

## EXECUTIVE SUMMARY

### **1. IDENTIFICATION**

**BODY RESPONSIBLE FOR THE AUDIT: DEPARTMENTAL VERIFICATION UNITS  
AND DEPARTMENTAL INTERNAL AUDIT UNITS**

**CCI No: 1999 GB 16 1 PO 007  
2000 RG 16 1 PO 001**

**PROGRAMME TITLE: BUILDING SUSTAINABLE PROSPERITY  
PEACE II**

**FUND: FIG**

**AUDITED BODIES<sup>1</sup>: IMPLEMENTING BODIES, VERIFICATION UNITS  
AND PROJECTS**

### **2. AUDIT SCOPE AND OBJECTIVES:**

**Systems audits of implementing bodies and sample checks on expenditure – Article 10  
of Regulation 438/2001**

<b><u>3. SUMMARY OF MAIN FINDINGS:</u></b>	<b><u>FOLLOW-UP ACTIONS:</u></b>
1. audit findings provided satisfactory assurance	Annual follow up as outlined in audit plan
2. some weaknesses identified	Some recommendations made for improvements / changes. Will be followed up during 2006
3. irregularities identified and reported	Followed up in compliance with Regulation 1681/94
4.	
etc	
<b>4. OVERALL CONCLUSION / OPINION: CONTROL SYSTEMS IN PLACE OPERATING TO ENSURE REASONABLE AUDIT ASSURANCE FOR FIG ACTIVITIES</b>	

<sup>1</sup> Please indicate their function like PA, MA, IB, body responsible for sample checks, system audits, winding-up body etc  
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## EC FINANCIAL CONTROL REGULATION No 438/2001

**ARTICLE 13: REPORT FOR 2005**

**COUNTRY: NORTHERN IRELAND**

**PROGRAMMES: BUILDING SUSTAINABLE PROSPERITY AND PEACE II**

**FUND: FINANCIAL INSTRUMENT FOR FISHERIES GUIDANCE**

### 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) and the Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland (Peace II) - reporting on the Northern Ireland element only - and provides the most recent information on the Fund FIGG.

The Managing Authorities are Department of Finance and Personnel (BSP) and the Special European Union Programmes Body – SEUPB for Peace II with the Department of Agriculture and Rural Development (DARD) acting as the Fund Paying Authority for both Programmes.

This report has been prepared by the European Division, Department of Finance and Personnel on behalf of both Managing Authorities and is drawn from information held on the Commission's SFC Database and provided by Finance Branch and Departmental Internal Audit Branch in DARD.

The expenditure declared to the Commission in respect of 2005 for FIGG is shown below. In some cases the value of expenditure declared during the year was higher due to the inclusion of expenditure from earlier years.

#### **Building Sustainable Prosperity** €

Community	National	Private	Revenue	Total
1,997,002	606,548	901,562	0	3,505,112

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

Community	National	Private	Revenue	Total
55,975	18,659	0	0	74,634

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## **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**

No changes were made to the Audit Strategy during 2005.

## **4. SYSTEMS AUDITS**

Staff in the Internal Audit Branch (IAB) of DARD are qualified to the standards required by UK Treasury and carried out systems audits during 2005. This Branch is functionally and financially independent of the Managing Authority and Paying Authority and all Implementing Bodies.

Audits carried out during 2005 are detailed below:

<b>Date of audit Report</b>	<b>Name of Body / Project visited</b>	<b>Report Reference Number</b>	<b>Date Report provided to the Commission</b>
21/04/05	Review of Fisheries Division BSP 4.13	EU 9/2004-2005	25/10/05
08/06/05	Northern Ireland Fisheries Harbour Authority BSP Measures 4.13F & 4.13J	EU 13/2004/05	25/10/05
19/10/05	Fisheries Division Peace II Measure 5.7	EU 10/2004-2005	25/10/05
27/06/05	Follow-up review of Structural Funds Paying Authority	EU15/2004/2005	25/10/05
07/09/05	Review of Verification Unit	EU 16-2004/2005	25/10/05

All Structural Fund Measures / Community Initiatives are reviewed annually and audit visits selected on the basis of risk assessment and in conjunction with the notified Audit Strategy.

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

<b>Name of Body / Project audited</b>	<b>Report Reference Number</b>	<b>Sufficient assurance ? Yes / No</b>	<b>If 'No' give details</b>
Review of Fisheries Division BSP 4.13	EU 9/2004-2005	Satisfactory	
Northern Ireland Fisheries Harbour Authority BSP Measures 4.13F & 4.13J	EU 13/2004/05	Satisfactory	
Fisheries Division Peace II Measure 5.7	EU 10/2004-2005	Satisfactory	
Follow-up review of Structural Funds Paying Authority	EU15/2004/2005	Satisfactory	
Review of Verification Unit	EU 16/2004/2005	Satisfactory	

No financial consequences / amounts ordered to be recovered

All Structural Fund reviews are performed on an annual basis and the final audit reports are accompanied by an implementation plan detailing agreed action and implementation dates. Previous audit recommendations are physically followed up to ensure effective implementation of recommendations.

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

The EU Verification Unit – based on DARD Headquarters – carries out the 5% sample checks on expenditure as required by Article 10 of Commission Regulation (EC) No 438/2001. Details of visits and the value of expenditure checked (in National currency - £ Sterling) by Programme are set out below:

### Visits carried out to the end of 2005

Programme	Number of visits	Total amount checked (£ Sterling)	Amount as % of total eligible expenditure (£) declared up to end 2005
BSP	10	705,277	4.48
Peace II	1	70,789	10.18

### Building Sustainable Prosperity (BSP) – 10 visits

Year	Total Eligible Expenditure £ Sterling	Amount of total eligible expenditure checked	% of total eligible expenditure checked	Cumulative total of eligible expenditure checked 2000 – 2005 (%)
2000	0			-
2001	0			-
2002	4,052,784	522,876	12.9	12.9
2003	332,923	43,525	13.1	12.91
2004	8,942,723	138,877	1.6	5.29
2005	2,398,548	0	0	4.48

### Peace II – 1 visit as detailed above\*

Year	Total Eligible Expenditure £ Sterling	Amount of total eligible expenditure checked	% of total eligible expenditure checked	Cumulative total of eligible expenditure checked 2000 – 2005 (%)
2000	0			-
2001	4,489	3,836	85.5	85.5
2002	71,114	13,648	19.2	23.13
2003	413,631	53,305	12.9	14.47
2004	155,389	0	0	10.98

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\* **Note:** The 2004 Article 13 Report stated – in this section - 1 visit with a value of £32,231 checked. This was incorrect since the one visit covered the value stated above. Future sample checks on this Fund will be carried out by consultants on a cross-border basis and results from further checks will be provided in the 2006 Article 13 Report

**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.

**Principal results** - of the visits carried out during 2005, and on which the reports have been finalised, are outlined in the Table below. A number of reports relevant to 2005 expenditure are not yet finalised and therefore have not been included in the Table below. Principal results of these checks will be included in the 2006 Article 13 statement.

Measure	Report Reference & Date issued	Irregularities		
		Greater than €4,000	Less than €4,000	Comment
4.13A	12 - 15/05 11/3/05	Nil	Nil	
4.13I	16/05 11/3/05	Nil	Nil	

Checks have revealed no significant errors to date. A more informed opinion on the effectiveness of management and control systems will be provided when a higher number of FIG reports have been completed.

No major problems have been uncovered that would indicate systemic errors.

### Follow up of irregularities

**Recorded (under €4,000 or discovered before payment was made) – number and value £Sterling of EU Element.**

The majority of irregularities recorded fall into the following categories:

Non-eligible expenditure, Supporting documentation missing, Absence of evidence required.

Action taken included imposing financial corrections in relation to errors on claims prior to processing the payment, or where supporting documentation or evidence of expenditure was not provided classifying the specific item as ineligible and withholding payment.

Details of problems are shown below:

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

<b>Measure</b>	<b>Number of problems</b>	<b>Systemic? Yes/No</b>	<b>If 'Yes' what action was taken?</b>	<b>Value (£Sterling) of EU financial corrections imposed</b>
4.13	3	No		£61,041

#### **PEACE II**

<b>Measure</b>	<b>Number of problems</b>	<b>Systemic? Yes/No</b>	<b>If 'Yes' what action was taken?</b>	<b>Value (£Sterling) of EU financial corrections imposed</b>
5.7	Nil			

No new irregularities in respect of FIG have been reported during 2005.

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## **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.

## **8. CONCLUSION**

Audit activity for the year concerned was in conformity with the audit strategy presented to the Commission.

In the light of the internal audit reviews of the control over the administration of the Funds and the conclusions of other national or Community controls the Head of DARD Internal Audit Service has provided 'reasonable assurance' that in all material respects the Department of Agriculture and Rural Development management has prepared and put into operation management and control systems in accordance with Regulation (EC) 1260/99 and 438/2001. Where weaknesses have been identified, these have been brought to management's attention, and follow-up audits conducted to ensure recommendation have been implemented.

The examination of controls, revealed a low frequency of errors/irregularities. On the basis of the review of systems for dealing with reporting errors and irregularities the Head of DARD Internal Audit Services is satisfied that the management authorities have / are in the process of making the necessary financial corrections.

Department of Finance and Personnel

June 2006

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