

EC FINANCIAL CONTROL REGULATION 438/2001

ARTICLE 13: REPORT FOR 2003

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 2003 calendar year this relates to the Building Sustainable Prosperity (BSP) and the PEACE II Programme as well as the Community Initiatives (INTERREG IIIA, LEADER +, EQUAL II and URBAN II).

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

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 for each Operational Programme and Community Initiative during the year 2003 is shown on the following page:

BUILDING SUSTAINABLE PROSPERITY PROGRAMME (BSP) €

Fund	Community	National	Private	Revenue	Total
ERDF	116,186,237	53,335,099	0	0	169,521,336
ESF	11,296,195	6,966,946	60,045	166,211	18,489,397
EAGGF	12,853,573	7,913,646	11,376,904	0	32,144,123
FIFG	4,791,376	1,597,125	0	0	6,388,502

PEACE II €

Fund	Community	National	Private	Revenue	Total
ERDF	96,552,682	32,187,929	0	0	128,740,611
ESF	61,901,307	20,633,721	0	0	82,535,028
EAGGF	549,321	186,013	0	0	735,334
FIFG	532,927	177,912	0	0	710,839

URBAN II €

Fund	Community	National	Private	Revenue	Total
ERDF	1,122,478	479,815	0	0	1,602,293

EQUAL €

Fund	Community	National	Private	Revenue	Total
ESF	972,572	563,041	28,112	0	1,563,725

LEADER⁺ €

Fund	Community	National	Private	Revenue	Total
EAGGF	1,388,035	1,388,035	0	0	2,776,070

INTERREG IIIA €

Fund	Community	National	Private	Revenue	Total
ERDF	194,819	65,403	0	0	260,222

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 30th June 2003. This addressed 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. These systems however continue to be refined and developed with the Article 5 statement being amended as necessary.

3. **Changes to the Audit Strategy**

The audit strategy in relation to the 2000-2006 programmes was provided with the previous report and remains unchanged.

4. **Systems Audits**

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

While Internal Audit Services have during 2003 continued to be heavily involved in the follow-up of issues raised by the Commission during the closure of the 1994-99 Programmes a number of audits were commissioned late in the year though these had not been fully completed at 31st December.

A number of audits were finalised during the year and these provided confirmation that adequate control systems were in place for the administration of Measures under the BSP and Peace II Programmes and the Equal II Community Initiative.

The SEUPB appointed PriceWaterhouseCoopers (PWC) to undertake audit work - as part of a risk assessment of Implementing Bodies

involved in the delivery of the Peace II Programme. The work examined whether implementation was in accordance with contracts between the Bodies and the SEUPB; whether documented controls and procedures were in place - and adhered to; and to highlight any identified weaknesses in controls and procedures.

A total of 47 Implementing Bodies were audited and all recommendations were circulated to those carrying out Article 4 checks for follow up as necessary.

Departmental Audit Services have also provided advice and guidance on further enhancement of existing systems and recommendations made and accepted by management in European Programmes' Branches will be reviewed in future years.

Information gained from systems audits will inform future audit strategy for the coverage of the 2000-2006 programmes and this will become clearer following ongoing reviews of the detailed analyses of risk. This work will be ongoing.

Future audit approaches will continue to focus on 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 Implementing Departments and have carried out a number of visits in the later part of 2003 verifying expenditure under BSP, Peace II and Equal to the value of some €9.065m in total (€5.155 ERDF and €3.911 ESF)

In addition, one audit of the management and controls systems for Peace II was conducted by staff from DG Regio in November 2003.

5. Sample Checks on Expenditure.

As stated, Audit Service resources continued to be heavily involved in the follow up of issues raised by the Commission as a result of closure of the 1994-99 Programmes, sample checks on the 2000-06

Programmes began in 2003, with further being planned for early 2004. Expenditure declared in respect of the 2000-2006 Programme has however been subject to ongoing desk checks conducted by administrative staff involved in the implementation of the projects and verification visits as outlined in the previous paragraph.

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

Follow-up reviews for the systems audits carried out in 2003 are planned for 2004 as part of the Audit Services ongoing workplans. Issues highlighted by Audit Services during the closure process of the 1994-99 Programmes under Regulation 2064/97 (and in subsequent correspondence with the respective Directorates General in the Commission) have been addressed and action is ongoing to improve and enhance management and control processes for the 2000-06 Programmes.

7. Conclusions

While audit activity was outlined in the "Internal Audit work planned on the Structural Funds for 2003/04 in the UK" on the 2000-06 Programmes this has, for a second consecutive year, turned out to be less than planned for reasons previously stated. Priority had to be given to responding to issues raised by the Commission following submission of the Closure Reports and Final Claims in respect of the 1994-99 Programmes. Audits have been carried out during 2003 as stated in this report and other actions are planned for 2004 which will give the necessary assurances over the Management Systems that control the 2000-06 Funds. The proposed audit plan for 2004/05 has already been provided to the Commission earlier this year.

During 2003 the SEUPB conducted 1,627 Article 4 visits with the results being made available to the teams responsible for carrying out Article 10 checks. Overall there has been limited formal Article 10

checks carried out in 2003, with checks providing reasonable assurance regarding verification of expenditure and delivery however, Working Groups established across Implementing Departments have worked to ensure a consistent approach to activities to meet the requirements of Articles 4 and 10 of Commission regulation 438/2001 and plan to issue an agreed checklist early in 2004.

There were 3 new Irregularities under the 2000 – 2006 round reported during 2003 as detailed below:

Programme	Fund	Amount € (EU)	Status / Comments
BSP	ERDF	25,000	Recovered in full
BSP	ERDF	348,000	Ongoing
Peace II	EAGGF	26,855	Uncovered before any payment was made

A number of Irregularities were reported during 2003 in respect of the previous round – as a result of follow-up action relating to closure and these are being followed up in accordance with the Regulations.

EUROPEAN DIVISION

Department of Finance and Personnel (Northern Ireland)

June 2004