs

The schemes differ greatly from one Member State to another and from one intermediate-level manager to another within the Member States.

- Advance-based schemes: operated by Länder in Germany, regions in Greece (though advances available only from June onwards, which makes them less attractive), autonomous communities in Spain, RBAs in the Netherlands and intermediate-level managers in Portugal (including the IEFP) and in the UK - officially at least. Sometimes advances amount to more than the 50% of the annual contribution allowed under the Fund rules (Germany and Spain).

- Regional prefinancing schemes: operated by France (always for public projects run by the *préfecture* and sometimes for projects cofinanced by the Regional Council), the Netherlands, Portugal and, in many cases, by the Spanish autonomous communities and the Italian regions. Some of the German Länder abandoned this system in 1993 owing to exchange rate losses.

- Reimbursement of expenditure by FBs (if only expenditure not covered by advances): German Länder, Greek regions, Spanish autonomous regions, French regions and intermediate-level managers in Luxembourg and the UK).

As at central level, the regional schemes for financing projects are very heterogenous. Notwithstanding certain rather unwieldy financial channels, they are by and large satisfactory.

2.2. - *Sound administrative management*

2.2.1. - Methods of selecting FBs and providing them with information

As a rule, the methods used to select FBs are fair and efficient, with very few exceptions (such as the region of Lombardy). The regional authorities apply the criteria laid down by the central authorities (Greece, Netherlands and Portugal) and involve representatives from politics and industry in the selection process (e.g. chambers of commerce in Thuringia, Luxembourg and the UK, the regional monitoring committee in Galicia and the regional councils and the regional vocational training delegations (DRFP) in France). The involvement of people from the worlds of politics and industry may make it easier for trainees to get a foothold in the labour market later on.

Private consultancies (BBJ and NAS) almost always assist the German Länder in choosing FBs.

Monitoring of selection methods and provision of information by the DA varies considerably from one region to another and is not systematic. The quality of training given in the past is sometimes used as a selection criterion (French Community in Belgium) as is the cost-effectiveness of planned training, sometimes assessed using computers (Saxony-Anhalt in Germany and the IEFP in Portugal, amongst others).

2.2.2. - Monitoring of projects

Monitoring is more effective when carried out by the intermediate-level managers than by the central authorities, which are too distant from the grass-roots to perform this essential task properly. However, the situation does vary from place to place.

- Monitoring at regional level is systematic and satisfactory in Germany, Ireland, the Netherlands and the UK (where the systems are computerized as a rule).

- Monitoring by regional authorities is unsatisfactory in Belgium, Greece, Spain, France and Italy (albeit with great variations between regions in the last two cases), Luxembourg (requested by Financial Control to improve financial monitoring) and Portugal (though the situation there has improved since 1992).

Monitoring has not been systematically computerized in the Greek, French or Italian regions or the Spanish autonomous communities (though there is a degree of regional variation).

2.2.3. - Compliance with the publicity rule varies greatly from one region to another and one intermediate-level manager to another. The situation is similar to that at central level (if the central authorities fail to inform the intermediate-level managers about the role of the ESF, they will probably not come by the information any other way and will not be able to pass it on to the FBs. This does not apply to all cases however.) It is possible to distinguish between countries which:

- are very good at complying with the rule (Ireland and Portugal);
- are good or quite good at complying (Germany and Greece);
- apply it very haphazardly (Italy, Luxembourg, the Netherlands and the UK); and
- rarely promote ESF cofinancing of training projects (France and Spain).

As a rule, the authorities comply with the rule by advertising financial assistance in the press, in leaflets or on registration or monitoring forms. The FBs, however, do not always pass it on to the trainees.

2.2.4. - Organization of intermediate-level managers and staffing levels

With the exception of intermediate-level managers in Ireland, the Netherlands and certain regions in Italy, there are generally insufficient staff available to manage, monitor and control operations. This situation is all the more disconcerting given the inadequate staffing levels at central level.

3 - Comments on individual Member States

Below are some comments on specific problems brought to light during the audit of the systems set up by certain Member States. These comments are intended to complement the findings of the 1993 audit missions, organized systematically

3.1. - Germany

The German management and control system reflects the Federal structure of the country in that the majority of management and control tasks are undertaken by the *Land* Ministries for Labour and Social Affairs. The Federal Ministry (BMA), the DA, merely sends the implementation certificates to the Commission. In performing these functions (selection of projects and operators, monitoring and inspection visits) the *Länder* are

assisted by private consultants, paid for partly from the technical assistance funds. During the audit Financial Control pointed out both to the DA and to the *Land* managers that this kind of solution to the problems posed by the present fragility of the public administrative structure could not be financed indefinitely from technical assistance funds and that the German authorities had to find their own solution not requiring funding from technical assistance.

3.2 - France

3.2.1 - All vocational training projects come under the section on vocational training in the national or regional plan contracts. Funding from the ESF is therefore going to projects already decided on under the plan contracts, of which a large part of the costs are eligible under objectives 3 and 4. This explains why a large part of the expenditure recorded in the ESF Mission's implementation certificates is estimated and cover a wider range of activities than those cofinanced by the ESF. In addition, the certification process was found to be lacking in clarity, involving any of a number of different bodies and departments depending on the particulars of the case (RFP Division, Regional Council, ESF Mission etc.). Financial Control found that, under the plan contracts, more of the expenditure would be eligible if the ESF Mission did not certify only sums relating to ESF cofinancing. This makes the task of assessing genuine additionality more complicated.

3.2.2. - Furthermore, the inclusion of ESF cofinancing in the national plan contracts, together with the inclusion of Community payments in the national budget, very much reduces the profile of ESF funding for the public, which explains why the publicity rule is so badly observed in France.

3.2.3. - Financial channels are still unwieldy. This affects non-central authorities (the regions) most of all. Prefinancing is almost always available to FBs on government-run schemes.

3.2.4. - The ESF Mission, the DA, does not always perform its functions as well as it might (owing to a shortage of staff, a lack of independence from the Ministry it is accountable to and its weak position vis-à-vis other bodies such as DATAR (Delegation for Regional Planning and Action) as far as regional objectives are concerned).

3.3. - Ireland

The colleges, which, as the FBs, provide the training, close their accounts at the end of the academic accounting year. In order to comply with the actual-expenditure rule, the audited accounts submitted to the DA for certification therefore cover the period from the September of the previous year to August of the current one (though they are submitted with the expenditure statements at the end of the calendar year). There is thus a delay between actual expenditure and certification to the Commission, to the detriment of the Irish FBs.

3.4. - Italy

The DA continues to play a purely token role. It is not involved in the systems set up by the regions, nor does it coordinate them. The Regional Labour Inspectorate merely checks up on teaching standards occasionally. The Treasury, which acts as the national control body, performs certain control functions and has, on several occasions, assured Financial Control of its willingness to step up cooperation with the Commission by, for example,

taking part in inspections of the intermediate-level managers carried out by Financial Control, which it wishes were more frequent. In view of the great differences in situations and in systems that exist between the regions, the DA ought to act as a coordinator and a more reliable central system should be established.

3.5 - Netherlands

Financial Control found that the CBA (Central Employment Office), was a fragile structure too far removed from the projects monitored and inspected by the 28 RBAs (regional employment offices) and that the central office had no reliable way of ensuring that the regional offices complied with the rules. The CBA's rules governing the selection and the inspection of the FBs are perfectly satisfactory, but it has no means of checking that they have been applied. A structure for auditing the RBAs should be established to enable the DA to coordinate fully the activities of the intermediate-level managers.

3.6. - Portugal

Financial control noted in 1993 that very considerable improvements had been made to the central system set up by DAFSE, the department responsible for the ESF: rules had been laid down for the selection of FBs; a control structure had been established; projects had been annualized and each operational programme was now monitored separately; the delays in payment had been reduced and more operations had been computerized. The intermediate-level managers in Portugal had also been involved in efforts to make monitoring and inspections more efficient, to enable the authorities to check that the training had actually been provided. These efforts must continue, however, until Portugal has a system which complies with *all* the regulations.

Portugal has just adopted a decree introducing the concept of an "institution of recognized merit". Such institutions can be final beneficiaries and manage the framework plans at the same time, which could result in a conflict of interests.

B) - CONCLUSIONS OF THE AUDIT OF NATIONAL MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE ESF

At a basic level, national control and management systems have been set up by the Member States and, on the whole, they now meet most of the requirements laid down by Financial Control, except where inspections by the DAs of systems at lower levels are concerned. The objective of the Commission's inspection visits should be to confirm that training is actually being provided as claimed, not only by checking accounting documents and lists of courses drawn up by the regional managers but also through unannounced visits to the FBs, with the designated authorities. The control missions carried out in 1992/93 revealed that certain sums had been paid for ineligible expenditure. These sums, which should not have been paid to the FBs, were claimed back.

Generally speaking, the missions revealed the following results.

1. - The DAs in six Member States send the Commission certified expenditure statements as submitted to them by the intermediate-level managers, without carrying out any checks (Belgium, Denmark, France, Germany, Italy and Spain).

Improvements to the certification procedures would be welcome in France (not clear enough) and Spain and Italy (*all* certified invoices must be stamped).

2. - As a rule, the DAs need to make more inspection visits unannounced or at very short notice to make sure that training is actually being provided and that it is of a satisfactory quality. The UK recently set up a "verification team" at central level precisely for that purpose. The team could serve as an example to other Member States.

In addition, responsibilities could be divided between the intermediate-level managers (regions) and the DAs. The former are close to the grass roots, can check on the provision of training and the quality and can audit FBs' accounts. The DAs could be responsible for devising procedures and laying down criteria and for ensuring that these were properly complied with at regional level through internal audits and more systematic inspection visits.

The DAs in Belgium, Denmark, Germany, Luxembourg, Ireland and Spain should make more visits and those in France and the Netherlands should improve coordination of controls on regional intermediate-level managers.

3. - The departments carrying out the controls should be give extra staff and an attempt should be made to bring about cooperation between administrations or other types of cooperation in order to enhance the DAs' and the intermediate-level managers' ability to manage and monitor (see the examples of Ireland and Luxembourg).

4. - Further improvements should be made to financial channels in France, Greece, Ireland, the Netherlands and the UK and to selection procedures in Ireland and the Netherlands. In particular, they need to be streamlined to ensure that final beneficiaries receive Community and national funding as quickly as possible so that advances are of real use to them when they receive them.

5. - The systems for advances at both central and regional level should follow the funds regulations more closely (e.g. Germany and Spain with regard to the percentages given).

6. - The methods of selection are satisfactory in general at both levels. The DAs could, however, provide the intermediate-level managers with guides to the applicants and the selection criteria (as in Greece, the Netherlands and Portugal), complete with instructions giving a clear interpretation of Community law.

7. - The publicity rule should be better observed by all Member States (especially France, Greece, Luxembourg, the Netherlands and the UK) and the DAs should try harder to ensure that the intermediate-level managers comply with it vis-à-vis the FBs (particularly in Italy, Luxembourg, the Netherlands, France, Spain and the UK). One possible solution would be to include an introduction to the ESF or the European Union at the beginning of every course receiving cofinancing.

8. - Monitoring of training could be still further improved at central level by the introduction of a stricter system to be implemented by intermediate-level managers and checks to ensure that the system was in fact being implemented. In accordance with the principle of subsidiarity within the Member States, the intermediate-level managers should monitor the quality of all training provided and analyse the results (e.g. proportion of trainees finding employment after finishing training). Training is already monitored in this

way in some Member States (Ireland, Luxembourg, Netherlands and the UK) but it should be seen as a task for all Member States and their regional systems.

9. - More intensive cooperation between the Commission and the Member States (DAs and national control authorities) would make it easier to standardize ESF access, management, monitoring and control procedures, at least at national level.

II - AUDIT OF MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF) IN THE MEMBER STATES

(See Annex 2 for synoptic tables showing the findings of the missions)

1) Two basic preliminary remarks should be made about projects cofinanced by the ERDF:

1.1 projects cofinanced by the ERDF are of a different nature from those cofinanced by the other Funds; they are major infrastructure projects and are, in a sense, easier to control because the end-result is tangible and durable;

1.2 in addition, the pyramid of authorities (DA, intermediate-level managers, FBs) referred to in the introduction (see point 2) does not always apply in the case of the ERDF because the projects in question are, by virtue of their nature and the amounts involved, run by only a small number of operators - usually public bodies (regions, local authorities or public corporations) which commission the work.

2. A distinction can be made between four levels with regard to the ERDF.

2.1 Central level

This is the DA (the authority in the Member State which deals with the ERDF authorities, certifies expenditure and requests advances from the Commission). The function of DA need not be performed by the same body in every Member State. Indeed, the role may be shared by more than one body. It need not be the institution at the top of the national administrative hierarchy. In most cases, the DA is the Economics or Finance Ministry (Germany, Greece, Ireland, Luxembourg and Spain), the Ministry of Industry (Denmark), the Planning Ministry (Italy and Portugal) or the Ministry of the Interior (France), but it may also be a sub-national public authority (Belgium and the Netherlands) or a mixture of national and regional authorities depending on the operational programme (OP) or the relevant regional authority (in the UK five ministries and regional authorities may certify expenditure to the Commission).

Clearly, this diversity complicates the task of drawing generally applicable conclusions regarding the management and control systems in the Member States, which are very much shaped by national administrative traditions and systems (Community OPs replace or complement traditional public structural investment programmes). However, even though some situations call for a case-by-case analysis, where there is more than one DA, an attempt should be made to identify features common to all central systems.

2.2 Regional or local level

Generally speaking, regional authorities are in fact FBs (according to the definition given in the "Financial implementation provisions for assistance", quoted at point 1(b) in the introduction); there is no role for intermediate-level managers.

Intermediate-level managers are appointed only for a few major projects. Only Denmark, Ireland and Portugal have established an intermediate-level management and control system (regional in two cases - regional councils in Denmark and regional coordination committees in Portugal; in Ireland, the Department of Environment is both an FB and the

Lead Department, acting as a coordinator for the Department of the Marine, the Department of Transport and itself).

When the FB is a region or a decentralized part of central government, it sometimes coordinates and monitors smaller FBs operating within its territory (be it a *département*, a local authority, a regional delegation representing a number of ministries or a public corporation).

3. The FBs commission the projects and are responsible to the DA for direct financial and account reporting (see point 1.2.2 below). Since the project leaders are usually public authorities (regional administrative organizations or public bodies), they implement the legal and regulatory administrative procedures laid down by the DAs for the management and control of the projects, as they do for all other major infrastructure projects funded by national government. Thus the national control systems fit in with the administrative procedures already in place in each Member State.

4. The inspection visits, listed in Annex 3, inevitably covered only a small sample of FBs and projects. The findings of the visits cannot be relied on to present an accurate picture of the various control and management systems until they have been confirmed by further visits. It is particularly important that all types of beneficiary be inspected (including private operators where these exist). *The conclusions set out below should not therefore be taken as exhaustive or definitive conclusions.*

A) - FINDINGS OF AUDIT MISSIONS CARRIED OUT BY THE FINANCIAL CONTROLLER IN 1992 AND 1993

1. - Systems audit of designated authorities (the central systems in the Member States)

1.1. - Sound management of financial flows

1.1.1. - Factual and accounting certification

In all Member States, the DAs merely classify the various summary expenditure statements submitted by the FBs (or intermediate-level managers). They certify them as they stand and send them to the Commission. The DAs' main role is to coordinate the collection of financial data by designing standard forms and determining how frequently the summary expenditure statements are to be collected (Walloon region in Belgium, Denmark, France, Ireland, the Netherlands, Spain, Portugal and the UK). In other Member States, the procedure for the collection of financial data is not standardized (Flemish region in Belgium, Italy and Luxembourg), in which case each FB submits payment requests at its own discretion, though the DA may ask it to do so if it fails to spontaneously. The only management and control function performed by the DAs involves ensuring that the FBs' financial reporting is sufficiently good to enable them to submit requests for advances to the ERDF in good time, as soon as the limit at which Community advances become payable is passed.

1.1.2. - Verification of expenditure

As a rule, the systems for verifying expenditure statements are not particularly elaborate at this level; only the most basic elements are checked, such as the date of the payments, the

amounts spent compared with the initial plan or previous statements and the calculations (Flemish region in Belgium, Denmark, Greece, Luxembourg, the Netherlands, Portugal and the UK). In other cases, no controls of any kind are carried out (France, Germany, Ireland, Italy, Spain). The Walloon region is alone amongst DAs in having the regional court of auditors control statements from FBs before certifying the expenditure to the Commission.

In all of the cases referred to, the DAs rely on the control systems already in place in decentralized national government bodies and local administrations - all managers, which under the national administrative regulations, are empowered (and required) to carry out controls. All such bodies, be they national or local, are checked in turn by the departments responsible for ensuring that administrative procedures are properly implemented (IGA in France, IGAT in Portugal and Intervención Delegada in Spain).

The national control bodies (IGF in France, the Finance Ministry in Greece, Ireland, the Treasury in Italy, the IGAE in Spain, the IGF in Portugal and the National Audit Office in the UK) and/or the national courts of auditors (France, Germany, Luxembourg and Portugal) are thus required to act as financial controllers for the DAs (and public-sector FBs), using all the powers given to them. Ultimately, the system for verifying expenditure relies entirely on the internal and external procedures implemented by and in respect of the FBs.

Supporting documents are almost never available at the DAs, which do not carry out any systematic checks on such documents. Only expenditure statements, which are sometimes required to list the supporting documents referred to in connection with certain Member States (Luxembourg and Portugal) are sent to the DAs. The only exception is the Flemish region in Belgium, which requires a certified copy of the invoices paid by the FBs.

1.1.3. - Declarations of expenditure are based on actual expenditure incurred by the FBs, as indicated by invoices paid by them. This is the case even where expenditure is not verified in the ways referred to above (see point 2.1.3 below, however).

1.1.4. - In any case, it is virtually impossible to submit the same invoice twice for projects cofinanced by the ERDF because every invoice is accompanied by the contract between the project leader (FB) and the company carrying it out; these contracts refer explicitly to the project being cofinanced - hence the importance of classifying ERDF projects (preferably on computer) and incorporating this classification into the accounts (see 1.2.2 below).

1.1.5. - Financing schemes (advances, prefinancing or reimbursement)

The financing schemes depend both on the financial channels used in each Member State and the DAs' ability to establish as quickly as possible when the limit has been passed beyond which Community advances become payable. In most cases, the FBs receive an initial advance when the subsidy is granted (Walloon region in Belgium, Denmark, France since 1990, Germany, Italy, the Netherlands, Portugal and Spain). But the fact that the project-leaders are often public-sector bodies means that national funding can be granted independently of Community funding at the same time as or in advance of the projects. Furthermore, as a result of the size of the financial commitments required, quite

considerable amounts are often paid in advance, enabling the FBs to keep the work in progress without spending more than they have available.

Some Member States pass on only a small part of the advance, if anything at all, to the FBs (Belgium, Greece, Luxembourg and the UK); often, in these countries, there is a national prefinancing scheme (e.g. Greece) or the FBs apply for reimbursement for expenditure prefinanced out of their own budgets (Flemish region in Belgium, Ireland and Spain). Sometimes, advances are used in part to reimburse prior expenditure.

1.2. - Sound administrative management

1.2.1. - Methods of selecting FBs and providing them with information

In most cases, explicit and precise instructions are given as to what action is to be taken when the OPs are incorporated into the CSF. The project leaders and the projects have already been chosen, having been preselected at national level then brought into the OPs as partners. If, during the course of an OP, it is felt that extra measures are called for in addition to those agreed on in advance, these complementary measures are usually assessed and decided on by the monitoring committees (Flemish region in Belgium).

Sometimes, the DA makes the final decision on the projects submitted, after it has checked the financial plans presented by the FBs, in which case it notifies the FB of the instructions it must follow in order to qualify for ERDF assistance in the document giving approval for the project (Denmark, the Netherlands and the UK).

1.2.2. - Effectiveness of monitoring

In many cases monitoring at central level involves nothing more than monitoring the amounts spent by the FBs (sending in the information within the deadlines and checking the summary statements submitted by a single FB for consistency), entering the resulting financial data and keeping monitoring tables up to date so that it is possible to see whether the limits for the submission of applications for payment from the ERDF have been exceeded. As a rule, the DAs do not act as authorizing authorities or managers.

Computerization of the monitoring procedures helps to ensure efficiency, proper classification of projects and the accuracy of expenditure records, making it possible to pick out information on any particular project from the financial reports at any time. The findings of the visits made so far show that not all Member States have computerized their procedures for monitoring expenditure by final beneficiaries (e.g. Denmark, Ireland, Italy and Luxembourg). However, only in a few cases could minor improvements be made to enhance the efficiency of the monitoring process (clearer categorization of requests for payment by sub-programme and by year (Denmark), global summary by OP (Luxembourg) and more systematic checking of what percentage of the first *tranche* has been used when the second is requested (UK)).

Standardization of the procedures for collecting information has been dealt with at point 1.1.1 above.

1.2.3. - Publicity rules for Community cofinancing

Generally speaking, projects cofinanced by the ERDF do observe the publicity rules in all Member States.

1.2.4. - Organization of DAs and staffing levels

With the notable exception of Italy (at the time of the visit), the organizational structure of the DAs in the Member States was functional and based on well established administrative traditions.

However, staffing levels were found to be too low in Greece and, in particular, the United Kingdom, where staff spent more time selecting projects and attending monitoring committee meetings than managing projects.

2 - Systems audit of intermediate-level managers and/or final beneficiaries

2.1. - Sound management of financial flows

2.1.1. - Factual and accounting certification

In reality, it is at this level (FBs) that expenditure is certified. Invoices are either:

- certified by an external expert accountant (who is not always aware of all aspects of the Community regulations relating to the documents being checked (Flemish region in Belgium, Denmark, Ireland, Italy, the Netherlands and the UK); or

- certified both from an accounting point of view (internally or by an external expert) and technically (physical progress made on the project - Walloon region in Belgium, France, Germany, Greece, Portugal and Spain).

Expenditure is certified *ex ante* (most systems) or *ex post* (Germany and the UK).

2.1.2. - General remarks

In general, control systems depend on the FB in question. Where the project leader is a public-sector body, checks on progress made, observance of procedures and accounting procedures used for expenditure comply with the laws and other rules of the Member State in question and the expenditure referred to above (at point II.A.2.1.1) is certified at various stages in the progress of the work. Furthermore, the FBs are subject to external administrative and financial controls provided for by national rules, as described at point II.A.1.1.2 above).

Supporting documents were found to be available from the FBs audited in every case.

2.1.3. - The summary expenditure statements and requests for payment are based on expenditure already incurred by the FB. However, in Ireland, some as yet unpaid invoices were included in the summary statements; the relevant Departments had not been clearly informed of the correct procedure by the DA.

2.1.4. Double-posting of expenditure

The control visits did not find any invoices which had been booked twice amongst the samples examined. This can be put down to the classification of projects in the general accounts kept by the project leaders. Very few projects had not been classified (Ireland and Campania in Italy). Some Member States had even made financial assistance conditional on clear book-keeping for cofinanced projects (Denmark and the Netherlands).

2.1.5. - Financing schemes for the FBs

This matter has already been dealt with at point A.1.1.5 above.

2.2. - Sound administration

2.2.1. - Methods of selecting FBs and providing them with information

As stated above at point A.1.2.1, projects for an OP are often selected at central level or by the monitoring committee. However, certain regional and national FBs, which coordinate projects in the region or on behalf of other ministries, are responsible for selecting and approving projects submitted by FBs (regional technical committees in France, Länder in Germany and lead departments in Ireland, which organize the technical and financial analysis of the projects and approve them). Sometimes these bodies are also involved in selecting projects (regional coordination committees in Portugal).

In many cases, the information provided by the DA or the intermediate-level manager for the FBs regarding accounting procedures and eligibility of expenditure (e.g. VAT and invoices not yet paid) is satisfactory (France, the Netherlands, Spain, Portugal and the UK). But there are still doubts concerning the information given to FBs in a number of Member States, particularly information regarding VAT rules (Flemish region in Belgium and Denmark) and the eligibility of expenditure not yet incurred (Ireland - see point A.2.1.3 above - and Denmark).

2.2.2. - Effectiveness of monitoring

Projects (technical aspects and accounts) are monitored by the FBs, in some cases in accordance with monitoring procedures laid down by the DAs (see points A.1.2.1 and 1.2.2). In the vast majority of cases, the procedure for monitoring accounts is compatible with the separate accounting procedures for eligible expenditure (classification of projects transferred to invoices and expenditure registered), making it easy to match up the FBs' accounting tables with the summary requests for payment sent to the DA.

Financial and account monitoring by the FBs was computerized, with very few exceptions (Flemish region, the Greek prefecture in Ipiros which was audited, the lead departments in Ireland (intermediate-level managers) and Campania in Italy). Errors in data transferred manually from the FBs to the DAs were detected in Ireland only. In Denmark, the North Jutland regional council, an intermediate-level manager, was not kept informed of FBs' requests for payment, which were sent directly to the DA (NAIT) and the half-yearly financial report to the regional council, set out on a standard form, was not stamped by the FB's external accounting expert while the declarations of expenditure sent to NAIT were.

As far as technical monitoring of projects is concerned, the project leader regularly issues certificates enabling the invoices submitted by the firm carrying out the work to the project leader to be paid. Points A.1.1.1 and 2.1.1 above explain how these certificates fit into the process for certifying eligible expenditure by the FBs. All project leaders, whether public or private, are required in all Member States to observe certain technical standards, and a final technical control is generally carried out on completion of the work to ensure that they have done so.

2.2.3. - Generally speaking, the FBs (project leaders) which were audited did observe the publicity rule.

2.2.4. - Compliance with the public procurement rules

With a view to ensuring that Community policies are compatible with each other, Financial Control checks, in particular, that the competition rules applicable to public procurement have been observed (see Article 7(1) of Regulation (EEC) No 2081/93 of 20 July 1993 on the tasks of the structural funds (the framework regulation) and the second sub-paragraph of Article 25(6) of Regulation (EEC) No 2082/93 of 20 July 1993 on the coordination of the structural funds). The Member States were notified of these provisions in Commission communication C(88) 2510.

In most cases, the FBs inspected in the various Member States were well acquainted with the Community rules and implemented them properly. Only one case of non-compliance was detected, in the United Kingdom. The breach took place despite the fact that DA had produced and distributed guidelines on the rules and despite the existence of a national external audit procedure for checking that the rules have been observed, which, in the case in question, clearly did not function as it should have. Other reservations concerned the Greek legislation giving effect to the rules, which is not always in accordance with the spirit of the Community provisions.

At the other end of the spectrum, some procedures are stricter than the Commission requires. In the Flemish region in Belgium, the rules require that invitations to tender for contracts worth less than the amount mentioned in the Commission communication be published in the OJ and in Ireland, before the lead departments give approval for any project, they check that any potential recipient of cofinancing intends to publish invitations to tender in accordance with the rules.

3. Specific comments on certain Member States

3.1. - Denmark

Dealings between the various management levels (central, regional and final) are complicated in Denmark by the fact that there are two channels via which financial information can be passed from the FBs to the designated authority, the NAIT (National Agency for Industry and Trade).

Expenditure statements incurred by the FBs are sent by the FBs to the relevant county council (the intermediate-level manager), which gathers them together and sends them to the NAIT. Using these centrally consolidated statements, the NAIT can then put forward requests for the payment of advances to the Commission once a given expenditure threshold has been crossed. For this channel, there is a minimum control procedure for checking that the declared expenditure has actually been incurred. This procedure (which involves checking the date given for the expenditure, the signature and the eligibility) is carried out not by the regional authorities, which collect the information every six months on standard forms, but by the DA. The controls revealed that expenditure had been estimated in some cases.

Requests for payment are also sent by the FBs to the NAIT (request for reimbursement of expenditure actually incurred), but these are sent direct rather than via the regional authorities (which are not informed of the requests), and the documents are subject to a detailed inspection by an independent accountant.

Thus there are two procedures, one of which involves much more thorough verification of the information than the other, the procedure for certifying expenditure to the

Commission being the less satisfactory. It should be possible to change the Danish system without too great an upheaval, to make it possible to base requests for advances on statements which have been checked.

3.2. - Greece

3.2.1. - The Greek system for verifying data relies on the FBs' internal systems (in the case of public-sector FBs). The FBs send their expenditure statements, certified by themselves, to the secretariat of the monitoring committee. While most of the expenditure has actually been incurred, in some cases forecast expenditure is also included in the statements

3.2.2. - The national laws on public procurement constitute another problem.

3.2.3. - The systems audit has so far examined only public-sector FBs but there will be an audit of private FBs, which use different procedures to their counterparts in the public sector.

3.3. - Ireland

The management and control functions performed by the central DA, the Department of Finance, are very limited. Its role is restricted to classifying expenditure statements submitted by the FBs to the intermediate-level managers, the lead departments, with the real responsibility for management and monitoring. Each department may be simply a final beneficiary for a number of projects or it may also act as a coordinator and intermediate-level manager for other departments involved in projects relating directly to its field. It then becomes a lead department (for example, the Department of the Environment is the lead department for projects of potential benefit to a number of departments and, as such, it collects the expenditure statements from the departments involved and monitors the projects). The quality of the various lead departments' control systems is variable (the Department of Environment carries out direct controls, the Department of Transportation employs an accountant to carry out controls and the Department of the Marine's controls are minimal and have been recognized as insufficient). Furthermore, the audit revealed that in some cases the expenditure had not been incurred. In the interests of increased efficiency, the DA should consider harmonizing procedures and taking steps to ensure that the lead departments are better informed as to eligibility.

3.4. - Italy

The findings of this report on the Italian central system are no longer valid since the MISM (Ministry for the Development of the Mezzogiorno), the DA audited in October 1992, has been abolished and replaced. The Italian authorities have not yet sent Financial Control a complete description of the new system. Furthermore, the conclusions on the regional system are based solely on the audit of the Campania region and can in no way be taken as representative of the general situation in the Italian regions. The central system must be audited again and the regional audit must be extended to cover other regions.

B) - CONCLUSIONS OF THE AUDIT OF NATIONAL MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE ERDF

1. - The findings of the various visits, together with the descriptions of the systems sent to Financial Control by the designated authorities, provide a good overview of the national management and control systems for operational programmes cofinanced by the ERDF. The task now is to gather yet more information both from documentary sources with the help of the DAs and through more audit visits to different types of final beneficiaries, not included in the limited samples audited to date. In this way, the profiles of the national systems that have been built up can be continually updated. Furthermore the audit revealed that some of the expenditure presented by DAs were not eligible and Financial Control was able to ask the authorizing directorates-general to correct the requests for payment.

The following conclusions, based on the systems-audit visits, are to be taken as incomplete and provisional until confirmed by subsequent audits of the other categories of final beneficiaries.

2. - In almost every case, the DAs were satisfied with very basic checks on the facts and figures presented to them. They did not require accounts to be submitted, nor did they visit FBs' premises to examine them; there were no systematic checks on the eligibility of declared expenditure or on the invoices presented by the FBs (whether these had been paid or were "about" to be paid).

In five Member States (France, Germany, Ireland, Italy and Spain), the DAs do not carry out checks of any description before certifying expenditure to the Commission. They do nothing more than forward documents from the FBs, which certify their expenditure, to the Commission. Seven of the remaining DAs carry out only the most superficial controls, checking merely that the date on which the expenditure was incurred is correct, that documents bear the requisite stamps and seals and that the arithmetic is correct on the summary statements (Flemish region in Belgium, Denmark, Greece, Luxembourg, the Netherlands, Portugal and the UK).

There only exception is the Walloon region in Belgium (one of the two Belgian DAs), which has the expenditure statements checked by the regional court of auditors before certifying the expenditure to the Commission.

3. - It may be necessary to increase staffing levels in the DAs in order to improve the control systems at that level.

4. - The DAs rely on the internal and external controls of expenditure carried out by the FBs and on the administrative and financial controls of the central systems and the FBs undertaken by national control bodies (tax inspectorates, courts of auditors, administration inspectorates etc.). The controls carried out by these bodies do not appear to be as frequent or as well targeted as they ought to be. Often the project leaders' internal checks are in effect the only steps taken to verify expenditure statements and external audits are the only checks carried out on total expenditure.

5. - The procedure for collecting financial data from the FBs and the intermediate-level managers is not always standardized. While eight of the DAs have established a proper system for financial reporting (standard forms for payment declarations, forms sent in at regular intervals), the others leave FBs to declare expenditure as and when it suits them (Flemish region in Belgium, Italy and Luxembourg).

There are two issues which have to be dealt with when a financial reporting systems is set up:

- the frequency with which data are sent in (in Spain, this is done every six months, which is not frequent enough to ensure that the delay between expenditure and receipt of ERDF assistance is kept to a minimum).

- computerization of the reporting procedure, to avoid errors in the transcription of data (of which there are numerous cases in Ireland). In France, the DA and the *préfectures* exchange diskettes every month, enabling the DA to keep track of the situation more effectively.

All DAs should set up a reliable system preferably computerized, for collecting data at regular and frequent intervals, enabling data to be entered directly. The objective would be to minimize administrative delays and maximize the use of the annual tranches allocated to each project. While most Member States usually apply for advances from the Community as soon as, or even just before the relevant expenditure thresholds have been reached, the United Kingdom, for example, does not present requests for payments until well after the thresholds have been reached.

6. - In almost all of the cases inspected, requests for payment submitted to the Commission were for eligible expenditure which had already been incurred, subject to the reservations expressed above. Only one request, submitted by the UK, included some estimated expenditure.

7. - The quantity and quality of information given to the final beneficiaries on the eligibility of expenditure is generally satisfactory. However, FBs in three Member States (Flemish region in Belgium, Denmark and Ireland) were very uncertain as to the eligibility of certain types of expenditure, as a result of which they submitted claims for ineligible expenditure (refundable VAT, invoices which had not yet been paid). The DAs in question should make sure that the instructions they give are clearer in future.

8. - Computerization is, in general, essential if expenditure is to be broken down clearly by sub-programme, project and year. Projects are almost always classified to ensure that expenditure is not claimed twice and that the FBs' accounts tally with the financial reports submitted to the DAs. Only four DAs have not yet computerized their financial reporting procedures (Denmark, Ireland, Italy and Luxembourg). Project monitoring was, on the whole, found to be highly satisfactory, though certain adjustments are called for in Denmark, Luxembourg and the UK.

9. - The Community publicity rules applicable to cofinanced projects appear to be correctly implemented (particularly in Greece, Portugal and Spain).

10. - The FBs audited were well acquainted with the Community public procurement rules (Commission communication C(88) 2510). There was only one case, in the UK, in which

an invitation to tender should have been published in the OJ under the Community rules, but was not despite the existence of a national control procedure, which, in this case, did not function properly.

III - AUDIT OF MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE GUIDANCE SECTION OF THE EUROPEAN AGRICULTURE GUIDANCE AND GUARANTEE FUND (EAGGF) IN THE MEMBER STATES

(See Annex 2 for synoptic tables showing the findings of the missions)

The methodology used for the systems audit was also used for the national management and control systems for measures cofinanced by the guidance section of the EAGGF.

This category includes a large number of projects, diverse both in form - collectively, they have over thirty different regulations and decisions from both the Council and the Commission as their legal basis - and in nature, ranging from small compensatory amounts paid to every final beneficiary to special structural measures, more limited in scope but involving ever greater sums, paid to institutional FBs such as local authorities, local action groups etc.

Auditing the systems for this fund is a major undertaking since:

- in each Member State, a separate management and control system has been created for each regulation providing for a type of support and for each level (central, i.e. DAs, regional intermediate-level managers and FBs), which means there are three systems to be audited for each regulation;

- real managerial authority may lie at the central level (with the DA) or the intermediate level (with the region), depending on the type of measure.

Furthermore, FBs are individual farmers in the vast majority of cases.

The audit must therefore deal with each of the following levels separately:

- the designated authority (central level), usually the Ministry of Agriculture and Forestry (e.g., Reg. No 866/90);

- the province (or region) responsible for a specific measure (regional or intermediate level), with the ministry playing a more limited role as coordinator (e.g. objective 5b); and

- final beneficiaries - a very diverse group (farmers, local authorities, private companies involved in processing agricultural products, local groupings etc.).

In each case, therefore, the report therefore has to state which system it is referring to, giving, for example, the number of the Regulation constituting the legal basis for the measure in question. This must be done for each level so as to avoid excessive generalizations, which would detract from the clarity and usefulness of the analysis.

The audit in 1993 covered six types of measure, with the following legal bases:

- Council Regulations (EEC) No 866/90 and No 867/90 of 29 March 1990 on improving the processing and marketing conditions for agricultural products (revealing about the central system because objective 5a measures are usually managed directly by the ministry, with no regional intermediary);

- Council Regulation (EEC) No 2328/91 of 15 July 1991 on improving the efficiency of agricultural structures (compensation for farmers in mountain regions);

- Council Regulation (EEC) No 3828/85 of 20 December 1985 on a specific programme for the development of Portuguese agriculture (PEDAP);

- Commission Notice to the Member States (Ref. 91/C 73/85) of the 15 March on the LEADER Initiative (Liaison entre actions de développement de l'économie rurale - links between actions for the development of the rural economy);

- Council Regulation (EEC) No 4042/89 of 19 December 1989 on the improvement of the conditions under which fishery and aquaculture products are processed and marketed;

- multifund operational programmes in objective 1 and 5b areas.

Financial Control has drawn up a very busy programme of audit visits for this fund in 1994. The findings given below are thus provisional and apply only to the systems covered by the Regulations referred to.

A) - FINDINGS OF AUDIT MISSIONS CARRIED OUT BY THE FINANCIAL CONTROLLER IN 1992 AND 1993

1. - Systems audit of designated authorities (the central systems in the Member States)

1.1. - Sound management of financial flows

1.1.1. - Factual and accounting certification

Expenditure is certified to the Commission by the agriculture ministries (the DAs). In most cases, the expenditure statements submitted by the regional, intermediate-level authorities or the FBs have already been checked by the DA itself (Belgium - Reg. 866/90, Luxembourg - Reg 866/90, the Netherlands - Reg. 866/90 and the UK - DANI Reg 866/90), an independent accountant (Denmark - Regs 866/90 and 867/90) or both (Ireland - Reg. 866/90 and the rural development multifund OP). Some DAs certify to the Commission on the basis of the expenditure statements submitted to them, which they stamp without verifying. This is the system in Member States with federal or decentralized systems of government, where it is the regional authorities who carry out the checks (Germany and Italy - Reg. 866/90 and the LEADER CIP).

Factual and accounting certification can be considered satisfactory because the procedure does involve real, direct verification of declared expenditure.

Compensation for farmers in mountainous areas (Reg. 2328/91) is not certified to the Commission in the same way as other assistance. Instead, the DA sends applications for reimbursement to the Commission in year *n* for the Community's contribution to subsidies paid in accordance with the national plan in year *n-1*. When the central authority, the Ministry of Agriculture (Spain, Scottish Office in Scotland), is selecting applications for reimbursement, it checks the supporting documents submitted against predefined criteria to ascertain whether compensation is justified. This sort of control, built in to the selection procedure, coupled with visits to check the declarations made by FBs (Spain, Ireland and Scotland), constitutes the only management and control system which adequately ensures that compensation is paid in accordance with the relevant criteria. In the other Member States, farmers' applications for reimbursement are selected and checked by decentralized authorities (see point 2.1.1 below).

1.1.2. - The following conclusions can be drawn from the information given above.

As a rule the systems for verifying whether expenditure statements are true, which in most Member States operate at central level, function smoothly and efficiently. There are historical reasons for this: the Member States, particularly the older ones, set up management and control teams for similar national schemes a long time ago. These teams are quite large and well trained and have experience and skills which help them to run the national control systems for measures cofinanced by the guidance section of the EAGGF.

There are two procedures for verifying declared expenditure:

- controls on supporting documents supplied by the FBs (invoices, receipts, bank statements etc.). The DAs were found not to be in possession of supporting documents in the following cases: Denmark (Reg. 866/90), Germany and Spain (objective 5b and, Reg. 866/90) and Portugal (Reg. 3828/85 and electrification of farms). In these cases, document checks were restricted to checks on the expenditure statements submitted (Spain) and not on original documents. Document checks in Denmark are carried out by an independent accountant, paid for by the FB;

- inspection visits to the regional authorities or the FBs (Belgium, Denmark, France objective 5b (in preparation for the future), Ireland, Italy for national measures only, Luxembourg, the Netherlands, Portugal and the UK).

1.1.3. - Balance declarations are thus based on actual expenditure incurred by the FBs and checked by the DAs. There were some cases in which ineligible expenditure had been included in Belgium, Denmark and Ireland (compensatory amounts, Reg. 2328/91) but none of them were important. In Portugal a case in which an OP (Reg. 886/90) had been adjusted for inflation twice was brought to the attention of the national authorities (IFADAP).

1.1.4. - Some Member States (Spain, Reg. - 866/90, Ireland - Rural Development OP and Portugal - the LEADER CIP) have set up an organized and standardized procedure for the collection of financial data by the DA, while others have not (e.g. Belgium, resulting in problems in converting the FBs' expenditure into ecus).

1.1.5. - Original invoices submitted as supporting documents are generally stamped (except in Italy - Reg. 866/90).

1.1.6 - The funding schemes (advance, prefinancing and reimbursement) vary according to the type of measure and the Member State. In most cases (except for compensation payments under Reg. 2328/91, to which this matter does not apply), expenditure already incurred by the FBs is reimbursed, sometimes in tranches (Luxembourg - Reg. 866/90). It was found that central authorities did, however, operate a number of other schemes, including:

- advance payment to the FBs of both Community and national assistance (Luxembourg - Reg. 866/90; Denmark - Reg. 866/90 - though rarely, only for projects and covering no more than 80% of the forecast cost; and Portugal, where advances are possible but never paid in practice);

- prefinancing (Belgium - Reg. 866/90 - national prefinancing for the FB via the Institut de Crédit des fonds communautaires; and Luxembourg - Reg. 866/90).

Financial Control found that in a number of cases, financial channels were still somewhat slow (Denmark, Spain - Reg. 866/90, Ireland - Regs 2328/91 and 866/90), while in Portugal (the LEADER CIP) and the Netherlands (Reg. 866/90) funds were left unused at central level as a result of delays - in financial transfers between the IEADR and the local groups in Portugal and in the performance of measures under the various programmes in the Netherlands.

1.2 Sound administrative management

1.2.1. - Methods of selecting FBs and providing them with information

As a rule, the methods of selecting FBs used by the central authorities are satisfactory and based on clear and predefined criteria (except for certain isolated cases relating to the Rural Development OP in Ireland); such methods incorporate procedures for checking that applicants meet the criteria in question and for assessing projects.

Invitations to apply for support may be published in the national government gazette by the central authorities (Belgium - Reg. 866/90) and potential applicants provided with standard application forms (Belgium - Reg. 866/90, Denmark - Reg. 866/90, Greece - Reg. 2328/91, Ireland - Reg. 2328/91, Spain - Reg. 2328/91, Northern Ireland - Reg. 866/90 and Scotland - Reg. 866/90). In Greece, some applications (compensatory amounts Reg. 2328/91) were found not to have been dated, which may lead to confusion as to the period of eligibility for certain requests for payment.

The information given to FBs and intermediate-level managers on eligibility and the rules for implementing cofinanced measure was found to be inadequate in Ireland - certain measures relating to the Rural Development OP, Greece - Reg. 2328/91, the Netherlands - Reg. 866/90 and the UK (Northern Ireland) - Reg. 866/90. In other cases, the information supplied was judged satisfactory, e.g. in brochures or fact files giving information on the national and Community systems (Denmark - Regs 866/90 and 867/90, Ireland - Reg. 2328/91 and Portugal - the LEADER CIP).

1.2.2. - Monitoring of projects

The term "monitoring" covers two activities: the first is the monitoring of expenditure, requests for payment and payments to the FBs, followed by the publication of reports, usually annual (more often than not, this type of monitoring is computerized); and secondly, monitoring of farms and projects. Physical data (Ireland - Rural Development OP) and information on the results of controls (Portugal - PEDAP) are not yet always published for all the measures in the annual reports.

DAs' monitoring procedures were found to be satisfactory in a large number of Member States; computerization was quite advanced, particularly with regard to financial monitoring (Belgium - Reg. 866/90, Denmark - Reg. 866/90, Ireland - Reg. 2328/91, though procedures were only partially computerized, limiting the scope for monitoring of payments, Luxembourg - Reg. 866/90 (monitoring basic and computerization not very

advanced, but efficient given the volume of measures), Spain - Reg 2328/91 and objective 5b and the UK (Scotland - Reg. 2328/91 and Northern Ireland - Reg. 866/90). The Netherlands - Reg. 866/90 have a very good computerized system for monitoring payments (VERA) but receive undated requests for payment from FBs, which makes the task of converting the expenditure into ecus somewhat problematic.

Monitoring of measures was found to be unsatisfactory for certain regulations in a number of Member States in which the DA relies on the regional intermediate-level manager to carry out the monitoring (Greece - Reg. 2328/91 - payment system not computerized, hence management procedures are not very clear, Italy - Reg. 866/90; Portugal - PEDAP (no access to information on other projects and measures cofinanced by the EAGGF), Reg. 866/90 (no monitoring or information in respect of changes made to projects by FBs) and the LEADER CIP (no monitoring of national contribution to complement cofinancing), and Spain - Reg. 866/90.

Lastly, owing to the decentralized administrative structure of certain Member States, the DAs' managerial functions are restricted to coordination (Germany - all regulations, Italy - the LEADER CIP). In the case of Germany, monitoring involves nothing more than an annual report from the Federal Ministry, bringing together the data and information sent in by the Land ministries, who are really responsible for managing cofinanced measures.

In the case of certain measures directly affecting farmers (Reg. 2328/91, compensation), financial monitoring is quite clearly carried out primarily by the regional offices of the DA (Ireland and Scotland) or even the regional intermediate-level managers (Greece and Spain), which are more familiar with the farms in question and who send the information on to the DA.

1.2.3. - Publicity rules for Community cofinancing

With the exception of Ireland (Regs 2328/91 and 866/90) and Northern Ireland (Reg. 866/90), which comply fully with publicity rules by inserting special boxes on forms supplied to applicants or published in the press, and Belgium, Luxembourg and the Netherlands (Reg. 866/90), which, at the very least, mention the fact that projects are being cofinanced by the guidance section of the EAGGF on application forms or in the decision to grant assistance, there is a general tendency to under-publicize Community cofinancing on standard forms supplied by the DA, in decisions granting assistance and in the press in general (Denmark - Reg. 866/90, Ireland - Rural Development OP for certain measures, Portugal - Reg. 866/90 (a ministerial decree requires cofinancing to be publicized, but it is not implemented), Scotland and Spain).

1.2.4. - Organization of DAs and staffing levels

As a rule, the relevant departments in the DAs are adequately staffed by well trained employees (only the local offices of the Greek ministry responsible for compensation under Reg. 2328/91 appeared to be under-staffed). Staff are also experienced regarding the monitoring and control of the type of measures which are cofinanced, and well acquainted with the Community regulations (thanks partly to the training seminars organized by DG VI).

Furthermore, the DA is broken up into various departments to reflect the different functions performed. For instance, there is a clear distinction between management and

control activities, except in Belgium and Ireland for Reg. 866/90 (in Ireland the DA is controlled separately by a national body).

2. - Audit of intermediate-level (regional) management and control systems

In highly decentralized Member States, the conclusions drawn from the audit for one region do not necessarily apply to all regions as their administrative systems may differ significantly. The conclusions must first be confirmed by audits on a much more varied sample of intermediate systems.

2.1. - Sound management of financial flows

2.1.1. - Factual and accounting certification

Despite the fact that the DAs have exclusive responsibility for certifying expenditure to the Commission, the intermediate-level (regional) authorities are sometimes involved in the certification process for the EAGGF, as for other funds. Sometimes, they are even responsible for the bulk of the work involved. They often prepare the expenditure statements (Land ministries in Germany, the regions in Italy for LEADER and in Greece, regional agriculture directorates in France and Portugal and the communities in Spain). The statements are then formally certified to the Commission by the DA after the declarations of expenditure have been checked (except in Germany and Italy - see point III-A-1.1.1 above). In the other Member States (Belgium, Denmark, Ireland, Luxembourg and the Netherlands) the regional intermediate-level managers intervene less directly in the certification process.

2.1.2. - Control system

Payment requests submitted by the FBs are checked at regional level in Germany (by the Länder - the only control level), Italy - Reg. 866/90, Portugal - regional agricultural directorate for PEDAP, Spain - autonomous communities for objective 5b, the UK - Welsh Office for the LEADER CIP. Often control systems involve making inspection visits to the FBs (Greece - OP for eastern Macedonia-Thrace, German Länder, Italy - all regulations, Spain - objective 5b and Reg. 866/90 and the UK - LEADER CIP). In almost every Member State, all inspection visits for Reg. 2328/91 (compensation) are carried out at this level (see point III-A-1.1.1 above).

In almost every case, regional managers were able to produce supporting documents relating to expenditure by FBs (originals or certified copies), with the following exceptions: Limousin in France (Limousin OP), the Italian regions (all regulations) and the Welsh Office (LEADER CIP). The lack of supporting documents in these regions does not, however, enable conclusions to be drawn regarding all regions in those countries for the regulations in question.

2.1.3. - Expenditure statements sent for the purposes of certification are based on actual expenditure (as proven by receipted and checked invoices where stated above), except in Italy for expenditure relating to work done by the FB, which is estimated (all regulations). Cases of ineligible expenditure were detected in Spain (Aragon - objective 5b), Italy

(Basilicata - LEADER CIP and VAT expenditure) and France (Limousin OP). In Limousin, estimated expenditure was included in the expenditure statements.

2.1.4. - Financing schemes for FBs

There are great variations between Member States or intermediate-level regional managers within the Member States, depending on the regulation in question. However, the small size of the sample used for the audit of the regions means that none of the conclusions drawn below can necessarily be applied to all regions for any of the regulations.

- Advance-based schemes: operated by certain (new) Länder (half-monthly advances are paid under certain circumstances for projects run by the municipalities); the Madrid autonomous community (objective 5b); French regions (Limousin OP - where support is split into annual tranches, otherwise reimbursement is made in a single payment); Italian regions (objective 5b multifund OP and LEADER CIP), though the FB must arrange a bank guarantee for the region, which freezes the advance as soon as it is paid and cancels its effect for the project leader; and local action groups in Portugal (LEADER CIP - first advance of 50% payable against a bank guarantee).

- Regional prefinancing of projects: no cases have come to light so far. Some German Länder (Saxony-Anhalt) have made provision for prefinancing but have not made use of it owing to cash problems.

- Reimbursement of expenditure by the FB (if only for expenditure not covered by advances): operated by German Länder, Greek regions (expenditure on the OP for eastern Macedonia-Thrace are reimbursed on presentation of receipted invoices), Spanish autonomous communities (Reg. 866/90), French and Italian regions (Limousin OP, Sicily and Calabria for the LEADER CIP) and local Portuguese groups for the LEADER CIP. There are still some reports of rather slow financial channels.

2.2. - *Sound administrative management*

2.2.1. - Methods of selecting FBs and providing them with information

As stated above at point A-1.2.2), the regional level has the largest part to play in assessing requests for compensation in accordance with Reg. 2328/91 and the final selection of FBs. As a rule, FBs are selected by one of two methods:

- by the regional authorities alone either on the basis of national criteria laid down by the central ministry (regions in Greece and France for Reg. 2328/91, Italian regions for Reg. 866/90 and the LEADER CIP and local groups for the LEADER CIP) or not (German Länder, technical committee of the French region of Limousin for the Limousin OP), in which case the region has complete freedom of choice; or

- in cooperation with the central level, in which case the regions collect, in some cases filter (preselect) and send applications to the DA for a final decision (autonomous communities in Spain for Reg. 866/90 and objective 5b).

The quantity and quality of information sent to the FBs were found to be satisfactory in the cases inspected, except in Rheinland-Pfalz in Germany (objective 5b), where the authorities raised questions during the visit about the eligibility of certain expenditure

(purchases of land) and suggested that DG VI produce a guide to the eligibility of expenditure.

2.2.2. - Efficiency of monitoring

Regional monitoring is generally satisfactory, though certain shortcomings were detected in some cases: Saxony-Anhalt in 1991 (though improvements have been made since then), Aragon for objective 5 b, Hautes-Alpes in France for Reg. 2328/91 (lack of transparency), Limousin for the Limousin OP (unwieldy monitoring procedure), management of the LEADER CIP by the local action groups in Portugal. However, in each case, the narrow range of samples makes it impossible to draw any conclusions about the national situation from the shortcomings detected at local level.

Monitoring is computerized almost everywhere, except in Greece for Reg. 2328/91 (financial monitoring), Aragon for objective 5b, Apulia in Italy (multifund objective 1 OP, with Reg. 2052/88 as the basis).

2.2.3. - Publicity rule

Most of the cases of non-compliance were in Spain (Aragon - objective 5b, and Valencia - Reg. 866/90), while the situation in the new German Länder has greatly improved since 1992. In the other regions audited, the level of compliance with the publicity rule was found to be satisfactory (references to cofinancing by the guarantee section of the EAGGF were made on the application forms sent to potential FBs or in the documents sent to FBs notifying them of the decision to grant assistance).

2.2.4. - Organization of intermediate-level managers and staffing levels

As a rule regional intermediate-level managers, like the DAs, are adequately staffed with well-trained employees who have a lot of experience of managing Community programmes. The only staffing problems were found in Hautes-Alpes in France, where part-time staff were being used, and Lombardy in Italy for Reg. 866/90. There were no problems in the other regions in these countries.

A clear distinction is generally made between management, control and payment activities in the departments in question, except in Italy where management and control are always the responsibility of the same staff (Lombardy - Reg. 866/90, Apulia - multifund objective 1 OP, Umbria - multifund objective 5b OP, and Sicily and Calabria - LEADER CIP).

3 - Remarks on individual Member States

3.1. - Germany

- 3.1.1 The Federal Agriculture Ministry is the DA but is not directly involved in management and control. It merely passes on funds to the relevant Land ministries and forwards requests for payment from the Länder to the Commission. It stamps the requests for payment but does not check that they are accurate. Strictly speaking, there is thus no central management and control system.

In practice, it is the Länder which manage the programmes and are responsible for verifying expenditure and, in most cases, the whole pyramidal administrative structure is

given powers for monitoring and controlling cofinanced programmes. The Ministries of Agriculture (and/or the Environment and/or Forestry) in the Länder certify expenditure unofficially to the Commission before official certification by the Federal Ministry, coordinate the various departments within their jurisdiction by adopting regulations and participate in the monitoring committee.

3.1.2. - The *Landesämter* (Land authorities), to which the Land ministries often delegate the power to draw up reports, which are then approved by the Ministry, are given direct responsibility for controlling expenditure, local departments, payments to FBs and giving approval for the granting of subsidies. The *Ämter* (local offices) or districts (or any other similar local authority) under the *Landesamt's* jurisdiction are responsible for the practical aspects of monitoring and controlling projects and FBs by establishing regular contacts with them, keeping them informed and receiving requests for participation in projects.

3.1.3. - The intermediate-level Land system is thus a complete, multi-layer management and control system for cofinanced programmes.

3.2. - France

Only two types of measure were audited (Reg. 2328/91 and objective 5b) and two regional intermediate-level managers (Hautes-Alpes - Reg. 2328/91 and the Limousin OP). Thus the sample was somewhat restricted and no conclusions can be drawn regarding the whole country for either type of measure. Shortcomings were detected (the procedures for determining the amount of subsidy were not clear enough and part-time staff had unrestricted access to the software for calculating the amounts for Reg. 2328/91; supporting documents were missing, there were cases of ineligible and estimated expenditure and the procedure for monitoring the national contribution for the Limousin OP was unwieldy), but it cannot be assumed that these are representative of the entire regional system for all regulations. Further visits to other managers must be organized.

3.3. - Italy

3.3.1. - In the case of the four types of measure audited (Reg. 866/90, LEADER CIP, objective 5b OP and the multifund objective 1 OP), the Ministry of Agriculture and Forestry, the DA, plays a purely official role. Under the Italian Constitution, responsibility for agriculture lies with the regions. However, projects or other measures covering a number of regions are administered by the Ministry. Responsibility for the LEADER programme was delegated to the regions in 1992. Expenditure statements for regional programmes are sent to the Commission via the Ministry, which does check them. The Ministry does not coordinate its inter-regional activities with the various regions for the OPs it manages which come under Reg. 866/90.

There is no central system to speak of for the types of measure audited (with the exception of the Reg. 866/90 OP covering the whole country); the Ministry essentially depends on the regional system without controlling it (the most it does is very loosely coordinate the activities of the region for the LEADER programme).

3.3.2. - Furthermore, regional and national rules prevent approved measures from starting up as quickly as they could under Community regulations, which holds up implementation of the projects in question. It is essential that Italy change its internal rules to speed up the process of granting assistance and the implementation of measures.

3.4. - The Netherlands

The Dutch management and control system for the guidance section of the EAGGF meets all Financial Control's criteria for sound management and effective control, particularly at central level. There is, however, one persistent problem with the implementation of measures cofinanced by the EAGGF, i.e. the slow pace at which measures are implemented by FBs and at which Community support is used. As a result, there is an accumulation of unused funds (from advances). In February 1993, when the audit was carried out, unused funds totalled some ECU 4.5 million (ECU 6.6 million disbursed by the Commission minus ECU 2.15 million - 32.6% of the total - paid to the FBs by the DA - see the report on the control visit). The Dutch authorities must therefore be urged to speed up implementation of the OPs.

3.5. - Denmark

The Danish control system is not yet complete and has not been changed to take full account of the reform of the Structural Funds (like the civil service as a whole, the units responsible for controlling expenditure cofinanced by the EU have been cut back, primarily to reduce public spending). The central level had no supporting documents, or copies, and there were no inspection visits owing to a shortage of staff. All projects are controlled in advance by architects who are appointed and paid by the Ministry and who act on its behalf. These architects draw up a certificate stating that the work has been completed, irrespective of the nature of the work (only 5% of measures are checked direct by the Ministry once they have been completed). More significantly, the task of verifying expenditure is entrusted to external staff, i.e. an independent accountant (not appointed by the Ministry), paid for by the FB, which adds to the cost of the project, in effect reducing the amount received by the FB.

3.6. - Portugal

The IFADAP and the IEADR, the Instituto de Estruturas Agrárias e Desenvolvimento Rural, are DAs for PEDAP and the LEADER CIP respectively and are primarily responsible for management at central level. Their local offices play a role in the regional system, acting as intermediaries and coordinators for the FBs. There is a clear separation between control functions and "management" functions both internally (IGA, the Agriculture Inspectorate-General) and externally (the Finance Inspectorate-General). The IFADAP's role in the field of controls is limited; it has to ask the IGA or the IGF if it wants to carry out controls. This is the structure on the mainland. The islands with the status of autonomous regions have set up their own system.

B) - CONCLUSIONS OF THE AUDIT OF NATIONAL MANAGEMENT AND CONTROL SYSTEMS FOR OPERATIONAL PROGRAMMES CO-FINANCED BY THE GUIDANCE SECTION OF THE EAGGF

In each Member State, there are a great many measures cofinanced by the guidance section of the EAGGF, with a great variety of legal bases. Some measures have almost reached the end of their life-span, having been introduced well before the first reform of the Structural Funds, which complicates analysis of the national management and control systems. Each system is different from the other for each category of measures and it must always be made clear to which measures conclusions relate to.

Taken as a whole, the systems studied would appear to be more or less satisfactory and no serious flaws were detected during the audit visits.

1. - In most cases, the DA does not certify facts until it has carried out real and adequate checks into expenditure declared by the FBs and/or the regional intermediate-level managers. Its role in the certification process is no more than an official one in two cases only - Germany and Italy, both of which have regionalized administrative structures. In these two countries, the real work involved in certification is done at regional level by the German Länder and the Italian regions, which carry out strict controls.
2. - The certification procedure is based on fairly comprehensive systems for verifying declared expenditure, which operate at central level in most cases but at regional in some, document controls (generally involving stamping documents) and visits, carried out at both levels.
3. - The central and regional departments responsible for monitoring agriculture-related projects have traditionally had sufficient numbers of well trained staff at their disposal. In particular, local departments, in direct contact with farmers, can keep a close eye on projects and practically know each project individually, which generates a certain amount of self-checking.
4. - Only a small number of Member States (Ireland, Portugal and Spain) have a regulated system for collecting data at central level, which can cause problems (Belgium).
5. - There were few cases of ineligible expenditure and the cases that did come to light all involved negligible amounts (VAT, purchase of second-hand equipment). There were two cases of estimated expenditure (Limousin OP - estimated expenditure had been included in a request for payment - and Italy - expenditure relating to work done by the FB had been estimated).
6. - In most cases, FBs are reimbursed for expenditure they have already incurred though some regions do operate limited advance-payment schemes (Germany, Italy and Spain). The auditors found that the implementation of operational programmes was rather slow in a number of cases (Denmark, Ireland, the Netherlands, Portugal and Spain), usually as a result of slow financial channels. This led to a build-up of unused funds (Portugal and, in particular, the Netherlands)
7. - The central authorities seem to provide the FBs with adequate information on the eligibility of expenditure, except in Greece, Ireland, the Netherlands and the UK. In all other cases, information files or brochures are available for potential recipients of assistance.
8. - Procedures for financial monitoring of projects are computerized in almost all cases and, generally speaking, the procedures are satisfactory (accounting classification of cofinanced expenditure, financial monitoring by OP and by year, well-kept files). The shortcomings detected in this area (in Greece, Italy, Portugal and Spain) concern one particular region and one regulation and cannot be used as a basis for more general statements.

9. - The publicity rule for Community support is not very well observed on the whole, especially by the DAs. Usually the authorities that do make an attempt to comply (in Belgium, Ireland, Luxembourg, the Netherlands and Northern Ireland) do so merely by printing the words "guarantee section of the EAGGF" on application forms for assistance or decisions granting assistance, which is not satisfactory. Article 32 of the amended Coordination Regulation (Regulation (EEC) No 2082/93) will provide Member States with a detailed guidance on how to improve compliance.

The task of auditing systems will be made all the more difficult by the great diversity in the types of assistance if the objective of analysing the systems operated by the DA and at least one intermediate-level manager per Member State and per type of support is maintained (at least for this fund).

The sample, especially for the regional level of management, is not broad enough to enable any conclusions to be drawn except those concerning specific cases. *The conclusions presented above are therefore limited in scope.*

ANNEX 2

Synoptic tables of key issues emerging from the systems audit, by Fund and by Member State

2.1 - ESF

2.2 - ERDF

2.3 - EAGGF Guidance Section

Latest update: May 1994

Guide to synoptic tables

1. For each Member State, with very few exceptions, an audit was performed on the central system (the designated authority -- DA) (column 1) and on intermediate-level bodies (regional and local authorities, Ministry or division, private- or public sector body with national or regional responsibilities) responsible for coordinating the management and monitoring of measures implemented by final beneficiaries (column 2). For the ERDF, where regional authorities are commonly the project leader, the analysis relates to final beneficiaries (FB).

2. The findings of the audits are displayed in matrix form by reference to the Member States' general obligations under the Treaties and secondary legislation, chiefly the coordination Regulation No 4253/88 as amended.

Question No	Question	Interpretation
1	Who is responsible for certification (facts and accounts)?	Formally the DA sends the Commission certified recapitulations of expenditure made, but in practice other bodies can be involved (specify).
2a	Supporting documents available?	Have supporting documents (original accounting records or certified copies, e.g. receipted invoices, receipts, bank transfer records) been verified by the DA, intermediate-level bodies and/or the FB?
2b	Estimated or real expenditure?	Are there cases where the expenditure declared to the Commission is in fact estimated?
3	Control system	Has a system been established and made operational? Does it include the following components?
3a	Internal audit?	An audit system built into the system being audited?
	External audit?	A system for external auditing of the system?
3b	On-the-spot checks?	On-the-spot checks by DA at intermediate-level and FB, by intermediate level at FB?
4	Links with FB	What formal links exist between the FB and the authority providing funds?
5	Does the FB enjoy:	Funding schemes generally available to FB (Various remarks concerning financial circuits appear here)
5a	Scheme of advances?	Are the Community advance

and national counterpart funds	paid to the FB? Reimbursement scheme?	Does the FB have to pay bills for project expenditure from its own cash resources and then claim reimbursement?
5b		
5c	National or regional pre-financing scheme?	Do the national or regional authorities pre-finance projects from their own resources without awaiting the Community contribution?
6	Are publicity rules observed?	Are the provisions of the coordination Regulation regarding publicity observed?
7	Appropriate organization chart?	Is the organization chart of the national and regional authorities in charge of operational programmes adequate (functional separation)?
8a	Selection and information of FBs	How are FBs selected? Is there satisfactory information on co-financing facilities and access to them (notably as regards eligibility of expenditure)?
8b	Systematic monitoring of selection and information processes	Are there procedures for reviewing FB selection and information processes?
9	Efficiency of monitoring (computerized?)	Are the management and monitoring (physical and financial) of measures efficient and computerized to an adequate degree?
10	Designated authority	Identification of the authority designated by the Member State to certify expenditure statements sent to the Commission
10a	Main intermediate-level managers	Intermediate-level managers on whom audits were performed
10b	Staff qualifications Staff numbers	Is the management and control system adequate to meet the coordination Regulation's requirements?

3. Where information is not supplied, the relevant boxes in the table are left blank. The information will be amplified at subsequent audits.

4. Where the question is not applicable to the case being audited, "NA" is entered.

Q No	ESF Member State System audited	BELGIUM		DENMARK		GERMANY	
		Central	Intermediate	Central	Intermediate	Central	Intermediate
1	Who is responsible for certification (facts and accounts)?	Purely formal (transmiss'n)	Educ. Min. ESF Unit	DOL	Central system	Formal transmission	Land Ministry
2a	Supporting documents available?			Yes	Often	No	Yes, sometimes from FR
2b	Estimated or real expenditure?		Real (no more flat rates)	Real (mostly)	Often real		Depends on Land
3	Control system		Yes, standard report; no instructions	Yes; not adequate in regions	Not routinely	No	Generally poor
3a	Internal audit? External audit?					No	No
3b	On-the-spot checks?		Yes; financial control and teaching				No, or else by consultants
4	Links with FR	NA		NA		NA	Generally by agreement
5	Does the FR enjoy:		Long delays in payments	Direct payment		NA	
5a	Scheme of advances?		Yes, after evidence of start-up				Yes, sometimes falls short of Fin. Reg.
5b	Reimbursement scheme?		Yes (partly)	For balance			For balance
5c	National or regional pre-financing scheme?		No	80%			No, or abandoned
6	Are publicity rules observed?		Quite well			Yes, generally	Yes
7	Appropriate organization chart?		Functional				Identical to past
8a	Selection and information of FRs		Based on performance	Average		Good	Valid (regular use of consultants)
8b	Systematic monitoring of selection and information processes		Good (Eurada)	Not very good		Average	Good
9	Efficiency of monitoring (computerized?)		Computerized, some confusion between progs.	Poor		Weak	Often good; computerized
10	Designated authority	Ministry of Labour	NA	Department of Labour	NA	Federal Ministry of Labour	NA
10a	Main intermediate-level managers		Flemish and French Communities		15 admin. regions		Länder Ministries of Labour
10b	Staff qualifications Staff numbers		Adequate: 17 staff			Poor (but temp. solutions)	Poor; regular use of consultants

Q No	ESF Member State System audited	GREECE		SPAIN		FRANCE	
		Central	Intermediate	Central	Intermediate	Central	Intermediate
1	Who is responsible for certification (facts and accounts)?	Ministries of Labour and Finance	Central system	Ministry of Labour (purely formal)	Autonomous Communities (in practice)	Min. of Lab. ESF Unit (often formal)	DRFP in practice
2a	Supporting documents available?	No	Depends on case	No	Depends on case	No	Often not
2b	Estimated or real expenditure?	Real			Real, but not uniform	Often estimated	Estimated
3	Control system	Yes	Yes (limited)	Rarely	Often	Poor	Depends on case
3a	Internal audit? External audit?	Yes (Ministry)	No			No	Depends on case
3b	On-the-spot checks?	Yes	Rare, if at all	No	Depends on case	Rare	Rare (except for training)
4	Links with FR	Via OAED and Regions		Via autonomous Communities	Often no formal link	NA	Multiannual agreements
5	Does the FR enjoy:	Long financial procedure	Irregular financial delays			Long fin. circuit (ESF funds in budget)	
5a	Scheme of advances?		Yes (only from June)		Yes (often falls short of Fin. Reg.)		Rarely
5b	Reimbursement scheme?	Yes, in practice	Yes, in practice (partly)		In some cases	Yes, in practice	Yes, in practice
5c	National or regional pre-financing scheme?				Yes		Yes, national and regional
6	Are publicity rules observed?	Uneven	Very well	Rarely	Rarely	Uneven	Very poor
7	Appropriate organization chart?	Extensive dispersal			Functional		Theoretical
8a	Selection and information of FRs	Efficient, clear, well monitored	Fixed criteria		Good		Good
8b	Systematic monitoring of selection and information processes	Good	Not systematic				
9	Efficiency of monitoring (computerized?)	Average (no computers)	Low (listings available)		Average (rarely computerized)		Often poor, not always computerized
10	Designated authority	Min. of Lab. ESF Unit	NA	National Min. of Labour	NA	Min. of Lab. Education & Training	NA
10a	Main intermediate-level managers		OAED (national) and Regions		Autonomous Communities		Regions and Prefectures
10b	Staff qualifications Staff numbers	Poor for controls	Poor for monitoring		Poor, unmotivated	Poor for management and control	Poor

Q No	ESF Member State System audited	IRELAND		ITALY		LUXEMBOURG	
		Central	Intermediate	Central	Intermediate	Central	Intermediate
1	Who is responsible for certification (facts and accounts)?	Dept. of Enterprise & Employment	DA	Ministry of Labour (purely formal)	Region in practice	Ministry of Labour	Sometimes Ministry of Education
2a	Supporting documents available?	No	Yes	No	Often, but no cancellation stamp	Yes	Yes
2b	Estimated or real expenditure?	Real (tax year in arrears)	Real	Real but unverified	Real	Real	Real
3	Control system	Yes, but formal	Yes	No	Depends on Region	Yes	Yes
3a	Internal audit? External audit?	No	No Yes			Yes (Audit Court)	Yes (Audit Court)
3b	On-the-spot checks?	No		No	Rare, but exceptions		
4	Links with FR	NA	Hierarchical if Dept. of Education	NA	Depends on case	NA	
5	Does the FR enjoy:						
5a	Scheme of advances?	Yes, but always late					
5b	Reimbursement scheme?					Yes	Yes
5c	National or regional prefinancing scheme?				Often	Yes	Yes, via central system
6	Are publicity rules observed?	Well	Well	Quite well	Average	Could do better	Poor
7	Appropriate organization chart?				Often functional		
8a	Selection and information of FRs	Correct but slow	Methodical		Generally good	Good, transparent	Good, well integrated
8b	Systematic monitoring of selection and information processes	Yes, computerized			Depends on case		
9	Efficiency of monitoring (computerized?)	Efficient, computerized	Strict	None (fin. monitoring by Treasury)	Depends on case	Satisfactory (with IIRRES)	Fin. monitoring to be improved
10	Designated authority	Dept. of Enterprise & Employment	NA	Ministry of Labour (purely formal)	NA	Ministry of Labour	NA
10a	Main intermediate-level managers		Department of Education		Regions		Min. of Educ. (3 centres report to it)
10b	Staff qualifications. Staff numbers	Poor, but support from outside bodies	Satisfactory		Poor in some cases		

Q No	ESF	Member State System audited	NETHERLANDS		PORTUGAL		UNITED KINGDOM	
			Central	Intermediate	Central	Intermediate	Central	Intermediate
1		Who is responsible for certification (facts and accounts)?	Central Employment Bureau	Regional Bureau in practice	DAFSE	DA	Department of Employment	Sometimes intermediate managers in practice
2a		Supporting documents available?	No	Yes	No	Poor	No	No (at FR level)
2b		Estimated or real expenditure?	Real	Real	Partly estim'd (but close to reality)	Real in 1993	Often estimated	Depends on case
3		Control system	Yes	Yes	Yes	Yes (since 1993)	Yes	Yes, but depends on case
3a		Internal audit? External audit?	Yes (limited)	Yes (autonomous)	No Yes: IGF		Yes	Not always
3b		On-the-spot checks?	Rare	Yes	Frequent		Yes	Yes, but depends on case
4		Links with FR	NA	Agreement	NA		NA	Agreement
5		Does the FR enjoy:			Shorter payment periods		Slow financial procedures	
5a		Scheme of advances?		Yes	Yes	Yes	Yes, officially	Yes, officially
5b		Reimbursement scheme?	Yes in practice		Yes, for balance		Yes in practice	Yes in practice
5c		National or regional pre-financing scheme?		Yes				
6		Are publicity rules observed?	Reasonably well; could be better		Yes	Yes	Reasonably well	Reasonably well
7		Appropriate organization chart?		Good	Good		Functional	
8a		Selection and information of FRs	Too long	Satisfactory	Formal analysis; rules coming out	Good; computerized	Efficient, transparent	Good
8b		Systematic monitoring of selection and information processes	Detailed manuals and follow-up	Good (ORACLE system)		Attempt to annualize measures	Yes	Depends on case
9		Efficiency of monitoring (computerized?)	Satisfactory; computerized (ORACLE)	Satisfactory; computerized	Poor; computerized	Computerized monitoring now upgraded	Efficient, computerized	Efficient, computerized
10		Designated authority	Ministry of Labour, delegated to CEB	NA	DAFSE	NA	Dept. of Employment; v. good cooperation	NA
10a		Main intermediate-level managers		28 Regional bureaux coordinated by CEB		3 Institutes (incl. H.F.P) for 90% of grants		National and regional bodies (SEN)
10b		Staff qualifications Staff numbers	Poor but improving	Satisfactory	Improving		Good, efficient	

Q No	ERDF Member State System audited	BELGIUM		DENMARK		GERMANY	
		Central (Wal)	Central (Flem)	Central	Intermediate	Central	Intermediate (FR)
1	Who is responsible for certification (facts and accounts)?	Region Min, DG for econ. affairs & employment	ditto	DA	No	DA	Project supervisors
2a	Supporting documents available?	No	Yes	No (statement of expenditure)		No	Yes
2b	Estimated or real expenditure?	Real; real controls	Real; formal controls	Real; formal controls	Real; external audit	Real; no controls	Real; certified
3	Control system	Yes	Yes	Yes: external auditors	Limited	Yes, on expenditure statement	Yes
3a	Internal audit? External audit?		No Yes	No Yes: Court of Auditors	No Yes (annual report)	Yes	No Yes: Court of Auditors
3b	On-the-spot checks?		Yes	No, only when accompanying Commission	No, only when accompanying Commission		
4	Links with FR	Agreement		Conditional approval letter			
5	Does the FR enjoy:						
5a	Scheme of advances?	Limited	No	Yes			Yes, on strict terms
5b	Reimbursement scheme?	Generally		Yes			
5c	National or regional pre-financing scheme?	Regional					
6	(a) Are publicity rules observed? (b) Are public procurement rules observed (Com. doc. C(88)2510)?		Yes		Yes		Yes
7	Appropriate organization chart?	Functional				Functional	Functional
8a	Selection and information of FRs		Monitoring Committee: poor info	NAIT Poor info	DA Poor info		Land
8b	Systematic monitoring of selection and information processes	Fin. reporting regulated	Fin. reporting not regulated	Fin. reporting regulated but slow	Fin. data collection is organized		
9	Efficiency of monitoring (computerized?)	Good. Computerized	Quite good. Not computerized	Average	Average, not linked to DA	Delegated to Länder	Good
10	Designated authority	Wal. Region	Flem. Region	Min of Industry, NAIT	NA	Min. Econ. Affairs, Unit LC7	NA
10a	Main intermediate-level managers		NA	NA	County Councils	NA	Länder
10b	Staff qualifications Staff numbers		5				

Q No	ERDF Member State System audited	GREECE		SPAIN		FRANCE	
		Central	FR	Central	FR	Central	Intermediate
1	Who is responsible for certification (facts and accounts)?	DA	Monitoring Committee	DA	FR Coord. units	DA	Prefect
2a	Supporting documents available?	No (from FR)	Yes	No (expenditure statements)	Yes	No	No (from project leaders)
2b	Estimated or real expenditure?	Real; formal controls	Real, but some estimates	Real; formal controls	Real, verified	Real, unverified	Real, verified
3	Control system	Yes, but inactive	Yes, tech. and fin.	Yes	Yes	Yes, systematic	Yes, tech. and fin.
3a	Internal audit? External audit?	Yes (no report)	Yes	Yes Yes: IGAE and Audit Court	Ditto	Yes Yes: IGA and Audit Court	Ditto
3b	On-the-spot checks?		NA	No	NA	No (except accompanying)	NA
4	Links with FR	Via secretariat of Monitoring Committee		Notification of grant decision		Agreement	
5	Does the FR enjoy:						
5a	Scheme of advances?				No		Yes, since 9/90
5b	Reimbursement scheme?		Yes, but depends on State	Yes	Yes in practice	Yes	Yes for national fin.
5c	National or regional pre-financing scheme?		Yes, sometimes		By FR from own budget	No	No
6	(a) Are publicity rules observed? (b) Are public procurement rules observed (Com. doc. C(88)2510)?	Yes	Yes Formally	Yes		Yes	
7	Appropriate organization chart?			Functional	Functional	Special Unit AGILE	Functional
8a	Selection and information of FRs						Tech. Committee
8b	Systematic monitoring of selection and information processes			Fin. reporting regulated			Fin. reporting regulated
9	Efficiency of monitoring (computerized?)	Good	Good; computerized	Good; computerized	Average; computerized	Computerized	Good; computerized
10	Designated authority	Min. of Econ. Affairs		Min. of Econ. Affairs, DGP		Min. of Interior, ERDF Unit	
10a	Main intermediate-level managers		Public and private bodies; prefectures		Public bodies, local authorities		Prefectures (of regions and depts), districts
10b	Staff qualifications Staff numbers	Sometimes poor				Adequate for Objective 1	

Q No	ERDF	Member State System audited	IRELAND		ITALY		LUXEMBOURG	
			Central	Intermediate/FR	Central	Intermediate/FR	Central	FR
1		Who is responsible for certification (facts and accounts)?	DA	Lead dept.	DA	Yes	DA	NA
2a		Supporting documents available?	No (from FR): expenditure statements	Yes (DoM); No (others)	No (from FR)	No	No: expenditure statements	Yes
2b		Estimated or real expenditure?	Real, unverified	Real, some cases of estimates	Real, unverified	Real, certified	Real	Real
3		Control system		Depends on Lead dept.	No	Yes - regions. No - public bodies	Yes, but informal	Yes, external for private FR
3a		Internal audit? External audit?	Yes Yes	Yes Yes	No	No	No Yes: Audit Court	
3b		On-the-spot checks?	No	Yes for Lead dept.	No	No	Rare	NA
4		Links with FR						
5		Does the FR enjoy:						
5a		Scheme of advances?				Yes		No
5b		Reimbursement scheme?		Yes		Yes, for balance		Yes
5c		National or regional pre-financing scheme?		By districts (FR)				By FR
6		(a) Are publicity rules observed? (b) Are public procurement rules observed (Com. doc. C(88)2510)?		Yes Yes		Yes		Yes
7		Appropriate organization chart?			Unofficial, unstructured			
8a		Selection and information of FRs	Poor info.	Projects approved by Lead depts.				
8b		Systematic monitoring of selection and information processes	Eligibility not clear	Fin. reporting regulated	Bilateral meetings: reporting not regulated	Fin. reporting not regulated		
9		Efficiency of monitoring (computerized?)	Limited management; not computerized	Average; not computerized	Poor	Poor; not computerized	Quite good; not computerized	Satisfactory; computerized
10		Designated authority	Dept. of Finance	NA	MISM until 1993 (now wound up)	NA	Min. of Econ. Affairs, Industry Division	NA
10a		Main intermediate-level managers	NA	Lead depts (Env., Marine, Transport)	NA	Regions, districts	NA	Districts: firms
10b		Staff qualifications Staff numbers			15 civil servants on secondment			

Q No	ERDF Member State System audited	NETHERLANDS		PORTUGAL		UNITED KINGDOM	
		Central	FR	Central	Intermediate	Central	FR
1	Who is responsible for certification (facts and accounts)?	DA	NA	DA	Yes	DA	Yes (participates)
2a	Supporting documents available?	No: expenditure statements	Yes	No: expenditure statements	Yes	No	Yes
2b	Estimated or real expenditure?	Real, unverified	Real	Real, rarely verified	Real	Real, unverified (except Scotland)	Real, but corrected by hand
3	Control system	Yes, external auditor	Yes	No, indirect yes	Yes Yes	Yes	Yes
3a	Internal audit? External audit?	Yes	Depends on case	No	Yes	Yes Yes	Yes Yes
3b	On-the-spot checks?	Yes	NA	No	No	Rare	NA
4	Links with FR	Award letter, with info				Direct	NA
5	Does the FR enjoy:						
5a	Scheme of advances?	Yes		Yes	Yes	No	No
5b	Reimbursement scheme?	Yes, for balance		Yes	Yes	Yes, for balance	Yes
5c	National or regional pre-financing scheme?				Districts	No	Districts' own budgets
6	(a) Are publicity rules observed? (b) Are public procurement rules observed (Com. doc. C(88)2510)?	Yes	Yes	Yes	Yes Yes	Yes	Yes, not fully Checked; one failure
7	Appropriate organization chart?	Functional	Functional		DA and FR		
8a	Selection and information of FRs	Prov. Govt. Good			Cooptation with DGDR	Good	
8b	Systematic monitoring of selection and information processes		Fin. reporting regulated	Fin. reporting regulated		Fin. reporting regulated	
9	Efficiency of monitoring (computerized?)	Good. Computerized	Good	Good. Computerized	Good. Computerized	Acceptable. Computerized	Good
10	Designated authority	Provinces	NA	Min. of Planning DGDR	NA	Dept. of Industry, DoE. Scottish/ Welsh Office. DoE NI	NA
10a	Main intermediate-level managers	NA	Local authorities, Chambers of Commerce	NA	Reg. Coord. Committees	NA	Local authorities
10b	Staff qualifications Staff numbers					Not always adequate	

Q No	EAGGF Guidance Measure concerned	Member State System audited		BELGIUM		DENMARK		GERMANY	
		Central R 866/90	Intermediate	Central R 866/90	Intermediate	Central Obj. 5a/5b: R 2928/91	Intermediate		
1	Who is responsible for certification (facts and accounts)?	Min		DA, no specific controls		DA (purely formal)	Land Min in practice		
2a	Supporting documents available?	Yes		No (from FR)			Yes		
2b	Estimated or real expenditure?	Real, verified		Real (ex ante audits)		Real, unverified	Real		
3	Control system	Yes (reports)		Yes		No (at central level)	Yes (doc. and direct, depends on Regulation)		
3a	Internal audit? External audit?	No Yes (Audit Court)		Yes (but not very active)		No	Yes		
3b	On-the-spot checks?	Yes		Yes; by approved architects. 5% by DA		No	Yes, ex ante and ex post		
4	Links with FR	Letter from Min.		Award letter		NA	Award decision with conditions		
5	Does the FR enjoy:			Fin. procedures sometimes slow					
5a	Scheme of advances?	No		Rare (major projects only)			Sometimes (local authority projects)		
5b	Reimbursement scheme?	Yes		Yes			Yes		
5c	National or regional pre-financing scheme?	Yes (loans from Cred. Inst)		No			Exceptional cases		
6	Are publicity rules observed?	Yes (limited)		Uneven			Yes		
7	Appropriate organization chart?	No separation of functions		Functional		Functional	Functional		
8a	Selection and information of FRs	Good and sound; good info		Info and instruction pack		Selection by Länder	Local selection; info. depends on case		
8b	Systematic monitoring of selection and information processes	Requests not recorded uniformly		Computerized					
9	Efficiency of monitoring (computerized?)	Good; computerized		Average; computerized		Formal (data consolidation)	Often efficient; computerized		
10	Designated authority	Min. of Ag.	NA	Ag. Directorate	NA	Fed. Min. of Ag.	NA		
10a	Main intermediate-level managers	NA	FR = private firms only	NA		NA	Land Min., depends on case		
10b	Staff qualifications Staff numbers	Experienced Adequate		Experienced, but too few		Well trained, adequate	Good, well qualified		

Q No	EAGGF Member State Guidance System audited Measure concerned	GREECE		SPAIN		FRANCE	
		Central R 2328/91	Intermediate E. Mac. Prog.	Central Intermediate R 2328/91; Obj 5b, R 866/90	Min (DA)	Central Intermediate R 2328/91; Obj 5b prog/R2928/91 Obj 5b prog.	Intermediate
1	Who is responsible for certification (facts and accounts)?	DA	Min (DA)	DA on proposal from Auton. Comm.	Min (DA)	Min. as appropriate	Expenditure statements sent by SGAR
2a	Supporting documents available?		Yes	No; expend. statements controlled	Yes (or expend. statements)		No
2b	Estimated or real expenditure?		Real	Real	Real, verified	Real	Real (some ineligible or estimates)
3	Control system	Yes, several levels	Yes	Yes, sometimes computerized	Yes, several levels	Yes	Yes
3a	Internal audit? External audit?	Yes Yes		Yes (Interv. and Audit Court)	Rare Yes (interv.)	Yes (IG, Ag.) Yes (IGF, Audit Court)	Ditto
3b	On-the-spot checks?	Yes, unannounced (Prefecture)	Yes	Depends on case	Usually	Not always	Usually
4	Links with FR		Contract	Award decision	Award letter sometimes confirmed		Order of Prefect
5	Does the FR enjoy:			Fin. procedures not uniform	Fin. procedures long in Valencia	Fin. procedures better but still slow	Fin. procedures slow
5a	Scheme of advances?				Depends on case	Yes	Yes
5b	Reimbursement scheme?		Yes		Yes in practice		Yes if one-off payment
5c	National or regional pre-financing scheme?			No	No	No (at national level)	No
6	Are publicity rules observed?		Well, in general	Not always	Not well enough		
7	Appropriate organization chart?		Separate depts.	Functional separation			
8a	Selection and information of FRs	Decentralized, good	Eligibility checked		With Central Mun.		Local, checked
8b	Systematic monitoring of selection and information processes	Lack of instructions	Reporting not regulated	Standard national forms	Info via local relays	Min. instructions (select. and info)	Standard forms
9	Efficiency of monitoring (computerized?)	Average, decentralized, computerized	Satisfactory	Very uneven; computerized	Satisfactory, computerized on the whole		Average; computerized
10	Designated authority	Min. of Ag.	NA	Min. of Ag. (DG or Division)	NA	Min. of Ag., Prod and Trade Divn	NA
10a	Main intermediate-level managers	NA	Regions and Depts	NA	Autonomous Communities	NA	Regions and Depts
10b	Staff qualifications Staff numbers	Good Sometimes too few	Sometimes too few		Good Adequate		

Q No	EAGGF Guidance Measure concerned	Member State System audited	IRELAND		ITALY		LUXEMBOURG	
			Central Intermediate R 2328/91 + 866/90 Rural devpt prog.		Central R 866/90 Leader Prog.	Intermediate R 866/90 Obj 1 and 5b, Leader	Central Intermediate R 866/90	
1	Who is responsible for certification (facts and accounts)?	DAF		Min. (purely formal)	Region (sent by Min.)	Min.		
2a	Supporting documents available?	Yes		Only for national measures	No (kept by FR)	Yes		
2b	Estimated or real expenditure?	Real, verified, some ineligible		Real, unverified	Real and est., some ineligible	Real		
3	Control system	Yes, frequent (incl. ext. audits)		Yes for national prog.	Yes (less good for Leader)	Yes, doc. and on spot, ex ante and current		
3a	Internal audit? External audit?	Yes (spec. unit), Compt. & Aud. Gen.		Yes: IGFOR (samples)	Ditto	Yes: Audit Court		
3b	On-the-spot checks?	Yes, ex ante and ex post, unannounced		Yes, when final payments requested (nat. prog.)	Yes (full reports)	Yes (doc. and physical)		
4	Links with FR	Approval notice		Nat. prog. award decision	Delibera di concessione / Agreement	Approval letter		
5	Does the FR enjoy:	Payment times; low admin. costs		Slow admin. and fin. procedures	Ditto			
5a	Scheme of advances?			No	Often (bank guarantees)	Yes		
5b	Reimbursement scheme?	Yes		Yes	Yes in practice	Yes, by instalments		
5c	National or regional pre-financing scheme?	No		No	No (except Leader)	Sometimes		
6	Are publicity rules observed?	Depends on case		Yes (but barely)	Yes (but uneven)	Yes (but barely)		
7	Appropriate organization chart?	Funct. separation; regionalized		No separation	No separation management control	Limited but adequate		
8a	Selection and information of FRs	Strict		Selection by DA; strict criteria	Calls for tenders; Giunta decision	Min. after Consult. Committees		
8b	Systematic monitoring of selection and information processes	Info. often poor		No coord. with Regions	No	Cost eligibility rules		
9	Efficiency of monitoring (computerized?)	Good, computerized		Often poor; not computerized	Depends on Region	Simple but efficient; not highly computerized		
10	Designated authority	Dept of Ag. and Food	NA	Min. of Ag. and Forestry	NA	Min. of Ag.	NA	
10a	Main intermediate-level managers	NA		NA	Regions	NA		
10b	Staff qualifications Staff numbers	Qualified, well trained		Could be better	Qualified but too few	Good, qualified		

Q No	EAGGF Guidance Measure concerned	NETHERLANDS		PORTUGAL		UNITED KINGDOM	
		Central Intermediate R 866/90		Central Pedap, R 866/90, Leader	Intermediate Pedap, Leader	Central R 2328/91 + 866/90	Intermediate R 2328/91 + Leader
1	Who is responsible for certification (facts and accounts)?	Min.		DA	DA on basis of statements supplied	DA, depending on region, verified	DA
2a	Supporting documents available?	Yes		Depends on case	Yes (with cancellation stamp)	Yes	No
2b	Estimated or real expenditure?	Real		Real	Real, confirmed	Real	Real
3	Control system	Yes (separate dept)		Yes	Yes (Leader)	Yes (with reports)	Yes
3a	Internal audit? External audit?	Yes (no reports) Yes (Audit Court)		Yes (IFADAP) Yes (IGF, IGA)	Ditto	Yes (Scott. Off.) Yes (Nat. Audit Off.)	Yes Yes (Leader)
3b	On-the-spot checks?	Yes (Insp. Dept)		Yes	Yes	Yes (reports)	Yes
4	Links with FR	Award decision		Contract	Contract		Award letter
5	Does the FR enjoy:	Slow procedures (dormant credits)		Some admin. fees	Slow procedures (dormant credits)	Slow fin. procedures (N. Ireland)	
5a	Scheme of advances?	No		Yes (Leader)	Yes (Leader)		Yes
5b	Reimbursement scheme?	Yes		Yes (Leader)	Yes (Leader)		
5c	National or regional pre-financing scheme?				Yes (GAL)	No (DANI)	No (Leader)
6	Are publicity rules observed?	Yes		Yes (depends on case)	Yes (depends on case)	Uneven	Depends on case
7	Appropriate organization chart?	Functional separation		Functional separation	Functional separation	Separation for Scott. Off., not DANI	Functional separation
8a	Selection and information of FRs	Ex ante evaluation		Local preselect, central decision	Criteria set by central authority	Good procedures, well checked	Strict, computerized
8b	Systematic monitoring of selection and information processes			No instructions (except Leader)	Yes (Leader)	Standard rules and forms	Jointly
9	Efficiency of monitoring (computerized?)	Good (no dates given); computerized		Could be better, computerized	Could be better	Satisfactory, computerized	Satisfactory, computerized
10	Designated authority	Min. of Ag.	NA	Min. of Ag., IFADAP, IEADR, Auton Regions	NA	Dept of Ag. and For.; DoA for NI	NA
10a	Main intermediate-level managers	NA		NA	Regions, GAL, IEADR Offices	NA	Scott and Welsh Offices local offices
10b	Staff qualifications Staff numbers	Very good Adequate				Well qualified	Well qualified

ANNEX 3

List of systems audits performed, by Fund

LIST OF MISSIONS UNDERTAKEN BY FINANCIAL CONTROL IN CONNECTION WITH THE AUDIT OF NATIONAL CONTROL AND MANAGEMENT SYSTEMS FOR OPERATIONAL PROGRAMMES COFINANCED BY THE ESF

Member State	Region	Authority audited	Date of audit		Fund
			from:	to:	
DENMARK	Viborg, Vejle, Ribe	Régions	27.4.92	1.5.92	ESF
ITALY	Umbria	Labour ministry and region	23.7.92	31.7.92	ESF
GERMANY	Land Berlin	S.A. Land Berlin	14.9.92	18.9.92	ESF
ITALY	Veneto	Veneto region	05.10.92	9.10.92	ESF
PORTUGAL	Lisbonne	DAFSE, IEFP & other intermediate-level managers	9.11.92	13.11.92	ESF
FRANCE	Corse	Préfecture de région/Assemblée de Corse, divers gest. interm.	23.11.92	27.11.92	ESF
NETHERLANDS	The Hague	Social Affairs Min. (CBA, 3RBAs)	25.11.92	29.11.92	ESF
FRANCE	Picardie	Préfecture de Région, Conseil Régional, divers gest. intermédiaires	17.2.93	19.2.93	ESF
SPAIN	Junta de Andalucía	Hosteria La Rabida, Disputacion de Cadiz, Soderinea	15.3.93	19.3.93	ESF
GERMANY	Thuringia	Social Affairs Min., Economic Affairs Ministry	8.3.93	12.3.93	ESF
FRANCE/DOM	Martinique	DRFP, ANT, DDTEFP, DDANPE, S.M.A. Cons. Régional	23.3.93	26.3.93	ESF
FRANCE/DOM	Guadeloupe	DRFP, Conseil Régional, AFPAG	29.3.93	30.3.93	ESF
ITALY	Sardegna	Regione Sardegna, Cagliari	26.4.93	29.4.93	ESF
LUXEMBOURG	Luxembourg	Min. Travail, Education, ...	25.5.93	26.5.93	ESF
SPAIN	Castilla-La Mancha	Chamber of Commerce & Industry-Albacete & Toledo	10.5.93	14.5.93	ESF
PORTUGAL	Lisbonne	DAFSE-Lisbonne, IEFP-Lisbonne	13.6.93	18.9.93	ESF
GREECE	Athens & Ionian Islands	Labour Ministry and Corfu Regional Council	20.6.93	2.7.93	ESF
FRANCE	Paris	Mission FSE, Délégation à l'Emploi	28.6.93	2.7.93	ESF
BELGIUM	Charleroi, Gilly, Arlon, Liège	Communauté française, Cellule FSE MERF	22.9.93	26.9.93	ESF
UK	Scotland	Drilling & Production Training Association	23.9.93	24.9.93	ESF
GERMANY	Sachsen-Anhalt	Minist. Arbeit und Soziales des Landes Sachsen-Anhalt	27.9.93	1.10.93	ESF
IRELAND	Dublin	Department of Enterprise & Employment	04.10.93	08.10.93	ESF
SPAIN	Galicia	Provincial labour delegation, Pontevedra, Coruna	11.10.93	15.10.93	ESF
ITALY	Abruzzo	Regione Abruzzo	26.10.93	28.10.93	ESF
UK	Scotland	Scottish Enterprise	15.11.93	19.11.93	ESF
GREECE	Macedoine, Thrace	Neo kaneli - Mairie - ASBL informatique jeune Thessalonique	13.12.93	17.12.93	ESF
FRANCE	Paris, Limousin	DRFP du Limousin, Conseil Régional Limousin, Mission FSE	01.02.94	03.02.94	ESF
UK	London	Department of Employment	23.3.94	25.3.94	ESF

LIST OF MISSIONS UNDERTAKEN BY FINANCIAL CONTROL (UNIT XX.B.3) IN CONNECTION WITH THE AUDIT OF NATIONAL CONTROL AND MANAGEMENT SYSTEMS
FOR OPERATIONAL PROGRAMMES COFINANCED BY THE ERDF

Member State	Region	Authority audited	Date of audit		Fund
			from	to	
FRANCE	Réunion	Ministère DOM-TOM, DATAR	28.9.93	1.10.93	ERDF
UK	Manchester	Dept of environment, London.....	28.10.93	30.10.93	ERDF
GREECE	Ipiros	Finance Min., Nat. Econ. Min., Ionian Islands	19.10.93	23.10.93	ERDF
ITALY	Campania	Società Interporto Campano, MISM	19.10.93	23.10.93	ERDF
PORTUGAL	Oeste	DGDR, IGF, CCR Lisbonne	18.1.93	22.1.93	ERDF
DENMARK	North Jutland	NAIT, CCN, Representatives of the above-ment. benef.	18.10.93	21.10.93	ERDF
NETHERLANDS	Groningen/Zuidoost Drente	Province Drente, Zoo du Nord, Travaux portuaires.....	7.6.93	10.6.93	ERDF
LUXEMBOURG	Esch/Alzette, Capellen	Ministère de l'Economie et Bénéficiaires final du P.D. obj. 2	10.6.93	10.6.93	ERDF
IRELAND	Peripherality	Dept of Finance, Dublin, dept of environment.....	28.04.93	30.4.93	ERDF
BELGIUM	Turnhout	Vlaams Ministerie van Economie, Projekt "Het Steentje".....	16.11.93	18.11.93	ERDF
GERMANY	Berlin	DEA (dept of Economic Affairs).....	1.3.93	5.3.93	ERDF
SPAIN	Madrid	Comunidad Autonoma de Madrid, CAM Tesoreria.....	21.6.93	25.6.93	ERDF

LIST OF MISSIONS UNDERTAKEN BY FINANCIAL CONTROL (UNIT XX.B.3) IN CONNECTION WITH THE AUDIT OF NATIONAL CONTROL AND MANAGEMENT SYSTEMS FOR OPERATIONAL PROGRAMMES COFINANCED BY THE EAGGF

Member State	Region	Authority audited	Dates of audit		Fund sector
GERMANY	Landes Sachsen Anhalt	MELF, M U N	1 6 92	5 6 92	pt 7 & B C C A
GREECE	Evia and Magnisia	Ministry of Agriculture	13 7 92	17 7 92	Regl. 2328 91
GERMANY	Thuringen	Thüringer Ministerium für Landwirtschaft und Forsten	7 9 92	11 9 92	91CTDL13
PORTUGAL	Alentejo	Directorate-General for Agriculture - IFADAP	14 9 92	18 9 92	PEDAP
IRELAND	Co Galway-Roscommon	Dept of Agriculture & Food, Mayo	21 9 92	25 9 92	Regl. 2328 91
IRELAND		Dept of Agriculture, Food and Forestry (DAFF)	23 9 92	29 9 92	Regl. 868/90
PORTUGAL		IFADAP, final beneficiaries	12 10 92	16 10 92	Regl. 868 90
GREECE	East Macedonia & Thrace	Ministry of Agriculture	12 10 92	16 10 92	Regl. 4253 88
SPAIN	Madrid	Ministerio de Agricultura - Comunidad Autónoma de Mad	19 10 92	23 10 92	Regl. 2328 91
UK	Scotland	Scottish Office of Department of Agriculture and Fish	23 10 92	27 10 92	Regl. 2328 91
UK	Northern Ireland	Dpt. of Agriculture for Northern Ireland (DANI)	9 11 92	13 11 92	Regl. 868 90
IRELAND		Dept of Agriculture and Food (DAF)	18 1 93	22 1 93	Regl. 868 90
GERMANY	Hessen, Nordrhein-West	Hessisches Ministerium für Landesentwicklung	25 1 93	29 1 93	Regl. 2328 91
SPAIN	Aragon	Ministerio de Agricultura et Comunidad Autónoma d Arag	8 2 93	12 2 93	Regl. 4253 88
BELGIUM		Ministère de l'Agriculture	9 2 93	12 2 93	Regl. 868 90
NETHERLANDS		Ministry of Agriculture	24 2 93	28 2 93	Regl. 868 90
ITALY	Puglia	Ministero dell'Agricoltura e Foreste, Roma	1 3 93	5 3 93	Regl. 2052 89
LUXEMBOURG		Ministère de l'Agriculture	9 3 93	10 3 93	Regl. 868 90
FRANCE	Hautes-Alpes	Direction Départementale Agr. et Forêts, Bénéficiaire Finales	22 3 93	28 3 93	Regl. 2328 91
ITALY	Emilia Romagna e Lombardia	2 recipients of Community support & Sett. Agric. Fac.	29 3 93	2 4 93	Regl. 868 90
PORTUGAL		Instituto de Estruturas Agrarias e desenvolvimento rural	28 4 93	30 4 93	LEADER
GERMANY	Saarland, Rheinland	Saarländisches Ministerium für Wirtschaft	3 5 93	7 5 93	PO Obj. 5b
UK		Ministry of Agriculture, Fisheries and Food	10 5 93	13 5 93	Regl. 4042 89
BELGIUM		Ministère de l'Agriculture	26 5 93	27 5 93	Regl. 4042 89
FRANCE	Limousin	Direct. de l'espace rural et forêt du Minist. Agr. Limousin	1 6 93	4 6 93	Regl. 4253 88
UK	Wales	Welsh Office and four Welsh LEADER groups	14 6 93	18 6 93	LEADER
DENMARK	Jutland and Fyn	Ministry of Agriculture	31 8 93	3 9 93	Regl. 4253 88
ITALY		Assessorato all'Agricoltura e foreste	6 9 93	10 9 93	Regl. 2052 88
GREECE		Ministry of Agriculture	20 9 93	24 9 93	Regl. 4042 89
UK	N. Ireland, Ireland	Dept of Agriculture for Northern Ireland	18 10 93	22 10 93	Interreg
SPAIN	Valencia	Ministerio de Agricultura	25 10 93	29 10 93	Regl. 868/90
ITALY	Calabria & Sicilia	Ministero della Risorse Agricole	31 1 94	4 2 94	Regl. 4253 88

ANNEX 4

Notifications of dates and procedures for systems audits at each designated authority for each Fund in each Member State

Example: Schedule of missions planned in France in 1992 and 1993 for measures co-financed by the ESF

Brussels, 10 March 1992

Directorate-General
for Financial Control

XX. (92) D/4308

Dear Ms Beck,

European Social Fund (ESF) - On-the-spot Community inspections - audit of national control and management systems - 1992-93 mission programme

Financial Control intends, during its on-the-spot checks between now and the end of 1993, to concentrate once again on the control and management systems for measures cofinanced by the Structural Funds, set up by the Member States in accordance with Article 23(1) of Regulation 4253/88. At the same time, Financial Control will be carrying out its traditional on-the-spot checks, provided for by Article 23(2).

As you are aware, Article 23 requires the Member States to ensure that operations cofinanced by the Structural Funds are properly carried out, i.e. to ensure compliance with the regulations on financial management and monitoring and on controls (including measures to prevent and correct irregularities and, if necessary, recover any amounts lost as a result of irregularities or negligence).

To enable the departments responsible for inspecting ESF operations to prepare for the audit of the management and control systems, I would be grateful if, at your earliest convenience, you would send me a description of the current systems and procedures used in France to ensure that the regulations referred to above are observed. If you have already done so on a previous occasion, please supplement and, if appropriate, update the descriptions. The on-the-spot checks are, of course, carried out in close cooperation with the national authorities concerned.

Ms P. Beck
Ministry for Labour, Employment
and Vocational Training
Mission "F.S.E."
avenue Bosquet 55
F - 75700 PARIS

I enclose Financial Control's programme of on-the-spot checks for the period up to the end of 1993. Your full cooperation would be much appreciated so that implementation of the reform can continue.

The checks will be carried out by the unit responsible for the ESF, Unit XX.B.2, led by Mr Van der Jeught.

Yours faithfully,

The Financial Controller

L. de Moor
Director-General

ON-THE-SPOT CHECKS - EUROPEAN SOCIAL FUND

Year: 1992

Country: France

Month	Week	Subject	Initiative
October	12-16	Systems audit - Bourgogne	DG XX
November	9-13	Systems audit - Corsica	DG XX

ON-THE-SPOT CHECKS - EUROPEAN SOCIAL FUND

Year: 1993

Country: France

Month	Week	Subject	Initiative
February	22-26	Systems audit	DG XX
June	14-18	Systems audit	DG XX
November	8-12	Systems audit	DG XX

ANNEX 5

Notifications of dates and procedures for systems audits at a designated authority with copy to the national audit authority

Example: Confirmation to the French Ministry for Labour, Employment and Vocational Training and to the General Finance Inspectorate that an audit mission is scheduled at the ESF Mission at the Ministry in Paris from 28.6.1993 to 2.7.1993.

**COMMISSION OF THE
EUROPEAN COMMUNITIES**

**DIRECTORATE-GENERAL FOR
FINANCIAL CONTROL**

Brussels, 3 June 1993
XX (93) D/3125

Dear Sir,

On-the-spot check of 28 June - 2 July 1993

Ref.: Letter V/D/6 No 20481 of 11 December 1992 and
Letter XX(92) D/4308 of 10 September 1992

Following Financial Control's meeting with Mr Ferriera in Paris on 26 May 1992, I wish to inform you that the on-the-spot check planned for 14-18 June 1993 has been postponed and will now take place from 28 June to 2 July.

The check will be used for an audit of the management and control systems for objective 3 and 4 operational programmes on the basis of requests for payment of balances for the 1991 and 1992 tranches (if these are available for 1992) and recent implementation certificates.

I enclose a provisional programme, drawn up in cooperation with the Ministry.

The inspection team will consist of Mr Cornelis Burger and Mr José Ferreira from Financial Control.

Yours faithfully,

The Financial Controller

L. de Moor
Director-General

Mr Philip Rabanes
Ministry for Labour, Employment and
Vocational Training
Mission "Fonds Social Européen"
55 avenue Bosquet
F-75700 PARIS

**COMMISSION OF THE
EUROPEAN COMMUNITIES**

**DIRECTORATE-GENERAL FOR
FINANCIAL CONTROL**

Brussels, 3 June 1993
XX (93) D/3128

Dear Sir,

European Social Fund - on-the-spot check of 14-18 June 1993

I wish to inform you that the visit referred to above, of which you were notified in the programme of on-the-spot checks for 1993, has been deferred to the week beginning 28 June at the request of the Mission ESF in Paris.

The check will concentrate on the audit of management and control systems for objective 3 and 4 operational programmes. The Commission will be represented by Mr Cornelis Burger and Mr José Ferreira from Financial Control.

Yours faithfully,

The Financial Controller

L. de Moor
Director-General

Mr A. Blanc
Inspector-General of Finances
Inspectorate-General of Finances
139 rue de Bercy
F-75012 PARIS