

## Evaluation of conformity and effectiveness of expenses certification process

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### SUMMARY

#### *Compliance of procedures and actual steps*

The internal procedures reviewed during the evaluation and the results of the walk-through tests performed lead to the conclusion that the procedures applied for verification of expenditures on all levels of the management system, i.e., **the internal procedures of the Aid Scheme Managers and the 2nd Level Intermediary Bodies concerning:**

- **examination of the documents verifying expenditures;**
- **preparation and examination of structural fund applications;**
- **preparation and examination of expenditure declarations;**
- **assessment of non-compliances, taking of the decision on usage of the allocated financing and reporting on non-compliances, recovery of ineligible expenditure, including the relevant non-compliance information in the expenditure declaration;**

**are in compliance with the Republic of Latvia regulatory acts and the EC regulations.** The actual processes carried out by the 2<sup>nd</sup> Level Intermediary Bodies and the Aid Scheme Managers also **are in compliance with the Republic of Latvia regulatory acts and the EC regulations** as suggested by the results of the walk-through tests. At the same time, it should be noted that the institutions carry out additional activities not defined in the regulatory acts, thus reducing the efficiency of the process. It should also be pointed out that the Republic of Latvia laws do not define the rules for carrying out an examination of a structural funds application. During the evaluation it was established that one of the institutions (the State Agency for Education Development, VIAA) does not examine 100% of the documents verifying the expenditure. Also, the two-tier control is not always ensured, for example, at VIAA and the State Agency for Employment (NVA). However, as the law does not state that an examination of a structural funds application may not be organised that way, the procedures developed by the institutions are in compliance with the requirement. This may lead to the situation where certain groups of expenditures are examined more thoroughly than necessary while other expenditures are not examined sufficiently, **resulting in a lesser assurance of the Paying Authority.**

Concerning the Paying Authority and the Managing Authority, it was concluded during the evaluation that **the internal procedures and actual steps for verification of expenditures are in compliance with the Republic of Latvia regulatory acts and the EC regulations.** At the same time, there are no grounds for the Paying Authority to select for examination the groups of the structural funds applications included in the expenditure declaration.

To reduce the likelihood of such situation in respect of expenditures attributable to the 2004-2006 planning period, the Paying Authority should pay additional attention to the expenditures that had not been subject to the two-tier control while paying less attention to expenditures that have passed this kind of control.

In the period of 2007–2013 it is not required to ensure the two-tier control of all the expenditures as there won't be any Aid Scheme Managers during this period and it has not been defined whether the established two-tier control will be applied. Therefore it should be ensured that the second-tier control should be carried out at least selectively. Such second-tier control could be performed by the responsible authority or, if it is not done, by the Cooperation Authority upon receiving the expenditure declaration.

### *Efficiency of procedures*

In general the **efficiency of the expenditure verification process should be rated as medium**, but it varies from one institution to another. It should also be taken into account that different degrees of efficiency were established for various examination elements within an individual institution, therefore each institution should take into consideration the recommendations given in respect of separate examination elements in order to improve the overall efficiency.

During the evaluation it was established that the cases involving the greatest inefficiency are related to repeated examination of the documents verifying the expenditure within the same institution, sub-optimal examination sheets and the fact that occasionally documents are prepared on one level but never get used on the following levels.

During the 2007–2013 planning period additional attention should be paid to use of the information systems and improvement of the process efficiency as the results of the evaluation reveal insufficient use of the information systems in all the institutions involved.

More information about this evaluation can be found on:

[http://www.esfondi.lv/upload/01strukturfondi/petijumi/Zinojums\\_final\\_18122007Komm.pdf](http://www.esfondi.lv/upload/01strukturfondi/petijumi/Zinojums_final_18122007Komm.pdf)