

# EC FINANCIAL CONTROL REGULATION 438/2001

## ARTICLE 13: REPORT FOR 2002

**COUNTRY:** NORTHERN IRELAND

**PROGRAMMES:** ALL STRUCTURAL FUNDS PROGRAMMES

**FUNDS:** ALL FUNDS

### 1. Introduction

This report covers the management and control systems that are both in place and under review in Northern Ireland for control of the EU Structural Funds Programmes for the period 2000-2006. For the calendar year this relates to the Building Sustainable Prosperity (BSP) and the PEACE II Programme as well as the Community Initiatives.

This report has been prepared by the European Division, Department of Finance and Personnel, on behalf of all NI Departments.

It is worth noting that the BSP and PEACE II Programmes deal with similar projects which are delivered by similar organisations as was the case for the Single Programme Document and PEACE I and these have been the subject of detailed systems audit and verification checks in the past.

Expenditure declared to the Commission in 2002 was as follows:

#### **Building Sustainable Prosperity Programme**

<b>Fund</b>	<b>Community</b>	<b>National</b>	<b>Private</b>	<b>Revenue</b>	<b>Total</b>
ERDF	104,594,455	37,751,403	0	0	142,345,858
ESF	60,822,264	36,631,948	0	0	97,454,212
EAGGF	NIL	NIL	NIL	NIL	NIL
FIFG	NIL	NIL	NIL	NIL	NIL

## **PEACE II**

<b>Fund</b>	<b>Community</b>	<b>National</b>	<b>Private</b>	<b>Revenue</b>	<b>Total</b>
ERDF	554,218	185,116	0	0	739,334
ESF	NIL	NIL	NIL	NIL	NIL
EAGGF	NIL	NIL	NIL	NIL	NIL
FIFG	NIL	NIL	NIL	NIL	NIL

### **2. Completion and updating of description of Management and Control System under Article 5**

A draft Management and Control report was submitted to the Commission in October 2001. Further updating continued throughout 2002 incorporating comments received from the Commission and lessons learned during early implementation of 2000-2006 Programmes and from the checks carried out as part of closure of the 1994-1999 Programmes. The latest Article 5 Statement was submitted to the Commission on 30 June 2003. The systems however continued to be refined and developed.

### **3. Changes to the Audit Strategy**

The audit strategy in relation to the 2000-2006 programmes has already been provided to the Commission.

### **4. Systems Audits**

Systems audits are carried out by the Departmental Internal Audit Services and cover ERDF, ESF, EAGGF and FIFG Programmes.

While Internal Audit Services have during 2002 been mainly devoted to the closure of the 1994-99 Programmes a number of audits were undertaken on BSP Measures 2.3, 2.4, 2.7 and 4.13F as well as PEACE II Measures 1.7b, 1.10a, 1.10b, 2.9b, 2.10, 4.7, 4.9, 4.10 and 4.11. The strategy for the coverage of the 2000-2006 programmes will become clearer following a review of the new structure and the

production of a more detailed analysis of risk. This is being done in the current year.

Internal audit plans are being developed to ensure adequate coverage, from a systems perspective, of all BSP/PEACE II expenditure.

Future audit approaches will involve reviews in the relevant Implementing Departments to identify key controls and actions and an evaluation of the effectiveness of the systems underpinning these. Separate verification units have been established in all relevant Departments and the Audit Services will provide advice on the new control systems that need to be put in place as well as ongoing coverage of the systems during the lifetimes of the Programmes.

**5. Sample Checks on Expenditure.**

As resources were targeted towards closure of the 1994-99 Programmes, few sample checks on the 2000-06 Programmes were carried out in 2002. Expenditure declared in respect of the 2000-2006 Programme has however been subject to ongoing checks conducted by administrative staff involved in the implementation of the projects.

**6. Follow-up of previous year's Audit Activity**

No follow-up reviews have to date been carried out for the 2000-2006 Programmes. Issues highlighted by Audit Services during the closure process of the 1994-99 Programmes under 2064/97 are being addressed and action will be taken to improve management and control processes for the 2000-06 Programmes.

**7. Conclusions**

While the audit activity 2002/03 was outlined in the "Internal Audit work planned on the Structural Funds for 2002/03 in the UK" on the 2000-06 Programmes but has turned out to be less than planned. This was heavily influenced by the need to give priority to closure on the 1994-99

Programmes. Audits are planned during 2003/04, which will give the necessary assurances over the Management Systems that control the 2000-06 funds, and the proposed audit plan has already been provided to the Commission.

Insufficient coverage of Article 10 checks has been carried out at this point to draw conclusions on the likely outcome of the programme of checks.

During 2002, 2 irregularities were reported in the Building Sustainable Prosperity Programme under the EAGGF fund.

Rural Community Network Running Costs	BSP measure 4.7	£20,959.27
Rural Community Network RSN Costs	BSP measure 4.7	£91,032.01

In both cases full recovery has been affected.

**EUROPEAN DIVISION**  
**October 2003**