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Republic of Latvia

Cabinet

Regulation No. 455

Adopted 17 June 2008

## **Procedures for Ensuring of the Functions of the Audit Authority in the Management of European Union Funds**

*Issued pursuant to  
Section 18, Clause 4 of the  
Law On Management of European Union  
Structural Funds and the Cohesion Fund*

### **I. General Provisions**

1. These Regulations prescribe the procedures, by which implementation of the functions of the Audit Authority are ensured in the management of European Union funds. These Regulations have been issued in conformity with Council Regulation No. 1083/2006/EC of 11 July 2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation No. 1260/1999/EC, and Commission Regulation No. 1828/2006/EC of 8 December 2006 setting out rules for the implementation of Council Regulation 1083/2006/EC laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation 1080/2006/EC of the European Parliament and of the Council on the European Regional Development Fund.
2. These Regulations shall apply to the Managing Authority, the Paying Authority, the Certification Authority, the Responsible Authority, the Co-operation Authority, the Procurement Monitoring Bureau (hereinafter – institutions), the Audit Authority and the final beneficiaries of European Union funds.
3. The Ministry of Finance shall fulfil the following functions of the Audit Authority:
  - 3.1. prepare a single audit strategy and ensure updating thereof;
  - 3.2. ensure the compliance assessment of the management and control system of European Union funds established in institutions and the Audit Authority;
  - 3.3. perform audits of the management and control system of European Union funds at the Managing Authority, the Procurement Monitoring Bureau and the Central Finance and Contracting Agency;
  - 3.4. perform the audit of operation;
  - 3.5. prepare the annual control report;
  - 3.6. perform the audit of the closure expenditure declaration;
  - 3.7. prepare the final control report; and

3.8. perform additional audits of the management and control system of European Union funds in accordance with the regulatory enactments regulating an internal audit.

4. Internal audit units of the Responsible Authority, the Co-operation Authority and the Treasury shall co-operate with the Audit Authority in implementation of the functions thereof:

4.1. prepare information for inclusion in the single audit strategy;

4.2. perform audits of the management and control system of European Union funds in the Responsible Authority, the Co-operation Authority, the Paying Authority and the Certification Authority accordingly; and

4.3. prepare information for inclusion in the annual control report.

5. Institutions and the beneficiaries of European Union funds shall ensure the Audit Authority, as well as the internal audit units of the Responsible Authority, the Co-operation Authority and the Treasury with an unlimited access to all types of documents, registers and other information related to the management of European Union fund projects.

## **II. Single Audit Strategy**

6. The single audit strategy shall be a planning document prepared by the Audit Authority in co-operation with the internal audit units of the Responsible Authority, the Co-operation Authority and the Treasury and in which the objectives, scopes of activities and methodology for planning and implementation of the functions of the Audit Authority for the 2007-2013 planning period of European Union funds are indicated.

7. Internal audit unit of the Responsible Authority, the Co-operation Authority and the Treasury and the Audit Authority shall plan audits of the management and control system of European Union funds and audits of operation so that each year the Audit Authority could prepare an opinion regarding the operation of the management and control system of European Union funds on the basis of the results of the audits included in the single audit strategy.

8. Until 7 July 2008 the Responsible Authority, the Co-operation Authority and the Treasury shall submit information to the Audit Authority regarding:

8.1. the priorities brought forward in the strategic plan of an internal audit unit pursuant to the performed risk assessment in relation to the audits of the management and control system of European Union funds for the programming period 2007-2013;

8.2. the audits of the management and control system of European Union funds planned and closed by an internal audit unit for the time period from 1 January 2007 until 30 June 2008;

8.3. the audits of the management and control system of European Union funds planned by an internal audit unit for the time period from 1 July 2008 until 30 June 2009; and

8.4. changes in the strategic plan of an internal audit unit pursuant to the performed risk assessment.

9. The Audit Authority shall evaluate the information referred to in Paragraph 8 of these Regulations and where appropriate request additional information from the Responsible Authority, the Co-operation Authority and the Treasury.

10. From 2009 to 2015 each year by 1 June the Responsible Authority, the Co-operation Authority and the Treasury shall submit information to the Audit Authority regarding:

10.1. the audits of the management and control system of European Union funds planned by an internal audit unit for the time period from 1 July until 30 June of the subsequent year; and

10.2. changes in the strategic plan of an internal audit unit pursuant to the performed risk assessment.

11. The Audit Authority shall submit the single audit strategy for approval to the State Secretary of the Ministry of Finance (hereinafter – State Secretary) and shall send it to the European Commission until 18 September 2008.

12. The Audit Authority shall ensure the placement of the single audit strategy on the Internet home page of the European Union funds ([www.esfondi.lv](http://www.esfondi.lv)) within 10 working days after sending the single audit strategy to the European Commission and shall inform institutions thereof.

13. The Audit Authority shall update the single audit strategy by 30 June of every year in the time period from 2009 to 2015 on the basis of:

13.1. the information referred to in Paragraph 10 of these Regulations;

13.2. the information regarding the results of audits of the management and control system of European Union funds and audits of operation; and

13.3. changes in the description of the management and control system of European Union funds.

14. The Audit Authority shall ensure the placement of the updated single audit strategy on the Internet home page of the European Union funds ([www.esfondi.lv](http://www.esfondi.lv)) within 10 working days after sending of the single audit strategy to the European Commission and shall inform institutions thereof.

### **III. Compliance Assessment of the Management and Control System of European Union Funds**

15. The Managing Authority shall ensure the preparation of a description of the management and control system of European Union funds on the basis of information submitted by institutions and the Audit Authority regarding the management and control system of European Union funds in accordance with Annex XII to Commission Regulation No. 1828/2006/EC of 8 December 2006 setting out rules for the implementation of Council Regulation 1083/2006/EC laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and the placement thereof on the Internet home page of the European Union funds ([www.esfondi.lv](http://www.esfondi.lv)).

16. The Managing Authority shall ensure updating of the description of the management and control system of European Union funds by 30 June of every year from 2008 until 2015 .

17. Assessment of the management and control system of European Union funds shall be performed in order to ascertain regarding the conformity of the description of the management and control system of European Union funds referred to in Paragraph 15 of these Regulations to the regulatory enactments in the field of management and control of European Union funds.

18. The Audit Authority shall ensure the compliance assessment of the management and control system of European Union funds in institutions, as well as ensure the preparation of a report on the compliance assessment and an opinion regarding the management and control system of European Union funds.

19. For elimination of the deficiencies detected in the report on the compliance assessment, the Audit Authority shall prepare a plan for the elimination of the deficiencies and send it to institutions for approval.

20. The institutions shall approve the plan for elimination of the deficiencies, in which the measures to be performed for elimination of the deficiencies identified in the report on the compliance assessment, as well as the official responsible for elimination of the deficiencies and the time period for elimination of the deficiencies are indicated.

21. The institutions shall be responsible for implementation of the measures included in the plan for elimination of the deficiencies pursuant to the time period specified in the plan, but not later than until the submission of the description of the management and control system of European Union funds, the report on compliance assessment and the opinion regarding the management and control system of European Union funds to the European Commission.

22. The Audit Authority shall perform monitoring of implementation of the measures included in the plan for elimination of the deficiencies and shall send the description of the management and control system of European Union funds, the report on compliance assessment and the opinion regarding the management and control system of European Union funds, as well as information regarding execution of the plan for elimination of the deficiencies, which has been approved by institutions, to the European Commission by 18 December 2008.

#### **IV. Audit of the Management and Control System of European Union Funds**

23. In order to ascertain the operation of the established management and control system of European Union funds, the Audit Authority pursuant to Sub-paragraph 3.3 of these Regulations and an internal audit unit of the Responsible Authority, the Co-operation Authority and the Treasury pursuant to Sub-paragraph 4.2 of these Regulations shall perform audits of the management and control system of European Union funds, in which examination of conformity with the key requirements shall be ensured pursuant to the functions delegated to institutions.

24. The key requirements for the Managing Authority, the Responsible Authority and the Co-operation Authority shall be as follows:

24.1. clearly specified and separated functions in the Managing Authority, the Responsible Authority and the Co-operation Authority, as well as among the Managing Authority, the Responsible Authority and the Co-operation Authority;

24.2. a procedure developed for the selection of project applications pursuant to the regulatory enactments of the European Union and the Republic of Latvia in the field of the management of European Union funds and the conformity with the procedure;

24.3. clear and appropriate provision of information and guidelines to beneficiaries of European Union funds pursuant to the regulatory enactments of the European Union and the Republic of Latvia in the field of the management of European Union funds;

24.4. a procedure developed for verification checks of projects and for monitoring of European Union funds pursuant to the regulatory enactments of the European Union and the Republic of Latvia in the field of the management of European Union funds and the conformity with the procedure;

24.5. clear and traceable documentation for proofs regarding the management of European Union funds pursuant to the regulatory enactments of the European Union and the Republic of Latvia in the field of the management of European Union funds;

24.6. information system of the management of European Union funds for accounting and monitoring of the financing and preparation of reports pursuant to the regulatory enactments of the European Union and the Republic of Latvia in the field of the management of European Union funds and in accordance with interdepartmental agreement; and

24.7. measures for the prevention and correction of systematic deficiencies detected by the Audit Authority.

25. Key requirements for the Certification Authority and the Paying Authority shall be as follows

25.1. clearly specified and separated functions in the Certification Authority and the Paying Authority, as well as among the Certification Authority, the Paying Authority, the Responsible Authority and the Co-operation Authority;

25.2. clear and traceable documentation and information system proof regarding accounting of certified expenditure pursuant to the regulatory enactments of the European Union and the Republic of Latvia;

25.3. a procedure developed for certification of expenditure pursuant to the regulatory enactments of the European Union and the Republic of Latvia and the conformity with the procedure; and

25.4. a procedure developed for accounting of unjustifiably incurred payments and recovering thereof pursuant to the regulatory enactments of the European Union and the Republic of Latvia and the conformity with the procedure.

26. Key requirements for the Procurement Monitoring Bureau shall be as follows:

26.1. clearly defined, separated functions at the Procurement Monitoring Bureau;

26.2. a procedure developed for random pre-examination of procurement documentation and the course of the procurement procedure pursuant to the regulatory enactments of the European Union and the Republic of Latvia; and

26.3. clear and traceable documentation for proofs regarding the management of European Union funds pursuant to the regulatory enactments of the European Union and the Republic of Latvia.

27. The Audit Authority shall issue guidelines to internal audit units of the Responsible Authority, the Co-operation Authority and the Treasury for performance of the compliance assessment of the key requirements referred to in Paragraphs 24 and 25 of these Regulations.

28. The compliance assessment of the key requirements of the management and control system of European Union funds shall be prepared on the basis of the following categories:

28.1. operates well if deficiencies have not been detected or if the detected deficiencies do not affect the operation of the management and control system of European Union funds;

28.2. operates, however, individual improvements are required if the detected deficiencies do not have a significant effect on the operation of the management and control system of European Union funds;

28.3. operates partially and individual improvements are required if the detected deficiencies have a significant effect on the operation of the management and control system of European Union funds; or

28.4. does not operate if systematic and significant large scale deficiencies, which have a significant effect on the operation of the management and control system of European Union funds, have been detected.

29. The Audit Authority shall ensure that the internal audit units of the Responsible Authority, the Co-operation Authority and the Treasury:

29.1. perform an audit of the management and control system of European Union funds pursuant to the single audit strategy and regulatory enactments in the field of internal audit; and

29.2. enter information regarding closed audits of the management and control system of European Union funds, detected deficiencies and recommendations, as well as information regarding the introduction of recommendations in the information system of the management of European Union funds.

30. The Responsible Authority, the Co-operation Authority and the Treasury shall submit a report (a copy) on the audit of the management and control system of European Union funds, which has been performed pursuant to the single audit strategy, to the Audit Authority within 10 working days after completion of the audit.

31. The Audit Authority shall send the copies of the reports on the audit of the management and control system of European Union funds to the European Commission within a time period of 10 working days after receipt thereof.

## **V. Audit of Operation**

32. The Audit Authority shall perform an audit of expenditure approved by the Certification Authority (hereinafter – operation) in accordance with the single audit strategy at the Responsible Authority or the Co-operation Authority and at the beneficiary of European Union funds in order to verify that the expenditure certified within the framework of the operational programme – eligible expenditure included in the declaration of expenditure sent to the European Commission – is eligible and made pursuant to the regulatory enactments in the field of management and control of European Union funds.

33. The Certification Authority shall submit to the Audit Authority twice a year:

33.1. a list regarding the operation within the time period from 1 July of the preceding year to 31 December – by 15 January of the current year; and

33.2. a list regarding the operation within the time period from 1 January of the current year to 30 June – by 15 July of the current year.

34. The Audit Authority shall inform the Responsible Authority and the Co-operation Authority regarding an audit of the operation 10 working days before the commencement thereof.

35. The Audit Authority shall prepare a draft report on the audit of operation and a draft schedule of implementation of recommendations and send it for the provision of comments to the respective Responsible Authority and the Co-operation Authority.

36. If the respective Responsible Authority and the Co-operation Authority have comments regarding the draft report and the draft schedule of implementation of recommendations referred to in Paragraph 35 of these Regulations, they shall be submitted in writing to the Audit Authority within 10 working days after receipt of the referred to drafts.

37. The Audit Authority shall prepare a report on the audit of operation and a schedule of implementation of the recommendations, evaluating the comments provided and making adjustments where appropriate. A report on the audit of operation approved by the State Secretary and a schedule of implementation of the recommendations co-ordinated by the State Secretary shall be sent to the respective Responsible Authority and the Co-operation Authority.

38. The Responsible Authority and the Co-operation Authority shall submit the prepared and the approved schedule of implementation of recommendations to the Audit Authority within 10 working days after receipt of the approved report on the audit of operation and the co-ordinated schedule of implementation of the recommendations. The respective institution shall be responsible for the implementation of the recommendations.

39. On the basis of a request of the European Commission, the Audit Authority shall, within 10 working days, send a copy of the report on the audit of operation to the European Commission.

40. The Audit Authority shall enter information regarding an audit of operation performed, deficiencies detected and recommendations, as well as implementation thereof in the information system of the management of European Union funds.

41. The Audit Authority shall monitor the implementation of recommendations provided in audits of operation.

42. The Audit Authority may perform an additional audit of operation if it is detected that the expenditure certified within the framework of an operational programme has not been incurred pursuant to the regulatory enactments in the field of management and control of European Union funds.

## **VI. Annual Control Report**

43. Within a time period from 2008 until 2015, the Audit Authority shall, by 31 December of each year, prepare and send the European Commission an annual control report that has been approved by the State Secretary and an opinion regarding efficiency of operation of the management and control system of European Union funds.

44. For preparation of the annual control report the Responsible Authority, the Co-operation Authority and the Treasury shall submit to the Audit Authority:

44.1. reports on the audits performed in accordance with the single audit strategy, indicating information regarding findings, conclusions and recommendations of the audit of the management and control system of European Union funds;

44.2. the compliance assessment of the key requirements referred to in Paragraphs 24, 25 and 26 of these Regulations and an opinion regarding operation of the management and control system of European Union funds; and

44.3. information regarding implementation of the approved recommendations, measures taken for improvement of the system, as well as information whether systematic and significant deficiencies have been detected shall be indicated.

45. The Responsible Authority, the Co-operation Authority and the Treasury shall submit the information referred to in Paragraph 44 of these Regulations:

45.1. by 1 August 2008 – for the time period from 1 January 2007 until 30 June 2008;

or

45.2. by 1 August of each year, in the time period from 2009 until 2015 – for the time period from 1 July of the preceding year until 30 June of the current year.

46. The Audit Authority shall prepare the annual control report and an opinion regarding operation of the management and control system of European Union funds on the basis of the information referred to in Paragraph 44 of these Regulations, the audit of the management and control system of European Union funds performed by the Audit Authority and the results of audits of expenditure approved by the Certification Authority.

47. The Audit Authority shall prepare an opinion regarding operation of the management and control system of European Union funds according to the categories referred to in Paragraph 28 of these Regulations.

48. The Audit Authority shall ensure the placement of the annual control report that has been approved by the State Secretary on the Internet home page of European Union funds ([www.esfondi.lv](http://www.esfondi.lv)) and inform institutions about it within a time period of 10 working days after the sending of the annual control report to the European Commission.

## **VII. Audit of the Closure Expenditure Declaration and the Final Control Report**

49. The Audit Authority shall perform an audit of the closure expenditure declaration of an operational programme pursuant to the single audit strategy in order to verify that the operation included in the closure expenditure declaration is eligible and have been made pursuant to regulatory enactments in the field of management and control of European Union funds.

50. The Audit Authority shall, by 1 February 2017, prepare a draft report regarding the performed audit of the closure expenditure declaration and shall send it to the Managing Authority, the Certification Authority, the respective Responsible Authority and the Co-operation Authority for provision of comments.

51. If the Managing Authority, the Certification Authority or the respective Responsible Authority and the Co-operation Authority has comments regarding the draft report referred to in Paragraph 50 of these Regulations, they shall be submitted to the Audit Authority in writing within 15 working days after receipt of the draft report.

52. The Audit Authority shall prepare a report on the performed audit of the closure expenditure declaration and an opinion on the basis of the received comments within 10 working days after receipt thereof, as well as submit them to the State Secretary for approval.

53. The Audit Authority shall enter the information regarding the performed audit of the closure expenditure declaration in the information system of European Union funds within 10 working days after sending of the referred to documents to the Commission.

54. The Audit Authority shall prepare a final control report and submit it for approval to the State Secretary.

55. The Audit Authority shall, by 24 March 2017, send the following documents approved by the State Secretary to the European Commission:

55.1. a report on the performed audit of the closure expenditure declaration and an opinion for each operational programme; and

55.2. the final control report.

56. The Audit Authority shall send copies of the documents referred to in Paragraph 55 of these Regulations to the Managing Authority and the Certification Authority.

57. The Audit Authority shall ensure the placement of the documents referred to in Paragraph 55 of these Regulations on the Internet home page of European Union funds ([www.esfondi.lv](http://www.esfondi.lv)) within 10 working days after sending of the annual control report to the European Commission and shall inform institutions about it.

### **VIII. Closing Provision**

58. Cabinet Regulation No. 529 of 7 August 2007, *Procedures for Ensuring of the Functions of the Audit Authority in the Management of European Union Funds (Latvijas Vēstnesis [the official Gazette of the Government of Latvia], 2007, No. 129)* is repealed.

Acting for the Prime Minister –

Minister for Special Assignments for Children and Family Affairs

A. Baštiks

Minister for Special Assignments

for Administration of European Union Funds

N. Broks