

EXECUTIVE SUMMARY

1. IDENTIFICATION

BODY RESPONSIBLE FOR THE AUDIT: DEPARTMENTAL VERIFICATION UNITS

AND DEPARTMENTAL INTERNAL AUDIT UNITS

CCI No: 1999GB161PO007

2000RG161PO001

2000GB060PC003

PROGRAMME TITLE: BUILDING SUSTAINABLE PROSPERITY

PEACE II

LEADER+ C.I.

FUND: EAGGF

AUDITED BODIES¹: IMPLEMENTING BODIES AND PROJECTS

2. AUDIT SCOPE AND OBJECTIVES:

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

<u>3. SUMMARY OF MAIN FINDINGS:</u>	<u>FOLLOW-UP ACTIONS:</u>
1. majority of audit findings satisfactory	Annual follow up as outlined in audit plan
2. some weaknesses identified	Recommendations for improvement / change made. Will be followed up during 2007
3. irregularities identified and reported	Followed up in compliance with Regulation 1681/94

4. OVERALL CONCLUSION / OPINION: Systems in place operating to ensure reasonable audit assurance for EAGGF activities

¹ Please indicate their function like PA, MA, IB, body responsible for sample checks, system audits, winding-up body etc

**WORKING DOCUMENT ON MODEL REPORT PURSUANT TO
ARTICLE 13 OF REGULATION 438/2001**

Preliminary note

Article 13 of Regulation 438/2001 (“the Regulation”) provides that Member States shall inform the Commission by 30 June each year of their application of Articles 10 to 12 of the Regulation which relate to sample checks on operations in the previous calendar year and in addition provide any necessary completion or updating of the description of their management and control systems communicated under Article 5 of the Regulation.

In addition, for the purposes of the contract of confidence, the report will be specifically the source of assurance for the Commission that the audit activity is being carried out in accordance with the established audit strategy and that no material deficiencies in the effective functioning of the management and control systems have been found.

The report should therefore concern an identified system for the management and control of the Funds (e.g. national/regional level, by Fund, by programme), and should be compiled by, or in collaboration with, the person or department designated to issue declarations on winding up of the assistance under Article 15 (“independent body”). The report should be signed or countersigned by the independent body.

Where the report covers more than one Fund, the information provided should be broken down by Fund.

The first report presented in compliance with this model following the establishment of a “Contract of confidence” should provide a summary of audit activity carried out in previous years (even where this has been mentioned in earlier reports) and should cover in the conclusions all preceding years.

In all cases a copy of the report should be sent to the Director General of the Regional Policy DG, and the deadline of 30 June should be respected

MODEL REPORT

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 2006 calendar year this relates to the Programme for Building Sustainable Prosperity (BSP) 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 the Leader+ Community Initiative. It concentrates on the Fund EAGGF.

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

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 DARD Finance and Departmental Internal Audit Branches.

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 subsequently addressed by correspondence sent to the Commission on 30th 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 for 2006.

4. SYSTEMS AUDITS

Internal Audit Branch (IAB) of DARD carried out systems audits during 2006. Staff are qualified to the standards required by UK Treasury and the Branch is functionally and financially independent of the Managing Authority and the Paying Authority and all Implementing Bodies.

A summary list of the audits carried out with the date of transmission of the audit report to the Commission is shown below – by Programme;

BUILDING SUSTAINABLE PROSPERITY PROGRAMME

<i>Date of audit visit</i>	<i>Name of Body / Project visited</i>	<i>Date Report provided to the Commission</i>
Report dated 01/02/06 (ref: EU6/2005/06)	Service Delivery Group – Supply Chain Development BSP Measure 4.2 (EAGGF)	16/03/06
Report dated 01/02/06 (ref: EU7/2005/06)	Service Delivery Group – Supply Chain Development BSP Measure 4.5 (EAGGF)	16/03/06
Report dated 11/12/06 (ref: EU10/2005/06)	Rural Development Division BSP Measures 4.4, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12. (EAGGF)	April 2007
Report dated 26/07/06 (ref: EU14/2005/06)	Rural Development Council BSP Measures 4.6, 4.7, 4.9, 4.10 and 4.11 (EAGGF)	April 2007
Report dated 12/12/06 (ref: EU2/2006/07)	Service Delivery Group BSP Measure 4.5 Follow- up (EAGGF)	April 2007
Report dated 02/11/06 (ref: EU4/2006/07)	Review of Verification Unit	April 2007

PEACE II PROGRAMME

<i>Date of audit visit</i>	<i>Name of Body / Project visited</i>	<i>Date Report provided to the Commission</i>
Report dated 13/09/06 (ref: EU20/2005/06)	Investigation – Obtaining Alternative Employment Peace II Measure 1.7a	April 2007
Report dated 10/02/06 (ref: EU4/2005/06)	Rural Development Division Peace Branch Peace II Measure 1.6 ICT Training for Farmers	16/03/06

Report dated 26/07/06 (ref: EU15/2005/06)	Rural Development Council Peace II Measures 1.7b, 1.10a, 1.10b, 2.9b and 2.10.	April 2007
Report dated 09/11/06 (ref: EU5/2005/06)	Rural Development Council Peace II ICT Investigation Measure 1.10b	April 2007

LEADER+ COMMUNITY INITIATIVE

<i>Date of audit visit</i>	<i>Name of Body / Project visited</i>	<i>Date Report provided to the Commission</i>
Report dated 02/11/06 (ref: EU4/2006/07)	Review of Verification Unit	16/03/06

The basis for selection of the audits in the context of the audit strategy is set out below;

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

The principal findings and the conclusions drawn from the audit work for the management and control systems, including the sufficiency of the audit trail and compliance with Community requirements and policies are set out below by Programme;

BUILDING SUSTAINABLE PROSPERITY PROGRAMME

<i>Name of Body / Project audited</i>	<i>Sufficient assurance ? Yes / No</i>	<i>If 'No' give details</i>
Service Delivery Group – Supply Chain Development BSP Measure 4.2 (ref: EU6/2005/06)	No	Key Findings: Non-compliance with tendering procedures; Administrative irregularities discovered not recorded as irregularities or subsequently reported as per required procedures.

		<p>Management responses:</p> <p>Management accept the findings and recommendations made. The recommendations in relation to non-compliance with tendering procedures will be addressed by a review of all payments and claims.</p> <p>The recommendation regarding the Administrative irregularities will be implemented before the end of the Programme.</p> <p>A follow up review will be conducted in 2007.</p>
<p>Service Delivery Group – Supply Chain Development BSP Measure 4.5 (EU7/2005/06)</p>	Yes	N/A
<p>Rural Development Division BSP Measures 4.4, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12. (ref: 10/2005/06)</p>	Yes	N/A
<p>Rural Development Council BSP Measures 4.6, 4.7, 4.9, 4.10 and 4.11 (ref: EU14/2005/06)</p>	No	<p>Key Findings:</p> <p>Non-compliance with Article 4 of Regulation 438/2001 due to the limited number of Article 4 inspections conducted to date, the delay in approving and issuing final reports and the lack of follow-up action;</p> <p>Receipts generated by a project during the period of operation of the project have not been deducted from the grant aid made available to the project;</p> <p>Insufficient checks are conducted and recorded in relation to potential double funding of</p>

		<p>projects. Match Funding Contracts do not state the source of the funding provided and RDC do not record clarification or confirmation that the source is not other structural funds.</p> <p>Management response:</p> <p>Management accepts the findings and recommendations made. The recommendations in relation to revenue generating projects and double funding will be implemented in September / October 2006.</p> <p>The recommendations regarding match funding and Article 4 inspections will be implemented before the end of the Programme.</p> <p>A follow up review will be conducted in 2007.</p>
<p>Rural Community Network BSP Follow-up Measure 4.7</p> <p>(ref: EU10/2006/07)</p>	Yes	N/A
<p>Service Delivery Group BSP Measure 4.1</p> <p>(ref: EU6/2006/07)</p>	Yes	N/A
<p>Service Delivery Group BSP Measure 4.2 Follow-up</p> <p>(ref: EU3/2006/07)</p>	Yes	N/A
<p>Service Delivery Group BSP</p>	Yes	This follow-up of EU2/2004/05 noted that management had

Measure 4.5 Follow-up (ref: EU2/2006/07)		reviewed the eligibility of the funding to 1 project (MIANI) and as a result, revoked the Letter of Offer and submitted to the EC to write off the debt incurred.
EC Paying Authority function (ref: EU5/2006/07)	Yes	N/A
Review of Verification Unit (ref: EU4/2006/07)	Yes	N/A

Where areas of concern have been highlighted, these are subject to ongoing review and follow up will be reported in the next Article 13 report.

PEACE II PROGRAMME

<i>Name of Body / Project audited</i>	<i>Sufficient assurance ? Yes / No</i>	<i>If 'No' give details</i>
Investigation – Obtaining Alternative Employment Peace II Measure 1.7a (ref: EU20/2005/06)	N/A	Within this investigation, there did not appear to be double funding of Laganside Rural Development Ltd (LRDL) from a DARD perspective. There were however concerns about the possibility of double funding from Lisburn City Council. Recommendations were made in relation to the financial viability and governance of LRDL, including conflicts of interest.
Investigation - Rural Development Division Peace Branch Peace II Measure 1.6 ICT Training for Farmers (ref:	N/A	This was an investigation into a specific area within measure 1.6, and therefore it was not possible to give an overall opinion on the management and control of this measure. No evidence was found to indicate double funding. A major review will be carried out during 2007.

EU4/2005/06)		
<p>Rural Development Council Peace II Measures 1.7b, 1.10a, 1.10b, 2.9b and 2.10.</p> <p>(ref: EU15/2005/06)</p>	No	<p>Key Findings: Non-compliance with Article 4 of Regulation 438/2001 due to the limited number of Article 4 inspections conducted to date, the delay in approving and issuing final reports and the lack of follow-up action; Receipts generated by a project during the period of operation of the project have not been deducted from the grant aid made available to the project; Insufficient checks are conducted and recorded in relation to potential double funding of projects. Match Funding Contracts do not state the source of the funding provided and RDC do not seek clarification or confirmation that the source is not other structural funds.</p> <p>Management response:</p> <p>Management accepts the findings and recommendations made. The recommendations in relation to revenue generating projects and double funding will be implemented in September / October 2006.</p> <p>The recommendations regarding match funding and Article 4 inspections will be implemented before the end of the Programme.</p> <p>A follow up review will be conducted in 2007.</p>
<p>Rural Development Council Peace II ICT Investigation Measure 1.10b</p> <p>(ref:</p>	No	<p>There were concerns that there was an element of double funding within Measure 1.10b. This double funding related to duplication of training for 24 candidates that were/had already been trained</p>

EU5/2005/06)		<p>under Measure 1.6 ICT for farmers. The Department of Education and Learning have also disallowed funding against 10 candidates as it is deemed ineligible.</p> <p>There were also concerns over the unavailability of qualitative information for training courses and the accuracy of invoices presented for payment and concerns over conflict of interest in relation to the training providers.</p>
Rural Community Network Peace II Measure 2.9 (a) (ref: U9/2006/07)	Yes	N/A

Where areas of concern have been highlighted, these are subject to ongoing review and follow up will be reported in the next Article 13 report.

LEADER+ COMMUNITY INITIATIVE

<i>Name of Body / Project audited</i>	<i>Sufficient assurance ? Yes / No</i>	<i>If 'No' give details</i>
Rural Development Division Leader+ Programme (ref: EU9/2005/06)	Yes for 4 LAGS's and RDD and no for 1 LAG examined.	<p>Key findings for LAG:</p> <p>For 1 project, the item assessed by the Board did not correspond to the Letter of Offer item;</p> <p>For 1 project, the initial scoring by the assessment panel was amended. Prior to the amendment, the project was not eligible for funding;</p> <p>Amendments had been made to application forms;</p> <p>Lack of monitoring of projects.</p> <p>Management accepted audit recommendations and will implement these during 2007.</p>

		A scheduled follow up review will be conducted in 2007.
EC Paying Authority function (ref: EU5/2006/07)	Yes	N/A
Review of Verification Unit (ref: EU4/2006/07)	Yes	N/A

Where areas of concern have been highlighted, these are subject to ongoing review and follow up will be reported in the next Article 13 report.

Potential financial consequences;

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Supply Chain Development Branch - BSP 4.5 – management have reviewed some of the grant aid paid in respect of 1 project (MIANI) and as a result, revoked the Letter of Offer and have submitted to the European Commission to write off the debt incurred.

PEACE II PROGRAMME

Rural Development Division - Peace II Measure 1.7A Obtaining Alternative Employment – management has been requested not issue further payments until they are satisfied that there was no double funding from Lisburn City Council.

Rural Development Council - Peace II ICT Investigation Measure 1.10b – amount requested to be recovered included £1490.00 which was identified as duplicate fees.

Follow up of the audit findings, in particular any corrective and preventive measures applied.

All Structural Funds 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 followed up to ensure effective implementation of recommendations.

5. SAMPLE CHECKS ON EXPENDITURE

The EU Verification Unit, based in Dundonald House, DARD Headquarters, carries out the (Article 10) 5% sample checks in respect of BSP, Peace II and Leader+ measures for which the Department of Agriculture and Rural Development are the Accountable Department. The EU Verification Unit is not responsible for checks on PEACE II cross border measures, which are performed by SEUPB appointed consultants.

Detailed below are the checks carried out, value of expenditure examined and vouched and an indicative error rate:

A	B	C	D	E	F
<i>Number of visits during 2006</i>	<i>Total amount (£) of expenditure examined during 2006</i>	<i>Cumulative amount (£) examined to end of 2006</i>	<i>% of expenditure examined (Col C as %)</i>	<i>Amount (£) of 2006 expenditure (Col B) vouched</i>	<i>% Error rate (Col E/Col C*100)</i>
14	£3,827,853	£6,001,686.98	7.3%	£3,827,853	0.00%
10	£82,226.23	£1,621,524.39	6.19%	£82,045.57	0.21%
18	£718,968.75	£850,782.98	3.37%	£670,763.75	6.70%

* The error rates shown do not include irregular expenditure detected through extended testing because of the risk of biasing the sample as a whole (DFP Structural Funds Manual refer).

Error rates may also change (reduce or increase) once issues that are outstanding are resolved.

Details of cases where the verification checks have discovered irregular expenditure outside of the sample selected for verification are as follows:

EAGGF – BSP Measure 4.1

The Unit found that the claim for BSP had been calculated on the basis of incorrect data. Investigations directed concluded that there had been an overclaim of £222,074.00 which has now been reported to the Commission as an irregularity.

EAGGF – PEACE Measure 1.10a

The Unit found that the Implementing bodies had paid aid in excess of the 35% limit stipulated in Article 29(4) of Council Regulation 1260/1999. Exercises are on-going to determine the full extent of the irregularities across each Measure.

The basis for selection of the operations subject to control is set out below;

Projects were selected based on 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.

The principal results of the checks carried out from June 2004 to date are as shown in the following Table:

In addition to the findings listed in the Table, recommendations were made in most reports regarding the current arrangements regarding document retention. The arrangement whereby some DARD Implementing Bodies rely on the projects to retain documents necessary for a sufficient audit trail carries the risk that documents will go missing after DARD's contact with the projects diminishes after the last instalment of grant has been paid. Internal Audit Branch has therefore recommended the development of document retention

policies and supported the Department's initiative to have project documentation returned to Divisions at closure.

BUILDING SUSTAINABLE PROSPERITY PROGRAMME

<i>Measure/ Fund</i>	<i>Report Reference Number</i>	<i>Date Issued</i>	<i>Details</i>
BSP 4.1 EAGGF	V27/05	26/1/2006	<p>The error was as the result of the project using a flawed formula in the calculation of the BSP claim. Consequent to the verification report the project conducted a thorough exercise to quantify the full financial consequence of the error and it was determined that this was a £222,074.00 overclaim against BSP. The irregularity was declared in the (quarter-ending) September 2006 return and the total sum subsequently deducted from a claim made on 15 November 2006. The Article 10 body are content that there has been no loss to EU funds and that the matter has been resolved satisfactorily</p> <p>A small irregularity of £245.00 (£122.50 EAGGF) was also recorded – staff member failed to attend training course paid for with grant aid.</p> <p>All monies have been recovered – irregularity return Q/E 31.12.2006 refers.</p>
BSP 4.2 EAGGF	V1/04 – V3/04 V96 – V101/2006	24/1/2005 1/2/2007	<p>Value for money - there was no documentary evidence held in project records to verify that the requisite number of quotes had been obtained for equipment purchased as per conditions 3 & 8 of the Letter of Offer. The Unit understands discussions are due to take place with Internal Audit to finalise the course of action on the review of Measure 4.2 in relation to tendering and quotations.</p>

BSP 4.5 EAGGF	V37-V39/2005	2.12.2005	<p>Apparent double-funding - Invest NI (INI) was found to have drawn down EU funding from ERDF under Measure 1.1 of BSP to make up the 5% contribution required under Measure 4.2. INI has confirmed that they have reviewed all payments made to ensure that they are from national funds and where necessary taken remedial action to put the matter on a proper footing.</p> <p>One project was found to have breached the terms and conditions of the Letter of Offer by producing Non-Annex I products. Irregularity reported 25 January 2006 – no financial consequence.</p> <p>A small irregularity of £6.80 also detected – project failed to avail of discount offered.</p> <p>1 project, a feasibility study, was found to have breached the terms and conditions of the Letter of Offer resulting in an irregularity of £7,000 (£3,500 EAGGF) – application for write off made 14/3/2006.</p> <p>1 project found to have been paid for an ineligible item of expenditure. The overpayment was calculated to be £238.75 and this amount was recorded as an irregularity and was subsequently recovered from a latter claim.</p>
BSP 4.6 EAGGF	V44– 47/2005	11.8.2006	<p>A query was raised regarding application of Rule 2 Commission Regulation (EC) 1698/2000 (as amended). The Implementing Body has provided assurance that receipts received by projects will be taken into account before final grant payment is made. This will be followed up to ensure this has been the case.</p>

BSP 4.7 EAGGF	V18-24/2005		<p>1 project's electricity costs were not apportioned - £253.67 irregularity deducted from October claim.</p> <p>1 project received funding for computers paid outside of Letter of Offer - £105.75 recovery completed 24 March 2006.</p> <p>1 project paid twice for postage posts - £72.21 irregularity deducted from October claim</p>
BSP 4.8 EAGGF	V85-87/2006		<p>A query was raised regarding application of Rule 2 Commission Regulation (EC) 1698/2000 (as amended) in relation to one project. The Implementing Body has provided assurance that receipts received by projects will be taken into account before final grant payment is made. This will be followed up to ensure this has been the case.</p>
BSP 4.10 EAGGF	V92-95/2006	23.11.2006	N/A
BSP 4.11 EAGGF	V48-50/2006		<p>There was inadequate supporting documentation held by EHS to verify the accuracy and legality of the claim selected for verification or indeed any of the other claims submitted for grant aid under this project. An exercise agreed with DARD Internal Audit was carried out by RDD to retrieve and vouch 5% of the relevant documentation.</p>

PEACE II PROGRAMME

<i>Measure/ Fund</i>	<i>Report Reference Number</i>	<i>Date Issued</i>	<i>Details</i>
PEACE 1.6 EAGGF	V9-11/2004 & V28/2005		N/A
PEACE 1.7a EAGGF	V34/V36/2005		N/A
PEACE 1.9 EAGGF	V113-120/2007		Significant weaknesses regarding publicity requirements and audit trail.

LEADER+ COMMUNITY INITIATIVE

<i>Measure/ Fund</i>	<i>Report Reference Number</i>	<i>Date Issued</i>	<i>Details</i>
Leader 1.1 EAGGF	V71-77/2006		<p>It was noted that employment or output related targets are an aspiration and not a pre-condition for grant aid. It is considered that such objectives should be an expectation rather than an aspiration and recommend that this is emphasised in any future Leader programme.</p> <p>The grant aid to Coleraine Enterprise Agency was based on its estimates of costs (for example support services and travel). Grant aid is paid out on the achievement of performance targets however legislation² requires payments, other than advance payments, to be based on the actual expenditure incurred – LAG to establish actual cost of project and make appropriate adjustments if required. Possible irregularity.</p>

² Recital 42 of Council Regulation (EC) 1260/1999

Leader 1.2 EAGGF	V78-82 & 84/2006	One project did not avail of a discount resulting in a £5.66 overclaim
Leader 1.4 EAGGF	V 88-91/2006	Equipment purchased with grant aid has not been used (1 project) or is being used for a purpose other than that stipulated in the grant application (1 project) leading to irregularities of £40,000 and £8,205 respectively.
Leader 1.5 EAGGF	V83/2006	N/A
Leader 1.6 EAGGF	V5 & V7/2004	N/A
Leader 1.7 EAGGF	V4, V6 & V8/2004	N/A

Conclusions drawn from the results of the checks with regard to the effectiveness of the management and control system;

While in some cases Implementing Bodies appeared to lack knowledge of specific EU legislative requirements (e.g. legislation relating to revenue generation and audit trail requirements), the low error rates detected support the conclusion that, overall, management and control systems are satisfactory. Only one Implementing Body had unsatisfactory systems in place -Fermanagh Local Action Group which had led directly to the irregularities referred to in EAGGF Leader+ Measure 1.4 above.

Follow up of irregularities;

The majority of irregularities recorded fall into the following categories: non-eligible expenditure and incomplete/incorrect supporting documentation.

Action taken includes imposing financial corrections in relation to errors on claims prior to processing the payment, or where supporting documentation or evidence of expenditure is not provided classifying the specific item as ineligible and withholding payment. Action taken also includes training staff and implementing bodies in fraud awareness.

No problems identified would indicate systematic errors. All recorded irregularities (under €10,000) were resolved.

The tables below indicate whether problems identified were considered to be systemic weaknesses:

BUILDING SUSTAINABLE PROSPERITY PROGRAMME

<i>Number of problems</i>	<i>Systemic ? Yes/No</i>	<i>If 'Yes' what action was taken ?</i>	<i>Value (£Sterling) of any financial corrections imposed</i>
CAFRE BSP Measure 4.1 1 problem	No	N/A	£122.50 (£245 EU + Nat) Irregularity details forwarded to EU Verification Unit and included in Article 10 return above.
RDD BSP (EAGGF) Measures 4.4, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12 141 problems	No	N/A	£50, 131.91
SCDB BSP (EAGGF) Measure 4.2 31 problems (measure 4.5 no irregularities discovered)	No	N/A	£36,425.79 All errors detected before payment was made, therefore resolved 2006.

PEACE II PROGRAMME

<i>Number of problems</i>	<i>Systemic ? Yes/No</i>	<i>If 'Yes' what action was taken ?</i>	<i>Value (£Sterling) of any financial corrections imposed</i>
RDD BSP (EAGGF) Peace Branch Measures 1.6, 1.7a, 1.9 and 5.6b 866 problems	No	N/A	£283,257.08

LEADER+ COMMUNITY INITIATIVE

<i>Number of problems</i>	<i>Systemic ? Yes/No</i>	<i>If 'Yes' what action was taken ?</i>	<i>Value (£Sterling) of any financial corrections imposed</i>
RDD Leader+ EAGGF 101 problems	No	N/A	£54,758.72

Irregularities reported (over €10,000 EU element)

BUILDING SUSTAINABLE PROSPEROTY

		AMOUNT	Cleared Yes/No	How discovered
NI Community Support Framework- Short	Incorrect calculation of claim through use of wrong base data. Part of it relates to cash vs accruals methodology	€167,025	Yes	Article 10 check.

Courses	for calculations.			
NI Community Support Framework-Data	Incorrect calculation of claim through use of accruals accounting instead of cash accounting methodology in the CAFRE Apportionment Accounts.	€26,466	Yes	Article 4 check.
Willowbrook Foods – PMG (T) 73	Claim included some invoices in respect of ineligible expenditure and others which had been incorrectly included. Prepayment.	N/A	Yes	Normal financial controls.
Davison Quality Foods - PMG (T) 39	Included in error, in final claim, an item which had been included in an earlier claim. Two items of expenditure had not followed correct tendering procedures. Prepayment.	N/A	Yes	Normal financial controls.
Glenpac Bacon Products Ltd – PMG (T) 7	Prepayment irregularity, correct tendering procedures not followed for some items and included invoices for ineligible expenditure.	N/A	Yes	Normal financial controls.
Rural Community Involvement Programme	Procedural and processing failing led to RCN claiming in excess of funding. Recouped in full in November 06.	€21,529	Yes	Spot check.

PEACE II PROGRAMME

		AMOUNT	Cleared Yes/No	How discovered
Glendarragh Valley Rural Group	Prepayment- individual groups over claimed financial assistance due to them.	N/A	Yes	Normal financial controls.

LEADER+ COMMUNITY INITIATIVE

		AMOUNT	Cleared Yes/No	How discovered
Stripey Films – Olivia Fitzsimmons	Discrepancies detected on invoices prepayment.	N/A	Yes	Normal financial controls.
Veneering fire doors (flush fire doors)	Suspicion regarding the validity of quotations submitted with claim.	£3,500 €5,128.21	No	Normal financial controls.
Giggles Crèche	Documents not supplied to allow payment to proceed. Prepayment irregularity. Funding approved when evidence regarding fire certification supplied.	N/A	Yes	Normal financial controls.
Cathal & Dermott Lennon – New Sand Arena	Procurement guidelines not followed and incorrect number of quotes obtained. Reviewed and it was accepted that value for money was demonstrated. Prepayment irregularity.	N/A	Yes	Normal financial controls
Cardbox Card Company – Aidan O'Hagan	Prepayment irregularity. Promoter claimed for new items that were not new. Case passed to CIS for investigation.	N/A	No	Normal financial controls

N.I. SINGLE PROGRAMME (1994-1999)

		AMOUNT	Cleared Yes/No	How discovered
Wilson's Country Ltd – PMG 50	Beneficiary sold one of their company's premises, Dept revoked the part of the grant which related to those premises. Recovered in full.	£26,564.48 (€38,628.01)	Yes	Beneficiary advised that he had sold one of his premises.
Wilson's Country Ltd	Beneficiary sold one of their company's	£25,426.50	Yes	Beneficiary advised that he had sold one

– PMG 131	premises, Dept revoked the part of the grant which related to those premises and equipment which had not been transferred to new premises. Recovered in full.	(€36,973.24)		of his premises.
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6. FOLLOW UP OF PREVIOUS YEARS' AUDIT ACTIVITY

All Structural Fund reviews are performed on an annual basis and previous audit recommendations are physically followed-up to ensure that they have been implemented effectively.

7. CONCLUSION

The 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 any other national or Community controls the Head of DARD Internal Audit Branch 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 recommendations 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 was satisfied that the management authorities have / are in the process of making the necessary financial corrections.

Findings from Article 4 visits and checks were made available to Article 10 Verification Teams and provided sufficient good quality information to accurately inform the risk analysis before Article 10 visits were conducted.

June 2007