



## **EC FINANCIAL CONTROL REGULATION No 438/2001**

**ARTICLE 13: REPORT FOR 2005**

**COUNTRY: NORTHERN IRELAND**

**PROGRAMMES: BUILDING SUSTAINABLE PROSPERITY, PEACE II  
AND URBAN II COMMUNITY INITIATIVE**

**FUND: EUROPEAN REGIONAL DEVELOPMENT FUND**

### **1. INTRODUCTION**

This report covers the management and control systems that are in place in Northern Ireland for control of the EU Structural Funds Programmes for the period 2000-2006. For the 2005 calendar year this relates to the Programme for Building Sustainable Prosperity (BSP) the Programme for Peace & Reconciliation in Northern Ireland and the Border Counties of Ireland (Peace II) – reporting on the Northern Ireland element only and The Urban II Community Initiative. It concentrates on the European Regional Development Fund.

The Managing Authorities are the Department of Finance and Personnel for BSP, the Special European Union Programmes Body (SEUPB) for Peace II and the Department of Social Development (DSD) for the Urban II Community Initiative.

This report has been prepared by the European Division, Department of Finance and Personnel on behalf of the Managing Authorities and is drawn from information held on the Commission's SFC Database and provided by the Internal Audit Branches within the following Departments:

Department of Health and Social Services and Public Safety (DHSSPS)

Department of Enterprise Trade and Investment (DETI)

Department of Social Development (DSD)

Department of Education (DE)

Department of Finance and Personnel (DFP) on behalf of the Office of the First minister and Deputy First Minister (OFMDFM) and the Special EU Programmes Body (SEUPB)

Department of Agriculture and Rural Development (DARD)

Department of Regional Development (DRD)

Department of Culture Arts and Leisure (DCAL)

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

The expenditure declared to the Commission in respect of ERDF for the calendar year 2005 is shown below. In some cases, these amounts are less than the total expenditure declared in payment applications since expenditure for earlier years was also included.

**Building Sustainable Prosperity**

€

Community	National	Private	Revenue	Total
58,149,520	32,801,472	3,270	0	90,954,262

**Peace II (Northern Ireland element only)**

€

Community	National	Private	Revenue	Total
32,155,663	10,722,717	0	0	42,878,379

**Urban II Community Initiative**

€

Community	National	Private	Revenue	Total
1,636,561	1,078,487	0	0	2,715,048

**2. COMPLETION AND UPDATING OF DESCRIPTION OF MANAGEMENT AND CONTROL SYSTEM UNDER ARTICLE 5**

Following the draft Management and Control Report submitted to the Commission in October 2001, points raised by the Commission were addressed by correspondence sent to the Commission on 30<sup>th</sup> June 2003. This also addressed lessons learned during the early implementation of 2000 – 2006 Programmes and from checks carried out as part of the closure of the 1994-1999 Programmes. These systems continue to be reviewed and refined as necessary with the Article 5 Statement being amended as appropriate.

**3. CHANGES TO THE AUDIT STRATEGY**

There were no changes to the audit strategy during the year.

#### 4. SYSTEMS AUDITS

Departmental Internal Audit Branches (IABs) carried out systems audits during 2005. Under the Peace II Programme a number of Implementing Bodies are outside of central government and, in these instances, staff from the SEUPB carried out systems audits – with DFP EU Verification Unit fulfilling the Article 10 role in those areas where DFP is the Accountable Department. No systems audits were completed in 2005 in respect of the Urban II C.I.

Details of the systems audits carried out are detailed below:

##### **Building Sustainable Prosperity (BSP)**

<b>Date of audit visit</b>	<b>Name of Body / Project visited</b>	<b>Date Report provided to the Commission</b>
May 2005 (IAS 03/05)	Invest NI – Client Groups Sectoral Divisions (Client Monitoring) – Part 2	Issued 28 March 2006
November 2005 (IAS 33/05)	Invest NI – LON Client Monitoring	Issued 28 March 2006
December 2005 (IAS 32/05)	Invest NI – E Business and Information Services	Issued 28 March 2006
March-April 2005	DETI Energy Division Measure 1.1	Issued 31 March 2006
June-August 2005	DETI Telecoms Policy Division Broadband Measure 1.7	Issued 31 March 2006
June-July 2005	NITB Marketing Communications Measure 1.3a	Issued 31 March 2006
July-August 2005	NITB Funding and Monitoring Unit Measure 1.3b	Issued 31 March 2006
August-September 2004	Structural Funds Policy Management Team (IA 17/04)	April 2005
April 2005	EUD Financial Management and Data Systems Team Follow-up (IA 70/04)	June 2005
April 2005	EUD Structural Funds Database (IA	June 2005

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

	71/04)	
May 2005	EU Verification Unit Follow-up (IA 78/04)	July 2005
Aug-Oct 2004	DRD Roads Service	April 2005
September - October 2004	DRD Water Service	April 2005
December 2005	DRD Water Service (Follow up Review )	March 2006
March -November 2005	DOE Environment and Heritage Service	April 2006
June 2005 (follow-up on previous recommendations)	Department of Education (DE)	May 2006

## Peace II

<b>Date of audit visit</b>	<b>Name of Body / Project visited</b>	<b>Date Report provided to the Commission</b>
July 2005 (IAS 10/05)	Invest NI – Property Solutions Unit	Issued 28 March 2006
March-April 2005	DETI European Programmes Measure 1.1	Issued 31 March 2006
December 2004 – January 2005	OFMDFM Community Relations Unit (IA 31/04)	June 2005
January 2005	OFMDFM Victims Unit (IA 37/04)	February 2005
February 2005	OFMDFM European Policy & Coordination Unit (IA 40/04)	June 2005
March 2005	SEUPB Central Payments Unit (IA 65/04)	June 2005
April – May 2005	SEUPB – Peace II (& Follow-up on Article 4 Team) (IA 61/04)	October 2005
April 2005	EUD Financial Management and Data Systems Team Follow-up (IA 70/04)	June 2005

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

April 2005	EUD Structural Funds Database (IA 71/04)	June 2005
May 2005	North South Policy and Programmes Unit Follow-up (IA 75/04)	June 2005
May 2005	EU Verification Unit Follow-up (IA 78/04)	July 2005
August 2005	OFMDFM Victims Unit Follow-up (IA 19/05)	August 2005
October 2005 (Audit on performance of Article 4 checks)	Department Culture Arts and Leisure (DCAL)	April 2006
April 2005 (follow-up on previous rec's)	Department Culture Arts and Leisure (DCAL)	April 2006
3 January 2006 (carried out in 2005)	Rural Development Division Peace II Measures <b>1.2b</b> , 1.6, 1.7a, 1.9, <b>4.2b</b> , 5.6b and <b>6.2a</b>	16 March 2006

All Structural Fund measures / Community Initiatives are regularly reviewed and audit visits selected on the basis of risk assessment – taking account of complexity, value and volume of transactions, impact on organisational objectives, opportunity for fraud and audit opinion - and in conjunction with the notified Audit Strategy.

Principal findings and conclusions drawn from audit visits are set out below:

### **Building Sustainable Prosperity (BSP)**

<b>Name of Body / Project audited</b>	<b>Sufficient assurance? Yes / No</b>	<b>If 'No' give details</b>
Invest NI – Client Groups Sectoral Divisions (Client Monitoring) – Part 2	Yes. Generally sound new client monitoring system in place. Some non-compliance identified in terms of the completion of the	Reminder included in report about the additional monitoring requirement for Article 4 checks and completion of associated checklists.

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

Measure 1.1	new financial and project related monitoring proformas.	
Invest NI – LON Client Monitoring  Measure 1.1	Yes. Generally sound new client monitoring system in place. Some non-compliance identified in terms of the completion of the new financial and project related monitoring proformas.	N/A
Invest NI – E Business and Information Services  Measure 1.5	Yes. Satisfactory audit opinion provided.	N/A
DETI Energy Division  Energy Gas  Measure 1.8a	Yes. Satisfactory audit opinion provided	N/A
DETI Telecoms Policy  Telecommunications  Measure 1.7	Limited assurance on accuracy of information recorded in BSP Database	Errors found in project details recorded on BSP Database. Management are in the process of resolving these.
NITB  Marketing  Measure 1.3a	Yes. Satisfactory audit opinion provided.	N/A
NITB  TDS-Funding and Monitoring Unit  Measure 1.3b	Yes	Follow-up of specific project issues raised in the Audit undertaken in 2004. Issues previously raised had been adequately addressed.
Structural Funds	Yes – with issues as	SFPMT has an adequate

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

Policy Management Team (IA 17/04)	highlighted	control system in place to effectively fulfil its role as Managing Authority for CSF and BSP, including N+2 responsibilities. However, with regard to Technical Assistance, there are a number of weaknesses relating to separation of duties throughout the purchase and payment process. Additionally, and of most concern are a number of issues relating to the Agri-Rural Forum project. These include a lack of documentation relating to the original selection panel's appraisal, economic appraisals and non-compliance with conditions of the Letter of Offer relating to annual accounts.
EUD Financial Management and Data Systems Team Follow-up (IA 70/04)	Yes	N/A
EUD Structural Funds Database (IA 71/04)	Yes	N/A
EU Verification Unit Follow-up (IA 78/04)	Yes	N/A
DRD Roads Service	Yes	
DRD Water Service	Yes	A Follow up review was completed which confirmed recommendations highlighted in the original review had been addressed and this enabled the earlier limited assurance rating provided to be raised to reasonable assurance.
DOE Environment and Heritage	Limited	There are generally adequate control systems over Accounting Systems and

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

Service		Financial Reporting, Project Monitoring and Control and Publicity. However, due to the absence of some key controls and the ineffectiveness of others, the assurance is limited over Processing of Applications including Project Assessment, Processing of Claims and Payments and Compliance with EC Regulation 438/2001 and 1681/1994. In overall terms, a limited assurance rating is applicable for this area. A follow up review has been scheduled for 2006 to ensure that recommendations have been satisfactorily implemented.
DE (EFU)	Yes	N/A

## Peace II

<b>Name of Body / Project audited</b>	<b>Sufficient assurance? Yes / No</b>	<b>If 'No' give details</b>
Invest NI – Property Solutions Unit	Yes. Satisfactory audit opinion provided.	Recommendation made that management seek advice concerning EU regulatory requirements concerning Peace II funds allocated to an Enterprise Park development.
DETI European Programmes  Economic Revitalisation (DETI	Yes. Satisfactory audit opinion provided.	N/A

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

Workspace) Measure 1.1		
OFMDFM Community Relations Unit (IA 31/04)	Yes – with issues highlighted	<p>In relation to Peace II funding, controls are generally adequate and effective in this area.</p> <p>An officer has now been appointed to conduct verification visits and a system established to monitor her activity. However, a number of issues were noted that needed to be redressed to ensure the integrity of funds:</p> <p>Evidence of the independent check on Article 4 work was not contained on branch files – this review is most important as experience in this discipline is still being gained;</p> <p>In one instance the requirements documented in the DFP Guidance Note on Irregularities (issued 30<sup>th</sup> June 2003) had not been complied with;</p> <p>Instances of documentation of insufficient detail or in an unacceptable format to confirm compliance with the terms and conditions of grant; and</p> <p>One instance was noted of payment being made when not all of the preconditions required in the Letter of Offer had been satisfied.</p>
OFMDFM Victims Unit (IA 37/04)	Yes	N/A
OFMDFM European Policy & Coordination Unit (IA 40/04)	Yes – with issues highlighted	<p>An officer has been appointed to conduct verification visits, however, a number of issues were noted that should be redressed to ensure compliance with EC regulation 438/01:</p> <p>Evidence of the independent</p>

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural  
Funds\Finance Control\Article 13

		<p>check on Article 4 work was not contained on branch files – this review is most important as experience in this discipline is still being gained;</p> <p>The Unit did not issue a formal report recording the outcome of Article 4 reviews nor require the organisation to respond to any matters highlighted during the review; and</p> <p>Documentation recording details of the check had not been fully completed nor signed by the officer performing the review.</p> <p>Regarding payments, in a number of cases back-up documentation was incomplete and evidence of management review was absent. Additionally, it was noted that while irregularity returns are made annually to SEUPB, these are not recorded on an ongoing basis.</p>
SEUPB Central Payments Unit (IA 65/04)	Yes	N/A
SEUPB – Peace II (& Follow-up on Article 4 Team) (IA 61/04)	Yes – with issues highlighted	<p>Adequate management controls are operating in respect of the Managing Authority function and that the project appraisal and appeal process is well documented, transparent and robust.</p> <p>In relation to projects directly funding by SEUPB, at the time of the audit a number of Article 4 checks were outstanding and SEUPB was in the process of contracting these out on a short-term basis. Additionally, while plans for the completion of Article 10 checks of Measures 4.1 (part) and 5.2 were well advanced, these had</p>

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

		not yet begun.  Of those Article 4 checks completed, checklists had not been signed as evidence of the check being performed by the Article 4 Officer. In addition, there was no evidence of a more senior review being carried out over the Article 4 check and no back up documentation to support the findings.
EUD Financial Management and Data Systems Team Follow-up (IA 70/04)	Yes	N/A
EUD Structural Funds Database (IA 71/04)	Yes	N/A
North South Policy and Programmes Unit Follow-up (IA 75/04)	Yes	N/A
EU Verification Unit Follow-up (IA 78/04)	Yes	N/A
OFMDFM Victims Unit Follow-up (IA 19/05)	Yes	N/A
DCAL (Operation of Article 4 checks)	Yes	3 areas for improvement were identified
DCAL (Implementation of previous rec's)	Yes	N/A
Rural Development Division Peace II Measures <b>1.2b</b> ,	Yes	N/A

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

1.6, 1.7a, 1.9, <b>4.2b</b> , 5.6b and <b>6.2a</b>		
--	--	--

Additionally, as referred to above, as a number of IBs, outside of central government, have been contracted to deliver measures of the Peace II programme, the SEUPB Article 4 Team performs systems audits of IB procedures and controls. In 2005, reviews were carried out on 15 of the 43 bodies, ie 4 of the 11 Intermediary Funding Bodies and 11 of the 26 Local Strategy Partnerships (LSPs). Each review involved a follow-up of previous recommendations in the 2003 PWC report and a review of current arrangements utilising a system based approach. In some cases an article 4 completed in 2004 was followed up. To date all 31 reports on checks carried out in 2004 have been finalised and 15 reports in respect of 2005 are at a final stage (ie management responses received).

There were no specific amounts ordered to be recovered as a result of audits however issues identified in audits within Invest NI are being followed up and will be reported on when there is a final outcome.

#### Follow up of previous audit activity

Invest NI has established an EU Compliance Team to centrally address the carrying out of Article 4 checks, Letter of Offer issues and non-reportable irregularities (both BSP and Peace II).

DETI European Programmes Branch is coordinating with other business DETI areas to ensure that the same issues are addressed within the Department.

NI Tourist Board has established a Monitoring Officer post to take forward the same issues.

Follow up of recommendations is carried out by IABs as part of their overall strategy to ensure these are being implemented and such follow up of issues raised during 2005 will take place in 2006 and will be reported in full in the next Article 13 Report

## **5. SAMPLE CHECKS ON EXPENDITURE**

Verification Units have been established within Northern Ireland Departments to carry out sample checks on expenditure in compliance with Article 10, however, DE and the SEUPB also made use of external consultants. Sample checks on expenditure by DHSSPS were carried out by the DSD Verification Unit.

Details of visits carried out and the value of expenditure checked are set out below:

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

<b>Programme</b>	<b>Number of visits</b>	<b>Total amount checked (£ Sterling)</b>	<b>Amount as % of total eligible expenditure (£) declared up to end 2005</b>
BSP	74	2196,812	8.31
Peace II	163	15,011,505	8.84
Urban II	19	351,850	7.98

**Project Selection** - The projects visited were selected using a risk assessment taking account of a number of factors including the level of eligible expenditure, number and type of projects approved, type of Implementing Body and final recipients. Each factor is weighted to reflect the degree of risk as shown below:

Level of expenditure (weighting = 4)

Number of projects approved (weighting = 3)

Type of projects being funded (weighting = 3)

Type of Implementing Body (weighting = 2)

Type of final recipient (weighting = 2)

After a risk assessment score has been calculated, consideration is also given to information provided by other bodies carrying out inspections – Article 4 reports, Internal Audit findings, results from fraud investigations and any Commission findings.

Projects within Measures are then selected to ensure an appropriate mix of size and type in accordance with the requirements of Article 10 (3).

The risk analysis is updated at the end of March each year – taking account of the level of expenditure declared and other factors as outlined.

Extensive use is made of the Projects Central Database for the extraction of Measure level expenditure information, project Letter of Offer details and value of payments made. From initial lists, projects expenditure details are selected to inform the 5% checking.

### **Results of checks**

While various issues were identified in the course of visits including - tendering procedures, apportionment of costs, publicity, project performance, written policies and financial control records, none of these was considered

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

systemic in nature. There were therefore no financial corrections imposed. In all cases recommendations for improvement were made, accepted by the organisations and are being followed up. The majority of projects visited provided satisfactory / substantial assurance. In some cases where there was doubt about VAT eligibility and Euro / Sterling expenditure information these are being follow up and, if necessary will be reported as irregularities after conclusion of the investigations. Where irregularities were clearly identified, these were reported – as appropriate in accordance with the threshold – or recorded when below the €4,000 threshold. Details of irregularities reported in respect of BSP and Peace II during 2005 are shown below – there were no irregularities reported for Urban II:

### **Building Sustainable Prosperity**

Project Name	Amount (£)	Department
Social Security Strategic Representation Project	10,099.28	DSD
Banbridge DC Business Start Programme	8,050.00	DETI (Closed)
N.I. Science Park	11,915.00	DETI (Closed)
EPEC Social Economy	6,221.00	DETI (Closed)
Applied Networks – Wireless	12,560.00	DETI (Closed)
Cinemagic	4,921.00	DETI (Closed)
Western Connect Ltd	14,955.00	DETI (Closed)
BT NI – SDSL	5,873.00	DETI (Closed)
ACE Group	4,920.00	DETI (Closed)
BT NI – Broadband	8,343.00	DETI (Closed)
BT NI – ASP	15,150.00	DETI (Closed)
Belfast City Council – LED	33,439.50	DETI (Closed)

### **Peace II**

Project Name	Amount (£)	Department
Inner North Childcare	33,386.23	SEUPB (Closed)
Reconciliation Training Centre	89,025.00	SEUPB (Closed)
The Learning Zone	10,350.00	SEUPB
QUB – Modern Irish	22,500.00	SEUPB
Creggan Tourism	7,031.25	SEUPB
Aspire Micro Loans for Business (Peace I)	262,500.00	DETI

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

## 6. COORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK OF WINDING-UP BODY

Each head of Departmental Internal Audit Services is responsible for the winding up declaration for Funds expended by that Department. There is an ongoing exchange of information between Article 10 Teams and Internal Audit Services that informs decisions made by IAS' on work programmes and the nature of further testing undertaken. The winding up body is also provided with details of audits by other audit bodies (the Northern Ireland Audit Office and Commission DG auditors' reports). Departmental winding up bodies will provide detailed information to the central winding up body (Head of Internal Audit Services in the Department of Finance and Personnel) where further cross-examination will take place before final signature. Regular formal meetings of these bodies currently take place under the auspices of the Euronet network.

## 7. FOLLOW UP OF PREVIOUS YEARS' AUDIT ACTIVITY

All Structural Fund reviews are performed on an annual basis with previous audit recommendations followed up to ensure effective implementation.

Departments also carried out scheduled follow up activities as outlined in their respective audit strategies. Departmental activity included:

DE confirmation that 12 of 17 previous recommendations had been successfully implemented and work is ongoing on the remaining 5;  
DSD confirmation that all previous recommendations had been implemented;  
DRD confirmation that previous recommendations had been implemented (resulting in 'limited assurance' being upgraded to 'reasonable assurance')  
DFP confirmation that previous recommendations had been implemented.  
DHSSPS confirmation that all 22 recommendations made during visits reported in the 2004 Article 13 report had been cleared and no issues were outstanding.

Further details of DETI follow up activity are shown below:

### BSP

Date of Follow-up Audit Visit	Name of Body/Project Visited	Findings
January 2005 – Follow up to IAS 35/03	Invest NI – Sustainable Development ERDF BSP Measure 1.2	Invest NI established an EU Compliance Team to centrally take forward the issues surrounding the absence of Article 4 checks, omitted EU

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

		Letter of Offer clauses and the recording of non-reportable irregularities.
January 2005 – Follow-up to IAS 36/03	Invest NI – E Business and Information Services ERDF BSP Measure 1.5	As above
January 2005 – Follow-up to IAS 50/03	Invest NI – Compete (IRTD) ERDF BSP Measure 1.2	As above
February 2005 – Follow-up to IAS 51/03	Invest NI – National Programmes (IRTD) ERDF BSP Measure 1.2	As above
March 2005 – Follow-up to IAS 56/03	Invest NI – Entrepreneurship Development Team (LED) ERDF BSP Measure 1.4 (Local Economic Development & Measure 2.8 Advancement of Women	As above
October 2005 – Follow-up to IAS 26/04	Invest NI – Regional Programmes - START (IRTD) ERDF BSP Measure 1.2	As above
June 2005 Follow-up to IAS 49/03	NITB – Marketing ERDF BSP Measure 1.3a	Reconciliation of NITB expenditure has been completed and Database of EC projects has been populated.
July/August 2005	DETI Telecoms ERDF BSP Measure 1.7	Management are undertaking work to address issues surrounding the absence of Article 4

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

		checks, omitted EU Letter of Offer clauses and the recording of non-reportable irregularities
--	--	---

## PEACE II

<b>Date of Follow-up Audit Visit</b>	<b>Name of Body/Project Visited</b>	<b>Findings</b>
March 2005 – Follow up to IAS 56/03	Invest NI – Entrepreneurship Development Team (LED)  ERDF Measure 1.1a (Business Competitiveness Development)	As above under BSP
August 2004 – Audit report not finalised until 2005 but reference to this review was included in the 2004 Art 13 report	Invest NI – EU Programmes (IRTD) Services  ERDF Measure 1.8a (Innovative Technology) &  Measure 1.8b (Economic Renewal)	Limited opinion provided on one aspect of activity but the activity was not EU funded.
October 2004 Follow-up to IAS 33/03	DETI European Programmes Peace II Measure 1.1c	Satisfactory opinions, recommendations made in IAS 33/03 have been implemented. Management advised to see advice on where responsibility for Article 4 should lie

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13

## **8. CONCLUSION**

Audit activity carried out during 2005 in respect of ERDF was in conformity with the audit strategy provided to the Commission. This activity confirmed that there was no material deficiency in the operation of management and control systems underlying the declarations of expenditure to the Commission. The majority of checks resulted in full or substantial audit assurance with a small number showing limited assurance due to ongoing work to implement recommendations for improvement.

Information gained as a result of Article 4 checks was made available to the Units conducting Article 10 checks to help inform their risk analysis and target projects for verification visits. Work is continuing to ensure a higher level of Article 4 checking is fully documented by each Department.

An increased number of Article 10 checks were finalised during 2005 – mostly related to expenditure prior to 2005 - with any problems or issues identified, while not systemic, being addressed by way of recommendations and proposals for improvement. These were followed up and will continue to be monitored in the coming year and reported on in the 2006 Article 13 Report. The percentage of cumulative expenditure checked by Programme to the end of 2005 passed the required 5% with amounts between 7% and 8% being reported.

Where irregularities were uncovered, these were addressed in accordance with Commission Regulations and requirements and any cases not closed by the end of 2005 are being followed up during 2006.

On the basis of work carried out during 2005, Internal Audit Branches have confirmed reasonable assurance that EU Regulatory requirements are being met.

In June 2005 auditors from DGREGIO carried out an audit on the management and control systems in place for the ERDF element of the BSP Programme. The audit covered the role of the Managing and Paying Authorities as well as DETI and INVEST NI as Implementing Bodies.

The provisional findings of the report were provided in December 2005 and 2006 will see the provision of our response and relevant follow up work.

Department of Finance and Personnel

June 2006

Reference : PM002269

GOVERNMENT FINANCE SERVICES\Funding\European Union Structural Funds\Finance Control\Article 13