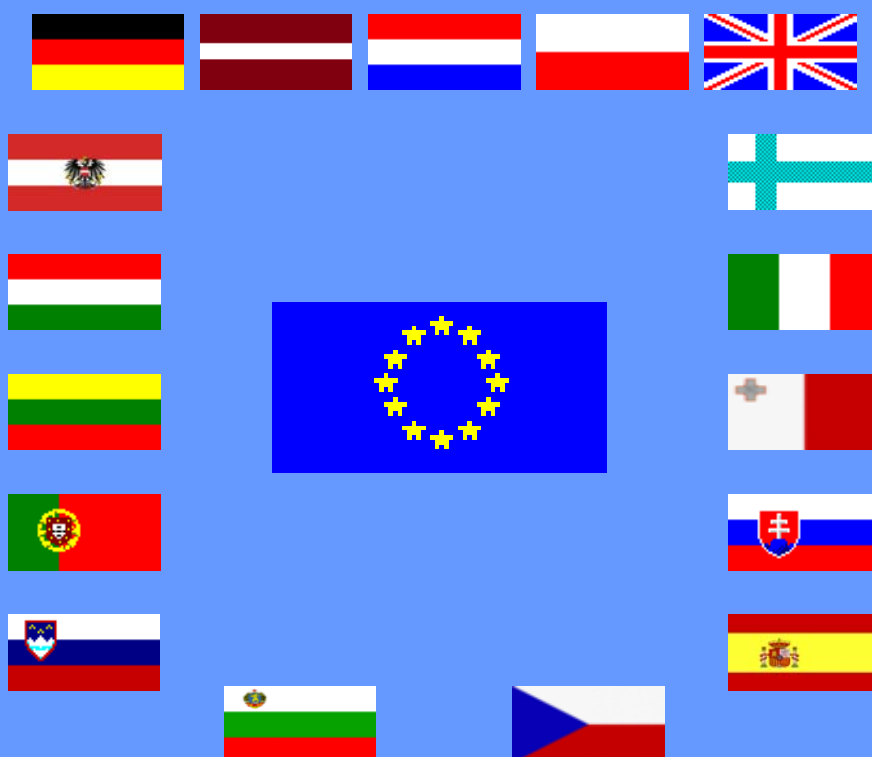


*Report*  
to the  
**Contact Committee**  
of

the Heads of the Supreme Audit Institutions of the  
Member States of the European Union and the  
European Court of Auditors



On the  
Parallel Audit of the  
Performance of the Structural Funds  
programmes of the European Union in the  
areas of employment and/or the  
environment  
by the Working Group on Structural Funds

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## Executive Summary

### Mandate

The 2006 Contact Committee gave the Working Group<sup>1</sup> a mandate to continue its reviews of Structural Funds issues and specifically to carry out a focused review on “Performance (output/effectiveness) of the Structural Funds programmes in the areas of employment and/or environment”.

### Audit Plan

The audit subject is an important topic of relevance to both the 2000-2006 and 2007-2013 Structural Funds’ programmes. Based on the examination of measures and projects from the programme period 2000-2006 each SAI aimed to conclude on the extent to which Member States have contributed to the achievement of the strategic goals of the respective Operational Programmes (OP).

In order to undertake this review the Working Group developed an Audit Plan to be used by each participating Supreme Audit Institution (SAI) in carrying out their respective national audits.

### Main conclusions

- With respect to the planning of measures and the selection of projects in 2000 – 2006, the review identified examples of good practice but also several shortcomings in the arrangements in place within Member States in responding effectively to meeting the primary goals of the Structural Funds. For 2007-2013 the situation was much more encouraging as the review concluded that Member States had responded positively to the lessons learned from the previous period, and had acted upon recommendations for improvements made by the SAI.
- Some procedures for project appraisal and selection are sufficient to ensure the selection of projects in terms of their contribution to the aid measures’ goals, although some weaknesses were identified regarding the reliable assessment of projects’ cost-effectiveness. Once again a number of Member States had generally taken appropriate action to address identified weaknesses through changing and improving procedures for the 2007-2013 period.
- In a number of cases the Member States’ award procedures support the delivery of projects as planned and with sustainable results. Nevertheless, further improvements

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1 SAIs of Austria, Finland, Germany, Hungary, Italy, Latvia, Malta, The Netherlands, Poland, Portugal, Slovak Republik, Slovenia, Spain and the United Kingdom. The SAIs of Bulgaria, the Czech Republic and Lithuania and the ECA were observers.

of the procedures are often necessary. Some of these improvements have been addressed in the arrangements for the new 2007-2013 period.

- While Member States have established systems for monitoring and reporting which provide a basis for evaluation, in many cases the monitoring indicators have been overcomplicated, inconsistent or not well-defined. Typically, more attention is paid to financial monitoring than to monitoring progress in achieving the planned outcomes. It is too early to conclude on the effectiveness of the systems established for monitoring the 2007-2013 period.
- The ex ante and midterm evaluations required under Council Regulation (EC) No. 1260/1999 have been carried out. However, in many Member States these could be improved through a clearer definition of programme goals and indicators and more focus on results rather than financial progress.
- For the 2000-2006 period Monitoring Committees have participated in the evaluation of programmes although there was a tendency to focus on financial results rather than the outcomes achieved. For the 2007-2013 period, the appointment of the Monitoring Committees several months after the approval of the OP in some Member States, which is still in accordance with the timeframe set out in EC-Regulation No. 1083/2006, meant that the Committees' involvement in the planning of measures was necessarily very limited. The role and responsibility of the Monitoring Committee in the system of the implementation of funds is not sufficiently clear.

## **Recommendations**

Our main recommendations are directed to individual Member States, while others are also directed to the European Commission (Commission). The SAIs should monitor their implementation where appropriate.

- The criteria for project selection, appraisal and evaluation should be set so as to facilitate an assessment of value for money and sustainability.
- Where measures from 2000-2006 continue in the 2007-2013 period, any procedural weaknesses should be addressed before the aid measure is continued.
- Controls should be put in place to help ensure that projects are carried out as planned, funding is used only for eligible activities, and clawback arrangements could be used to recover funds where appropriate.
- Funding should be directed to a clearly defined target group to meet the most urgent demand.

- Project indicators should be simplified and better defined so that the effectiveness of individual projects can be better assessed. In turn, national monitoring systems should gather appropriate information to support sound programme evaluation.
- Monitoring and evaluation of results should focus more on the outcomes achieved by the funding of projects than on financial progress.
- For future programme periods the Commission should encourage Member States to establish Monitoring Committees at the earliest possible stage; to give them the opportunity to involve themselves in the planning and selection of measures. It could also be made clearer what the Monitoring Committee is accountable for and distinguish between the pure monitoring function and genuine partnership principle and supervision role.

### **Good Practice**

The report sets out good practice identified by individual SAIs, relevant for both programme periods 2000-2006 and 2007-2013. As a general matter of good practice, many of the lessons learned from the 2000-2006 programme period have been incorporated into Member States' administrative arrangements for 2007-2013. Specific common areas of good practice included the following:

- publication of "calls for tender" setting out clear and specific requirements for project descriptions, including a clear explanation as to how the project addresses the programme's objectives;
- project and programme monitoring and evaluation can be improved through a number of mechanisms; such as national authorities issuing guidance for beneficiaries on monitoring project implementation; undertaking additional voluntary evaluations and studies; and using various consultative groups to support monitoring and evaluation; and
- Monitoring Committees are established in line with the partnership principle, including a wide and varied representation of relevant partners.

## **Introduction**

### **Background**

In 2000 the Contact Committee of the Heads of the Supreme Audit Institutions of the EU Member States and the European Court of Auditors (Contact Committee) created a Working Group to carry out an exploratory survey on EU structural funds. A questionnaire was sent to the Supreme Audit Institutions (SAI) to gain an understanding of how these funds were controlled and managed by the various countries and to identify possible risk areas. The Working Group reported its findings from this work to the Contact Committee in November 2002. The Contact Committee subsequently approved two parallel audits. The first of these examined the application of the regulations to ensure that all Member States implement independent checks on 5% of expenditure and had established appropriate audit trails to support transactions. The final report on the review was presented to the December 2004 Contact Committee. The second parallel audit involved a review of the processes in place for identifying, reporting and following up on Irregularities. The final report on that review was presented to the December 2006 Contact Committee.

### **2007-2008 Mandate**

In 2006 the Contact Committee gave a mandate to the Working Group on Structural Funds to continue its reviews of Structural Funds issues and specifically to carry out a focused review on "Performance (output/effectiveness) of the Structural Funds programmes in the areas of employment and/or environment".

The Working Group agreed an Audit Plan (see Annex E) which provided a framework for carrying out the review. Each SAI examined their respective national administration's work on the planning, monitoring and evaluation of projects, measures, sub programmes or programmes (as appropriate) co-financed by the Structural Funds. To ensure a consistent and coherent approach, all Members of the Working Group were requested to follow this audit plan, particularly with regard to the main questions, conclusions and the format for the country reports, as closely as possible. The audit questions were designed to help the auditor to gather the necessary evidence to support the conclusions.

## **Audit objective**

The Working Group strives to identify potential improvements in the Structural Funds' programmes, especially in their planning and in their administrative management. The review has involved each SAI in an examination of the Structural Funds (objectives 1 and 2) in the areas of employment and/or environment, and concluding on the following:

- if and how national authorities monitored the sustainable success of the funded measures;
- to what extent aid measures (sub programmes, major projects and other projects) provided an effective and sustainable contribution to the strategic goals of the Structural Funds.

The findings of each of the national audits have been combined into this single combined report which includes recommendations for the improvement of the programmes and the implementation of aid measures in the new period of the Structural Funds.

## **Scope and approach of the parallel audit**

The subject of the audit is an important topic of relevance to both the 2000-2006 and 2007-2013 Structural Funds' programmes. The audit is concerned with the two Key Areas of the strategic planning and the evaluation of aid measures. Based on the examination of measures from the period 2000-2006 each of the SAIs aimed to conclude on the extent to which Member States have contributed to the realisation of the respective OP's strategic goals. As the goals of the Structural Funds have continued from the 2000-2006 period to the programme period 2007-2013, the findings from the audit of measures from the period 2000-2006 have been used to inform the recommendations for the improvement of the new period 2007-2013.

The Working Group recognised that not all SAIs could address fully each of the six Key Areas of the Audit Plan, or all funds and objectives. At the same time, some SAIs may not cover both the environment and employment objectives of the parallel audit. All participants of the Working Group were, however, encouraged to cover as much of the audit plan as possible. The Working Group also acknowledged that the scope of the examination carried out by each SAI could be influenced by, for example, national rules or constraints. Annex A sets out the scope of the audit undertaken by each participating SAI within the Working Group and Annex B sets out the working methods used by each SAI to gather their audit evidence. The aggregated results of the national audits are shown in Annex C.

A sample of measures have been examined by the SAIs to inform the conclusions of the audit (see Annex A for the extent of coverage). Measures were selected on the basis of



having been started in the period 2000-2006 and either having been completed or were sufficiently advanced to estimate their success or failure. The selected measures should also have continued in the new period or should have similar successors in new programmes, for example measures in infrastructure such as the restructuring of industrial wastelands, founding of new enterprises, aid programmes for employment etc. This continuity of the audited measures meant that SAI recommendations arising from the examination of measures from the programme period 2000-2006 would be relevant in the new period.

## **Audit Findings by Key Areas**

### **Key Area 1:**

#### **Planning of Measures and Selection of Projects**

**Is programme planning and project selection focused on the contribution to the Funds' primary goals in the areas of employment and the environment?**

#### **Conclusions**

The planning and selection of measures and the establishment of project selection criteria are the key first steps in framing the national Operational Programmes (OPs), and thus ensuring that Member States address the primary ecological and job related goals of the Structural Funds and Lisbon Strategy (see Art. 2 No 3 EU-regulation No 1083/2006). For the 2000-2006 programme period the SAI reviews for several Member States identified shortcomings with the overall arrangements in place. Not all Member States were able to evidence that the contribution to the Funds' primary goals was the main factor in the selection of aid measures. Similarly, in some Member States, particularly in the environment area (ERDF), there was only limited evidence that ecological goals had been considered.

Following the revision of the Lisbon Strategy in 2005, and the issuance of EU Regulations (Council Regulation 1083/2006) on Community Strategic Guidelines on Cohesion, there is clear evidence that Member States have acted upon lessons learned from the 2000-2006 period, and taken far greater account of the Funds' primary goals in formulating planning measures and project selection criteria for 2007-2013. Most Member States have identified improvements but some weaknesses still remain. It is currently too soon to assess to what extent these improvements will contribute to the Lisbon objective of making the EU the most dynamic, knowledge-based economic area in the world by 2010.

### **Findings**

#### **Programme period 2000-2006**

The findings reported were generally consistent, but differences were identified between the national responses to the environmental (ERDF) and employment (ERDF and ESF) goals:

- in some Member States the primary goals formed an integral part of the planning and selection process whilst

- other Member States had processes in place which were in general directed towards the primary goals, nevertheless some shortcomings were identified.
- For most Member States that had satisfactory processes in place, addressing the primary goals of environmental sustainability and job-related goals formed an integral part of the OP; and there was also a direct relationship between such goals and national concerns (A, E, M, NL, PL, SI and UK). All SAs, however, identified some weaknesses, the variety of which exemplified the differing situations between the Member States as well as between the results found in the areas of environment and employment:
- on selection criteria - in some Member States clear, essential and specific selection criteria had been developed (E, FIN, PL and UK); including, the need for each project to promote at least one horizontal theme (FIN); but in other Member States, weaknesses were that the selection criteria favoured traditional type projects over more innovative alternatives (A, D; I and P); that they were not always strictly linked to funding objectives (D-ESF); or, within the OP it was not clearly demonstrated how the planning of measures and selection of activities ensured that the projects that were likely to contribute most to achieving specific employment objectives, considering costs and benefits, were selected or given greater preference (SI);
- on appropriate monitoring indicators - weaknesses were that these were not always reflected in the selection criteria or linked to target values, making it difficult to measure impacts later (I, LV, NL-ESF and SI); when they were linked, later reporting was based on projected rather than achieved results (NL-ERDF); and, their target values were not always fully consistent with the specific objectives of measures (E);
- on the use of ex-ante appraisals and analyses - in some Member States, appraisals, appropriate social and labour market analyses and consideration of EU-level employment strategies were undertaken and used to confirm the potential benefits of the measures listed in the OP (FIN, M, PL and UK), whilst for others the planning of measures and setting selection criteria was not always based on such appraisals or analyses (D-ESF and I);
- on national objectives - the ESF programme, via the OP for Employment, Training and Social Development, had a significant systemic impact on national employment policies (P); weaknesses were that national authorities did not adequately address the objective of improving environmental quality, and environmental concerns had little influence on the design of the funding measures (D-ERDF); and in other cases (E, LV and UK), although national objectives were in line with SF objectives, the different levels of planning documentation were not always consistent, which left room for misinterpretation and complicated the definition of achievement indicators;

- on programme procedures - weaknesses were that eligibility requirements were unnecessarily detailed and could have held up the progress of the programme (PL – but addressed later in the programme); the re-programming process did not effectively address the demands for innovation and structural change (P); and changes in planning emphasis were essentially N+2 driven (NL).

### **Programme period 2007-2013**

- As well as considering whether or not the new period's planning and selection procedures are suitable to support the successful execution of the programme; the review also looked to assess to what extent lessons learned from the 2000-2006 period were reflected in the current procedures and guidance. The Structural Fund's processes of regular reporting, monitoring and evaluation readily lend themselves to identifying shortcomings from programme period to period. Those processes, supported by the SAI recommendations, have resulted in most Member States identifying improvements and a better response to the Lisbon Strategy and the Community objectives; although there is still scope for further improvements. As the impact of environmental projects tends to be more apparent in the longer term, it is encouraging that the concept of sustainable development in terms of resources, allocation, impact and mentoring has been afforded much greater importance (H, I, LV, M and UK):
- on selection criteria - stricter and more detailed selection criteria will be introduced after approval by the Monitoring Committee (I and SI); given the need for co-financing policy initiatives, the processes are now able to ensure an improved level of project selection (P); and the setting of project criteria has been enhanced to emphasise cost effectiveness and value for money (LV).
- on appropriate monitoring indicators - there are now clear links between indicators and target values (NL-ESF) and between their target values and the intermediate and specific objectives of programmes and measures (E), hence reliable ex-post evaluation should be possible; monitoring indicators must now be reflected in selection criteria and project applications (LV); and priority (area) indicators have been established at the levels of product, result and impact, along with base values and target value estimates (PL); whereas in some cases technical indicators are still not sufficiently detailed or accurate to effectively monitor value for money aspects of the programme (H);
- on the use of evaluations and analyses – a continuing weakness was that although revised strategies take account of mid-term evaluations, managing authorities are still

not consistently applying them to the selection of funding measures; which in turn are not always chosen based on adequate cost benefit analyses (D-ESF);

- on national objectives and programme management - activity objectives are more clearly defined in a single OP (LV); processes now place greater emphasis on business needs and lead to greater intervention of Small and Medium-Sized Enterprises (SMEs) (P); most of the budget will now go to measures aimed at innovation, the knowledge economy and entrepreneurship (NL-ERDF); objectives now focus on the most significant areas of increasing employment levels and improving human capital quality (PL); overlaps and inconsistencies regarding the definition of objectives and their quantification in the different levels of planning documentation have been eliminated due to the simplification of programming process (E); and management of the programme has been devolved to a regional level and should align national and regional strategies more effectively (UK); continuing weaknesses in some cases were that there is still insufficient regard to environmental objectives in programme measures (D-ERDF), and some measures over which there are still doubts as to their effectiveness are retained (D-ESF);
- on 2007-2013 implementations - in some Member States that significantly revised their processes and/or introduced new measures to respond to the more stringent requirements of EC Regulations, it was felt that this had resulted in a delayed start to 2007-2013 implementation (A, FIN, and I).

## Recommendations

- Arising from the weaknesses identified in the 2000-2006 period, SAIs made the following recommendations for improvements to be incorporated into the planning and selection criteria processes for 2007-2013:
- on selection criteria - greater consideration should be given to achieving added value and sustainability when formulating project selection criteria; and, the role of Monitoring Committees in approving selection criteria should be reconsidered and defined in more detail;
- on planning documentation - an OP for each Fund would reduce the planning time; there should be consistency between policy planning and implementation documents and adequate monitoring indicators should be formulated to help measure and confirm that outputs and results achieve the set objectives; managing authorities should place greater emphasis on gathering and disseminating information on good practices in project management;

- on funding considerations - the funding guidelines should clearly define the requirements for grant funding; and systematic cost benefit appraisals should be carried out prior to approval to facilitate comparison between applicants, and funding should focus more on the identified target groups;
- on environmental considerations - where a potential beneficiary has a certified (to international standards) environmental management system in place, it should be eligible for higher grants than non-certified organizations.
- From the findings and weaknesses identified in the 2007-2013 period, SAIs made the following recommendations:
  - on funding measures - managing authorities should not approve funding measures until they have been sufficiently specified and subjected to an adequate cost benefit analysis; they should aim to reduce the number of different funding measures for the establishment of new entrepreneurs, and more precisely define the remaining support schemes to avoid overlap of measures;
  - on planning documentation - the amount of documentation that is required to be submitted to the Commission should be reduced and national documentation should be standardized; when preparing planning documents and formulating achievement indicators for environmental objectives, the national authorities should include consistently stated output and result indicators for all objectives, to ensure the appropriate monitoring of the achievement of set goals; and
  - on guidance - authorities should update their promotional efforts to reach potential beneficiaries and regularly monitor the impacts of projects on both international and domestic environmental targets.

## **Good practice**

### **Programme period 2000-2006**

- on evaluations and analysis - detailed analyses were carried out to identify suitable areas for nature based projects - drinking water, waste management, Natura 2000 etc. (H); the ex-ante evaluation included a study to assess the impact of the OP on environmental issues of air quality, sea, landscape, heritage and drinking water; moreover, these constituted novel initiatives to support water and waste management and air quality in a high density environment (M);
- on guidance etc. - national authorities created a government support structure to promote the occupational integration of disabled people (D-ESF); issued a "Manual

for Project Providers” to keep potential beneficiaries informed on the setting of activities and achievement of sustainable and measurable objectives etc. (PL); and regional environmental advisers were appointed to projects to ensure they realised their full potential (UK);

- on programme procedures - the re-programming process reinforced the central role of the ESF programme and the internal coherence of its measures, thus improving its capacity for intervention (P).

### **Programme period 2007-2013**

- Many of the lessons learned have been incorporated into the OP and some of the positive examples reflect the actions taken in response to earlier recommendations by SAIs:
- on selection criteria - the “Partnership principle” (Article 11 of Regulation (EC) No. 1083/2006) involving, social partners and Non-Governmental Organisations (NGOs) and extensive consultation with, among others, trade unions, chambers of commerce, business associations and universities will be more widely applied (E, FIN and LV);
- on planning - action plans are now reviewed on an annual basis and a two-year rolling plan has been introduced to allow for greater flexibility in the planning process; target environmental conditions are now shown with specific indicators, including current and achievable status information (H); and sustainability is given far greater prominence in planning (I, LV and M);
- on national objectives and strategies - strategies developed to ensure that resources no longer target “routine measures” (A) for assisting the unemployed (D-ESF and PL); ranking systems have been introduced to improve project selection, and social security numbers of ESF participants will be linked to national statistical data to allow programme impacts to be assessed over a longer period (NL-ESF);
- on the use of evaluations and analyses - ex-ante evaluations of National Strategic Reference Frameworks (NSRFs) have provided prior judgment advice to national authorities to ensure that they improve programme quality and focus on the Lisbon objectives (M); following mid-term evaluations and consultants inputs, the authorities re-structured the financial support of consultancy services for new entrepreneurs, providing a more effective grant funding process (D-ESF);
- on guidance - a preparatory “Start Workshop” was held in 2005 (A); based on an assessment of 2000-2006 performance the managing authority commissioned a “Good Practice Guide” for the 2007-2013 ERDF and ESF programmes, which included wide ranging recommendations on good practice (UK).

## **Key Area 2:**

### **Goal oriented application procedures**

**How do the national application procedures for calling in, formulating and analysing applications support selection of projects that represent best value for money?**

#### **Conclusions**

The audited application procedures (procedures for project appraisal and selection) are generally adequate to support the selection of projects in terms of their contribution to the respective aid measures' goals. Nevertheless, some weaknesses were identified regarding the reliable assessment of projects' cost-effectiveness. Some procedures were not suitable to ensure that support went to the applicants with the most urgent demand but rather tended to provide support to the most sophisticated applications.

Application procedures relevant under this Key Area are the procedures which are used to acquire, formulate and evaluate applications for specific projects. As the examination of the application functions as an ex-ante-evaluation of the respective project, it is important that:

- a project's real contribution to the aid measure's goals and its chances for a long term effectiveness is thoroughly evaluated;
- a value for money analysis shows, whether the project addresses a priority of the respective aid measure or not; and,
- the requirements on applications ensure that an application contains all necessary information on a project.

The result of this application procedure would be the respective body's decision, whether the project should be co-financed by means of a State aid measure. At the same time the administrative burden of the application procedure should be kept in check for all concerned.

## **Findings**

### **Programme period 2000–2006**

- For some aid measures, "calls for tenders" were published to encourage applications and "scoring systems" were implemented. The "calls" contained relevant requirements, indicators, criteria etc. by which an applicant can identify the purpose



of the aid measure and the conditions the project should fulfil (FIN, H, I, LV<sup>2</sup>, M, PL, SI UK).

- In some cases projects were selected by competitive procedures, using a scoring system (A, H, PL, UK). In one case this applied, however, only for a part of the measures financed under an OP (A).
- In one case, the selection of projects in the area of environment was supported by national or regional regulations and plans (E).
- A number of Member States used a “two round application procedure”<sup>3</sup> for some but not for all of their aid measures (D, H). In one case, applications had to attach a business case with detailed information on the project, in order to allow reliable value for money analysis (UK).
- In some cases, the projects’ effects and contribution to the aid measures’ goals in the areas of employment (D-ERDF, FIN, PL, UK) and environment (H, UK) were thoroughly examined and evaluated before granting funding. Nevertheless, the requirements on cost estimations and financing schemes did not always ensure that the applications contained all information on cost estimation and cost risks necessary for a reliable “value for money” analysis (D-ESF, H, SI). Where the requirements do not ensure that the applications contain all necessary information, a reliable “value for money” analysis is not possible.
- In one case, no measurable criteria were defined, the projects’ contribution to the respective measure’s targets was hardly evaluated and no resilient analysis of the projects’ value for money was performed (D-ESF). Where criteria for the selection of projects had been stipulated and/or an extensive procedure for the value for money analysis had been implemented, these criteria were not sufficiently clear and concrete (I<sup>4</sup>, LV, SI), the regulations were only partially complied with, the methodology used was inadequate (LV) or the process of project selection was not adequately documented. The result was the same in all cases: the project appraisal procedures did not ensure that the most (cost) effective projects were chosen. As a result, the national authorities risked ineffectiveness of the projects and endangered the whole measure’s effective implementation.
- In some cases, the beneficiary’s later load of operating costs was not considered before a project was accepted or the projects’ sustainability was not allocated high

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<sup>2</sup> This applies for one of four audited measures under the national ERDF

<sup>3</sup> In a two round procedure, an outline of a project, its effects, schedule and costs is evaluated (first round) and only if this first evaluation recommends it, the applicant is asked for a detailed application to be thoroughly evaluated by the responsible body (second round).

<sup>4</sup> This applies for some, not for all, of the audited measures.

priority weighting in selection criteria (D-ESF, H, M). Where the beneficiary's later load of operating costs is not considered before accepting the project the national authorities risked the project's effectiveness in the long run, as the beneficiary might stop the project as soon as external funding runs out.

- Due to a "low risk strategy" of the responsible national body some measures' requirements on applications put too high a bureaucratic and cost burden on applicants. As a result the measure could not allocate enough applications from the target group to be effective (H). In another case, the measure did not meet the real demand of the target region with the same result (P).
- In some cases, the distribution of projects did not follow the real regional demand, because the question of the differences in regional demand's extent and urgency were not considered in the application procedures. Therefore, subsidies went to where the most talented applicants were, not to where most urgent demand was (P).

### **Programme period 2007–2013**

- In some Member States, good practice from the old period is continued in the new period (D-ERDF, E, FIN, I, PL, UK).
- In some cases the "two round procedure" is newly implemented or extended to more measures, together with an improved scoring (ranking) system (D, FIN, H, NL). Although this does not yet apply for all suitable aid measures, the affected measures' bureaucratic and cost burden on applicants was reduced and the quality of applications' evaluation was improved (D, H).
- In another case, procedures for consideration and evaluation of projects' sustainability were improved (H). Other Member States either improved procedures to achieve a more regionally balanced and demand-oriented distribution of subsidies (P), extended the competitive scoring system for project selection to other measures (A) or strengthened the competitive, objective selection of projects by other means e.g. the transfer of responsibility to regional authorities (PL).
- Some Member States improved procedures especially on value for money evaluation for some of their aid measures (D, NL) others are planning to address weaknesses in their procedures in the new period (I, LV, M).
- In a number of cases, aid measures of the old period are continued in the new period without amending weaknesses and mistakes in the application procedures first (D). Where the procedural weaknesses in the old period's measures were not eliminated before accepting the measures for the new OP, national authorities risk continuing any ineffectiveness and inefficiencies of the old period in the new one.

## Recommendations

- Member States ought to develop and apply methodologies for project appraisal, which ensure appropriate assessment of the cost effectiveness and sustainability of projects. Therefore, clear criteria for project evaluation, transparent and reviewable evaluation procedures (including comprehensive documentation) as well as requirements on the description of projects by measurable indicators in the applications must be implemented in every aid measure. The procedures must be able to assess a project's chances of long term effectiveness (sustainability).
- Member States should consider whether the “two round application procedure” is suitable for all measures. The same applies for competitive scoring systems.
- Requirements on applications should be redesigned to ensure that the applications contain all necessary information for a reliable “value for money” analysis. National authorities ought to examine the projects' contribution to the respective measure's targets in every case by a thorough and resilient value for money analysis. Examinations of applicants should in each case contain a systematic cost/benefit analysis.
- The beneficiary's load of operating costs must be considered before accepting a project for financing, to ensure the project's effectiveness in the long run. Where necessary, the beneficiary must be obliged to carry the costs and his financial reliability must be examined during the evaluation of the application.
- Procedural weaknesses arisen in the old period's measures ought to be eliminated before continuing the aid measure in the new period.

## Good practice

- Publication of “calls for tenders” with clear and comprehensible specific requirements and indicators for an objective and compulsory description of a project in compliance with the measure's objectives (FIN, H, I, LV, M, PL, SI, UK).
- Approval of national, regional or local plans that support the selection of projects (E).
- Thorough examination of projects' contribution to the goals of employment (D-ERDF, FIN, PL, UK) or environment (H, UK), sometimes based on supplementary business cases (UK).
- Use of a “two round application procedure” that reduces bureaucratic burden and costs for applicants and gives better opportunity for a thorough evaluation of “valuable” applications (D, FIN, H, NL).

- Using experience from the old period to ensure more consideration of projects' long term effects/sustainability in the new period (H) or for procedural improvements (D-ESF, M, NL, and PL) e.g. for a more demand-oriented and regionally balanced distribution of funds (P), an extended use of competitive scoring systems (A, NL) or a more competitive and objective selection of projects (PL). As a result, the interdependence of project quality and granting of support was improved.

## **Key Area 3:**

### **Award procedures**

**How did the national authorities seek to ensure within the award procedures that the final beneficiaries will carry out the measure/project so as to achieve the planned results in the forecast cost frame, time and manner?**

#### **Conclusions**

In several cases the audits showed that the award procedures support the delivery of projects as planned and with sustainable effects. Nevertheless, further improvements of the procedures are often necessary.

This Key Area focused especially on whether and how the national authorities used the award procedure to support an effective and sustainable implementation of the projects financed by aid measures. At the same time the award procedures had to ensure that the relevant data for monitoring and evaluation could be collected and that the necessary controls, e.g. on the spot controls even after the funding ended, are possible. For this, the administrative provisions which grant the subsidies to the beneficiaries must contain the necessary controls.

## **Findings**

### **Programme period 2000–2006**

- The award procedures ensured that the projects' contents and effects were described comprehensively. Other controls were also imposed, e.g. the national authorities' rights to control a project's sustainability up to five years after the funding ended (LV), legal sanctions for improper implementation of the project (PL) and recovery of funds when a project was not executed as agreed (A, D-ERDF, H, I, M, SI, UK).
- In one case, the sustainable implementation of projects in the area of environment was supported by its integration into national, regional or local plans, and by its execution by public entities with compulsory programmes and budgets subject to specific controls (E).
- A start-up meeting of national authority and beneficiary for every project ensures a mutual understanding of plans, actions and regulations (FIN).

- In one case the beneficiary was obliged to comply with procurement regulations but no other controls were implemented to encourage Funds being used economically (LV).
- In other cases, the administrative controls were insufficient to ensure the sustainability of a project's effects on employment (D-ESF) or environment (H). In such cases the national authorities risked the beneficiary cutting costs at the expense of the project's effectiveness and hence measures proving to be ineffective.
- Projects were not always adequately specified and described in the administrative process, so that Funds' money could be lawfully transferred to other activities. In such circumstances it is doubtful that funding is being spent effectively (I). A better control of projects' progress and success should be achieved by more reliable and specific indicators.
- In one case the national authorities had defined a special group as a priority target of an aid measure e.g. SMEs, but granted the funding mainly to other organisations, e.g. non profit organisations or research institutions, because there were not enough applications from the original target group (D-ESF). In other cases selection procedures did define a priority target group. Where funding is channelled to beneficiaries other than the original target group or where no target group is defined at all, the risk of ineffective spending is high, as the national authorities cannot channel the funding to where it is most needed.

### **Programme period 2007–2013**

- The procedures to ensure sustainability of projects' effects are improved (M), e.g. by considering the beneficiaries' financial capacity to bear the operating costs themselves or by integrating suitable controls into the administrative process (H); by introducing sanctions for underperforming projects (NL); by focusing procedures on supporting a defined priority target group (A, D-ESF); and by facilitating the enforcement of claims in the case of substantive shortcomings (A).
- In several cases good practice from the old period was transferred to the new period (D-ERDF, E, FIN, PL, UK). In some cases the problems of the old period have not yet been resolved as improvements have yet to be announced (D-ESF).

### **Recommendations**

- All necessary controls should be legally binding so that a project is carried out in the planned manner and with the desired sustainable effects and funding is used only for the eligible activities. Clawback of subsidies could be possible.

- The funding should be directed to the original target group of a measure only, not to other organisations whose projects will be less effective. National authorities should define a priority target group for every measure in order to connect Funds' money and the most urgent demand.
- It should be mandatory for beneficiaries to use funding in a cost-effective manner.
- If there are not enough applications from the original target group the national authority should seek to understand the underlying reasons (e.g. wrong publication policy, too much bureaucratic burden, etc.) rather than merely seeking to ensure that national allocations are spent.

## **Good practice**

- Projects' contents and effects were comprehensively described in the award process by indicators which facilitated reliable monitoring and evaluation of the projects' achievements (I, M).
- All necessary controls, e.g. rights to control a project's sustainability after the funding ended (LV) and recovery of funds in case a project was not executed as agreed, were imposed (A, D-ERDF, FIN, H, I, SI, UK). Start up meetings improved the beneficiaries' understanding of requirements and controls (FIN).
- Improvements in ensuring sustainability of projects' effects (H, M) e.g. by controls to ensure the clawback of money from underperforming projects (NL-2007-2013) or by focusing selection procedures on newly defined target groups, in order to match the funding with the greatest need and by concluding work contracts instead of grant agreements (A).
- Restructuring and retargeting of measures in the new period based on independent evaluations in the old period leads to a better matching of grants and beneficiaries' needs and increased the projects' chances for sustainable success (D-ESF and PL).
- Perpetuation of good practice from the old period in the present period (D-ERDF, E, FIN, H, PL, UK).

## **Key Area 4: Monitoring and Reporting**

**Did Member States establish national monitoring and reporting systems for supporting an appropriate evaluation of ongoing measures and will they support the evaluation of measures in the future?**

### **Conclusions**

For the 2000-2006 period Member States have established national systems for monitoring and reporting, which meet the requirements of the relevant EU regulations. National monitoring systems have provided a basis for evaluation although they have not always been sufficient or reliable. One of the reasons is that the monitoring indicators adopted in a number of Member States have been overcomplicated, not sufficiently well-defined, or inconsistent. More attention was paid by some Member States to monitoring financial progress than to monitoring progress in achievement of the planned outcomes.

National monitoring and reporting systems for the period 2007-2013 are still being developed. Where the systems have been established they generally comply with EU-regulations and reflect experiences from the former period.

## **Findings**

### **Programme period 2000–2006**

- In accordance with provisions of the relevant EU regulations, each audited Member State set up a national system of monitoring and reporting for the 2000-2006 programming period. These established systems provided a suitable basis for evaluation. There were however some weaknesses detected in this area, connected mostly with various aspects of data reliability, deficiencies in computer systems or problems with indicators.
- The monitoring systems established in several Member States did not provide sufficient basis for measuring the results or impacts of the projects and did not provide a sound basis for evaluation (D-ESF, FIN, H, I, LV, NL, SK, SI). In some cases, there were difficulties in comparing planned and achieved results (FIN, H, LV, SI). In one Member State the provision of information that would allow statements about the impact of individual projects was voluntary. In one measure the national authorities did not intervene in cases when the reports showed that project



implementation had varied from the original plans and would fail to meet essential objectives (D-ESF). There were also doubts raised whether the monitoring data were reliable enough to warrant conclusions about the impact of either individual projects or parts of the programme (FIN, NL, SK, SI).

- The review showed some weaknesses of the electronic monitoring and control systems (E, FIN, H, M, NL-ERDF, PL, SK, SI), mainly that they were laborious and complicated to use (FIN), not accessible to all parties (SI), having limited reporting facilities, and some users did not have the necessary skills to use it (M), the entry of data dealing with output and results indicators started too late, only in implementation cycle (H).

The audit revealed that the proper selection and definition of the monitoring indicators was a common problem in almost all Member States. The following issues were identified with the adopted monitoring indicators:

- a number of monitoring indicators were open to interpretation, not measurable or related to only one attribute (FIN, I, M, NL, SI, UK), not relevant in every project or across the regions (FIN, UK), or not consistent in different programming documents (D-ESF, LV);
- the number of monitoring indicators was too extensive and in some cases their initial target value was not realistic; this led to a significant number of changes and amendments of the indicators during the programming period (E);
- each beneficiary and intermediate body applied its own criteria when indicators were open to interpretation; as a result there were difficulties to generate valid information to base a sound comparison upon (E, UK);
- there are no robust mechanisms in place to measure the indirect impact of aided measures (H, I, M, P, UK);
- the expected impact of projects was based on conservative estimates; for the majority of monitoring indicators for audited measures, the achievements by the end 2007 exceeded the estimated level for end of the programme in 2008 (PL).

In a few Member States monitoring of results and impact ceased with the expiry of funding or project implementation and data completion or ex-post evaluation, concerning the continuation of projects after expiry of grant funding, did not take place (D-ESF, NL, UK).

There were also other weaknesses revealed in some Member States during the audit, for instance:

- Some Member States paid relatively more attention to monitoring financial progress than to monitoring progress in the achievement of sustainable results and impacts (D-ERDF, I, NL, PL, SK, SI).
- Delays occurred in the submission of monitoring reports, resulting from too tight deadlines for preparation and verification of the reports and deficiencies in the computer monitoring system (PL, SK).
- Some monitoring reports submitted by the beneficiaries contained errors and shortcomings resulting from weaknesses in their internal control systems (PL).
- The requirements relating to the analysis of reports and data were not sufficiently defined (SI).
- The audit revealed cases in which reporting activities were not adequately documented (A, PL).

### **Programme period 2007–2013**

In accordance with the relevant EU regulations, the monitoring and reporting systems for the 2007-2013 programming period have already been established in a few Member States (E, LV, M, P, UK), while they are still being prepared in the majority (A, D-ESF, FIN, H, I, NL, PL, SI). The experience acquired from the 2000-2006 period has been used effectively in either preparing a completely new system (FIN, NL, PL) or in improving or upgrading the previous system (D-ESF, E, H, LV, M, P, SI, UK).

Where national monitoring and reporting systems had already been established they generally comply with EU-regulations.

### **Recommendations**

- The national monitoring systems should gather suitable data for measuring the results or impacts of the projects and for evaluating effectiveness of the programmes; the reliability of the data gathered in the monitoring systems should be increased.
- Evaluations of the quality and impact of projects' implementation should be extended to cover the period after the expiry of a project's funding and implementation, in order to assess whether the project has contributed to the achievement of the programme goals.
- Project indicators should be simplified, better defined and developed so that they measure project results and effectiveness better, their target values should be more realistic, more over they should be compatible with the indicators for monitoring and evaluation at the strategic level of the programmes.

## **Good practice**

- National authorities issued general guidelines for beneficiaries on monitoring project implementation (E, PL). The award letter to the beneficiary stated which indicators would be used to assess progress of project implementation (UK).
- Voluntary evaluations and studies were commissioned for the previous period or are intended for the 2007-2013 period, which focus among others on national monitoring systems or impact indicators (D, FIN, M).
- Various consultative groups were established which supported monitoring, e.g. a steering group which interacted with final recipients and the ESF Coordination Group which assisted the managing authorities (FIN), a working group which was a forum for knowledge sharing and produced guidance (UK), coordination meetings to increase flexibility and ensure a consistent approach (A).
- Standard report forms and payment application forms were prepared and published to be used by all beneficiaries. They included sections on financial and substantial progress of project implementation (E, PL, UK).
- In the 2007-2013 period, national authorities have introduced or planned a range of improvements, including
  - using national social security numbers to register participants to ensure a clearer registration of participants and participations and keep track of employment effects for a longer period of time (A, NL-ESF);
  - using a smaller and more representative number of indicators with more realistic target values, including information on the method of measuring (E);
  - producing overarching statistics regarding the impact of funding measures on the level of employment (D-ERDF; and
  - overcoming the problem of protection of personal data with agreement on the use of data for monitoring made with each participant (SI).

## Key Area 5: Evaluation

### What evaluations were carried out, how and with what results?

#### Conclusions

All Member States covered in this parallel audit carried out the ex-ante and midterm evaluations (not required from the new Member States), which are required under Council Regulation (EC) No. 1260/1999. In general these evaluations comply with the minimum requirements. However, the quality and added value of the evaluations carried out generally leave room for improvement, e.g. clearer definition of programme goals and indicators and more focus on results in stead of financial progress.

Evaluation of the Structural Funds programmes is an important instrument to assess:

- the functioning of the programme
- the results achieved in terms of output and outcome

Member States are responsible for carrying out the ex-ante and midterm evaluation, as well as the update of the mid term evaluation.<sup>5</sup> Ex-post evaluation is the responsibility of the Commission, in collaboration with the Member States.<sup>6</sup> Ex-post evaluations were not yet available when finalising this report; they should be completed within three years after the end of the programming period.

#### Findings

- All Member States carried out the mandatory ex-ante and mid-term evaluations, except for the new Member States (H, M, LV, PL, SK, SI), that only became entitled to Structural Funds since 2004 and therefore were not required to carry out mid-term evaluations. In some of those new Member States other evaluations have been carried out (LV, SI). In other Member States, for some programmes additional evaluations and/or self assessments have been performed (H, I, PL, SK, UK). One Member State carried out a mid-term evaluation on a voluntary basis (M).
- Evaluations were carried out either by external evaluators or by the programme authorities themselves. The latter may raise questions concerning independence. In

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<sup>5</sup> Article 41 and 42 of Council Regulation (EC) no. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.

<sup>6</sup> Article 43 of Council Regulation (EC) no. 1260/1999.

one case internal and external evaluators came to different conclusions (D-ESF), in another case there was limited availability of evaluators with experience in the field of structural funds (SI), or evaluators relied excessively on programmes' monitoring data (FIN).

- A number of SAIs found that the output and impact indicators used are not always appropriate to measure progress (D-ESF, E, H, I), they are too extensive (E, FIN) or not always properly analysed (E). In other cases monitoring information is not always available (P) or fully reliable (NL, SK). Some programmes did not set any target values for the indicators (NL-ESF) or objectives and measures remained general and vague (D).
- Internal controls focused mainly on the legality and regularity of the use of funds rather than on their value for money, results and impacts (D, FIN, NL, SK).
- Almost all Member States have used the evaluation results and recommendations to improve their programmes.
- The evaluations provided an overview into programme goals obtained (E, I), however in certain areas little information is available on the impact on the labour market (A, NL). Objectives which have been defined too generally make the measurement of targets achieved, programme effectiveness and efficiency very difficult (D-ESF, NL).
- One programme presented only the planned ERDF results rather than results actually achieved (NL).

## **Recommendations**

- Monitoring and evaluation of results should focus less on financial indicators and more on the outcomes achieved by the structural funds.
- The wider repercussions of funding measures, e.g. on the environment, should be considered and suitable indicators should be developed for this purpose.
- When assessing the effectiveness, efficiency and the expected impact, the clear definition and measurement of monitoring indicators of the characteristics of environmental projects should be taken into account.
- Active social participation in development and investment programmes should be reinforced: environmental and nature protection organisations may play a major role in controlling the efficiency of actions and should be regarded as partners.
- In order to be able to evaluate the success of the Structural Funds programmes, the criteria for the evaluation and the programme goals and indicators should be clearly specified.

- To increase the usefulness of the evaluations, implementation of programmes should not be delayed.
- Managing Authorities should give more attention to disseminating information on best practices in project management and should ensure that recommendations from evaluations are adequately followed up by the bodies concerned.
- Programme evaluation should be carried out at the level of specific and operational objectives, assessing their definition and quantification, and discuss implementation and monitoring mechanisms.
- Evaluation should not be purely descriptive; an in-depth analysis is essential for sound decision-making.
- All assessment files should be retained for accountability purposes.

### **Good practice**

- Proactive approach of the Managing Authority regarding the evaluation of resource allocation possibilities, which depend on potential beneficiaries and their tasks, in order to establish the compatibility the Environmental Protection and Infrastructure OP application structure and measures or actions with the needs of applying and non-applying local governments (H).
- Presentation of each evaluation report with recommendations at conferences to representatives of all institutions involved in programme implementation (PL).
- Commissioning by the Managing Authority of an additional evaluation of the system of realisation of recommendations by institutions involved in programme implementation (PL).
- The articulation of the procedure for mid-term evaluation and its update across the Technical Evaluation Groups and the development of methodological guidelines to be implemented by evaluators (E).
- Reduction of the final payment if a project failed to prove it was good value for money (UK).
- Conducting evaluations of cross-cutting themes by regional authorities (UK).
- Installation of a data warehouse where individual employment histories can be traced to assess the impact of measures on the labour market (A).

## **Key Area 6:**

### **Participation of the Monitoring Committees in the evaluation of earlier Structural Funds' measures and in the planning of new Structural Funds' measures**

**To what extent have the Monitoring Committees participated in the process of evaluating former measures and in the planning for the monitoring and execution of new measures and procedures?**

#### **Conclusion**

The role and responsibility of the Monitoring Committee in the system of the implementation of funds is not sufficiently clear. Monitoring Committees for the ESF and the ERDF have duly been involved in the monitoring and evaluation of the 2000-2006 programmes. In some cases they have paid relatively more attention to programmes' financial progress than to achievement of their results.

For the 2007-2013 programme period Monitoring Committees in the majority of Member States were appointed in accordance with the time frame of EC-Regulation No. 1083/2006. As many Monitoring Committees were appointed after the approval of the national OP, their involvement at the planning stage was necessarily limited.

#### **Findings**

The review showed that the national authorities in all of the Member States involved the Monitoring Committees in the national reporting and monitoring systems as well as in the evaluation process for the period 2000-2006. The Monitoring Committees were important coordination and decision-making bodies in the OP.

The Monitoring Committees participated in the process of monitoring the financial and material progress and in programmes evaluation, by fulfilling responsibilities specified in Article 35 of Council Regulation No. 1260/1999. According to the national audit reports, the involvement of the Monitoring Committees in the national reporting and monitoring systems focused mostly on taking decisions on approval of the programming documents and their amendments, project selection criteria, the implementation reports, evaluation reports, as well as monitoring the financial and physical progress of the programmes, including achievement of objectives adopted for individual measures and providing general recommendations for programme implementation.

According to Articles 63 and 65 of the General Regulation of the Structural Funds No. 1083/2006, in the programming period 2007-2013 Monitoring Committees should be set up within three months from the date of the notification to the Member State of the decision approving the OP, and their tasks will include: examining evaluation reports, annual reports on implementation and annual control reports; approving the criteria for selecting operations financed within six months of the approval of the OP, and to periodically review progress towards achieving the specific targets of the OP and other results of implementation.

This has meant that in some Member States the Monitoring Committees have not been formally involved in planning activities for the programming period 2007-2013 because they were appointed after the approval of the programmes (A, D-ESF, E, FIN, I, UK). In other cases, the problem was that they were not supplied with proper information and documents on a timely basis (H). However, in some of these cases alternative partnership procedures were established at the planning stage: the Monitoring Committees for the old period met before the new programmes were prepared to assist in the preliminary preparation for the new programming period (FIN); and Managing and Regional Authorities established several procedures during 2006 to guarantee that partnerships covered the preparation of the OP, such as multilateral and bilateral meetings, thematic or sectoral working groups or round tables (E). Elsewhere, the Managing Authority liaised with the new regional authorities in the development of guidance on the monitoring and execution of the new programmes (UK).

In some cases the Monitoring Committees approved or will approve the project selection criteria after determining of the OPs (A, D-ESF, FIN, H, UK).

There were several weaknesses detected in Member States:

- The Monitoring Committee paid relatively more attention to the financial progress than to the outcomes of the programme and its individual measures (H, NL, SI);
- Some regional Monitoring Committees were attended by too many stakeholders which lessened their effectiveness (UK);
- Members of the Monitoring Committee who were not directly involved in the implementation of the OP were mostly inactive in their monitoring role (SI);
- The Monitoring Committee did not request relevant institutions to put the evaluation recommendation into practice, nor did it monitor progress in their implementation (PL).

## **Recommendations**

- For future programme periods the Commission should encourage Member States to establish Monitoring Committees at the earliest possible stage; to give them the



opportunity to involve themselves in the planning and selection of measures. It could also be made clearer what the Monitoring Committee is accountable for and distinguish between the pure monitoring function and genuine partnership principle and supervision role.

- Proper information and documents should be submitted to the Monitoring Committees on a timely basis to enable them to duly discharge their functions in regard to considering rules of the programmes, funding measures, funding guidelines, selection criteria, etc., pursuant to Article 65 of Regulation No. 1083/2006.
- For the 2007-2013 planning period there should be clearly stipulated procedures for implementation, monitoring and reporting on recommendations resulting from the ex-ante, mid-term and thematic evaluations, defining rights and duties of the involved institutions and committees.

### **Good practice**

- National authorities have set up the Monitoring Committees in line with the partnership principle, including representations from regional and local authorities, economic and social partners and other relevant bodies (A, E, UK), with the voting right (D-ESF, FIN, NL, P, PL, SI).
- The Monitoring Committees have created several sub-committees or groups (thematic) in order to facilitate the work in reviewing working materials and providing its opinion (E, LV, UK).
- In order to ensure successful implementation of the programme, the Monitoring Committee has carried out thematic sessions in sensitive areas (I).

## Annex A: Audit Scope (Funds, Areas and Objectives)

The table below shows the different Funds, Areas and Objectives covered by each SAI in their audit.

Funds, Areas and Objectives Covered in the Audit						
Country	ERDF	ESF	Objective 1 (Convergence )	Objective 2 (Competitiveness )	Environmen t	Employmen t
Austria		✓	✓			✓
Finland		✓	✓	✓		✓
Germany	✓	✓	✓	✓	✓	✓
Hungary	✓		✓		✓	
Italy	✓	✓	✓	✓	✓	✓
Latvia	✓		✓		✓	
Malta	✓		✓		✓	
Netherlands	✓	✓		✓		✓
Poland		✓	✓			✓
Portugal		✓	✓	✓		✓
Slovak Republic		✓	✓	✓		✓
Slovenia		✓ <sup>18</sup>	✓			✓
Spain	✓		✓		✓	
United Kingdom	✓		✓	✓	✓	✓

<sup>18</sup> Slovenia audited ESF at measure/activity level. In 2004-2006 there was only one programme - Single Programming Document 2004-2006 and the whole country is one Objective 1. Due to limited funds available no environmental measures were incorporated in the SPD.

## Annex B: Audit Work of SAI (Methods)

The table below records the different audit methods used by the SAI in gathering their audit evidence but does not reflect differences in the extent and depth of audit review.

Audit work	A	D	E	FIN	H	I	LV	M	NL	P	PL	SK	SI	UK
Study of manuals, documents (description systems, procedures)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Written questions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Interviews with programme authorities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Analysis of reports (evaluations, annual reports)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Analysis of programme computer systems (e.g. monitoring system)		✓	✓	✓			✓		✓		✓	✓	✓	
Analysis of monitoring data at programme / measure level	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Analysis of project records (N° of projects)	38	40	24	18	101	15	32	5	33		28	47	7 <sup>19</sup>	27
On the spot checks (N° of project visits)		9			6	15	2	1			28	40		

<sup>19</sup>

Application procedures were reviewed. In each application procedure one award procedure (contract with final beneficiary or recipient) was reviewed since all concluded contracts within one application procedure were based on the same template.

## Annex C: Aggregate of SAI assessments

Each SAI has assessed their Member State's performance for the relevant Fund(s) and programme periods (see Annex A for the scope of SAI audits). The results have been aggregated into three categories for each programme period and the total number of Member States in each category is set out in the table below. It should be noted that in some areas, SAIs have not necessarily made an assessment for the 2007-2013 period due to the timing of their audits. In the Key Area of Evaluation no assessment has been made for the 2007-2013 programme period.

Key Areas	ESF				ERDF			
	2000-2006		2007-2013		2000-2006		2007-2013	
	SAI Assessment	No.	SAI Assessment	No.	SAI Assessment	No.	SAI Assessment	No.
1. Planning of measures and Selection of projects	Good Practice	2	Potential improvement	7	Good Practice	2	Potential improvement	8
	Average Performance	6	No change	2	Average Performance	6	No change	-
	Weaknesses	1	Potentially worse	-	Weaknesses	-	Potentially worse	-
2. Goal oriented application procedures	Good Practice	2	Potential improvement	6	Good Practice	3	Potential improvement	5
	Average Performance	3	No change	2	Average Performance	3	No change	3
	Weaknesses	4	Potentially worse	-	Weaknesses	2	Potentially worse	-
3. Award Procedures	Good Practice	3	Potential improvement	5	Good Practice	3	Potential improvement	4
	Average Performance	3	No change	3	Average Performance	4	No change	3
	Weaknesses	3	Potentially worse	-	Weaknesses	1	Potentially worse	-
4. Monitoring and Reporting	Good Practice	-	Potential improvement	9	Good Practice	-	Potential improvement	8
	Average Performance	6	No change	-	Average Performance	6	No change	-
	Weaknesses	3	Potentially worse	-	Weaknesses	2	Potentially worse	-
5. Evaluation	Good Practice	-			Good Practice	-		
	Average Performance	9			Average Performance	8		
	Weaknesses	-			Weaknesses	-		
6. Monitoring Committees	Good Practice	1	Potential improvement	2	Good Practice	1	Potential improvement	3
	Average Performance	8	No change	7	Average Performance	7	No change	4
	Weaknesses	-	Potentially worse	-	Weaknesses	-	Potentially worse	1

**Annex D: List of abbreviations**

Commission	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
NSRF	National Strategic Reference Frameworks
OP	Operational Programme
SAI	Supreme Audit Institution
SME	Small and Medium Sized Enterprises

**Countries:**

A	Austria
D	Germany
E	Spain
FIN	Finland
H	Hungary
I	Italy
LV	Latvia
M	Malta
NL	Netherlands
P	Portugal
PL	Poland
SI	Slovenia
SK	Slovak Republic
UK	United Kingdom

## Annex E: Audit Plan

# WORKING GROUP ON STRUCTURAL FUNDS AUDIT PLAN

## for a parallel audit of the “Performance (output/effectiveness) on the Structural Funds programmes in the areas of employment and/or environment”

### 1. Mandate

In 2006 the Contact Committee gave a mandate to the Working Group on Structural Funds to continue its reviews of Structural Funds issues and specifically; *"to carry out a focused review on "Performance (output/effectiveness) of the Structural Funds programmes in the areas of employment and/or environment".* The Contact Committee requested the Working Group to present a final report on its essential findings and recommendations by the Committee's 2008 meeting.

### 2. Background

#### The Lisbon Strategy and the objectives of the Structural Funds

In their previous (2000-2006) and especially in their new period (2007-2013) the Structural Funds shall, above else, promote the realization of the Lisbon Strategy for making the EU the most dynamic, knowledge based economic area in the world by 2010<sup>9</sup>. The Lisbon Strategy embraces the following key issues:

- Member States shall prepare for facing the challenges of the Knowledge and Information Society and for the globalised world economy. (Reduction of outdated economic branches, modernising of production and distribution structures, improvement of educational systems etc.)
- The profound social, cultural and structural change in the Member States caused by the processes of European integration and the liberalisation of the Single Market must not lead to social destabilisation and degradation of great parts of the European population. Otherwise, the internal cohesion of the EU would be at risk (*socially reconcilable economic growth of the Single Market, reduction of ethnic and racial conflicts etc.*).
- The economic and social integration of the Member States into the EU should be future oriented and sustainable, which means, natural resources shall be exploited carefully (no predatory exploitation of water or minerals). Ecological conditions in people's surroundings are to be safeguarded or improved. In an ageing society better health care, e. g. by avoiding ecologically caused damages to human health, is a necessity (*ecologically sustainable and reconcilable economic growth of the Single Market, improvement of the ecological conditions of life, e.g. by modernizing the traffic systems or the systems for the production and the use of energy etc.*)

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<sup>9</sup> Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion

To support the implementation of the Lisbon Strategy, the Structural Funds will pursue three objectives:

- Convergence;
- Regional competitiveness and employment and
- European territorial cooperation (cross-border projects).

The new regulations on Structural Funds define eligible regions as follows:

**Convergence:**

The objective covers the Member States and regions whose development is lagging behind. The regions targeted by the Convergence objective are those whose per capita gross domestic product (GDP) is less than 75 % of the Community average.

**Regional competitiveness and employment:**

The objective covers the territory of the Community outside the Convergence objective. All regions of the Community are therefore eligible under this objective. Measures in congested urban areas are a top priority.

**European territorial cooperation:**

The objective covers

- regions having land or sea frontiers,
- the defined areas for transnational cooperation and support for interregional cooperation and
- exchange of experience.

The Council and the Commission issued several strategic guidelines, by which the Member States must abide when formulating their own national promotional programs for the implementation of the Structural Funds. Due to these guidelines, national subsidies co-financed by the Structural Funds must especially serve the following purposes:

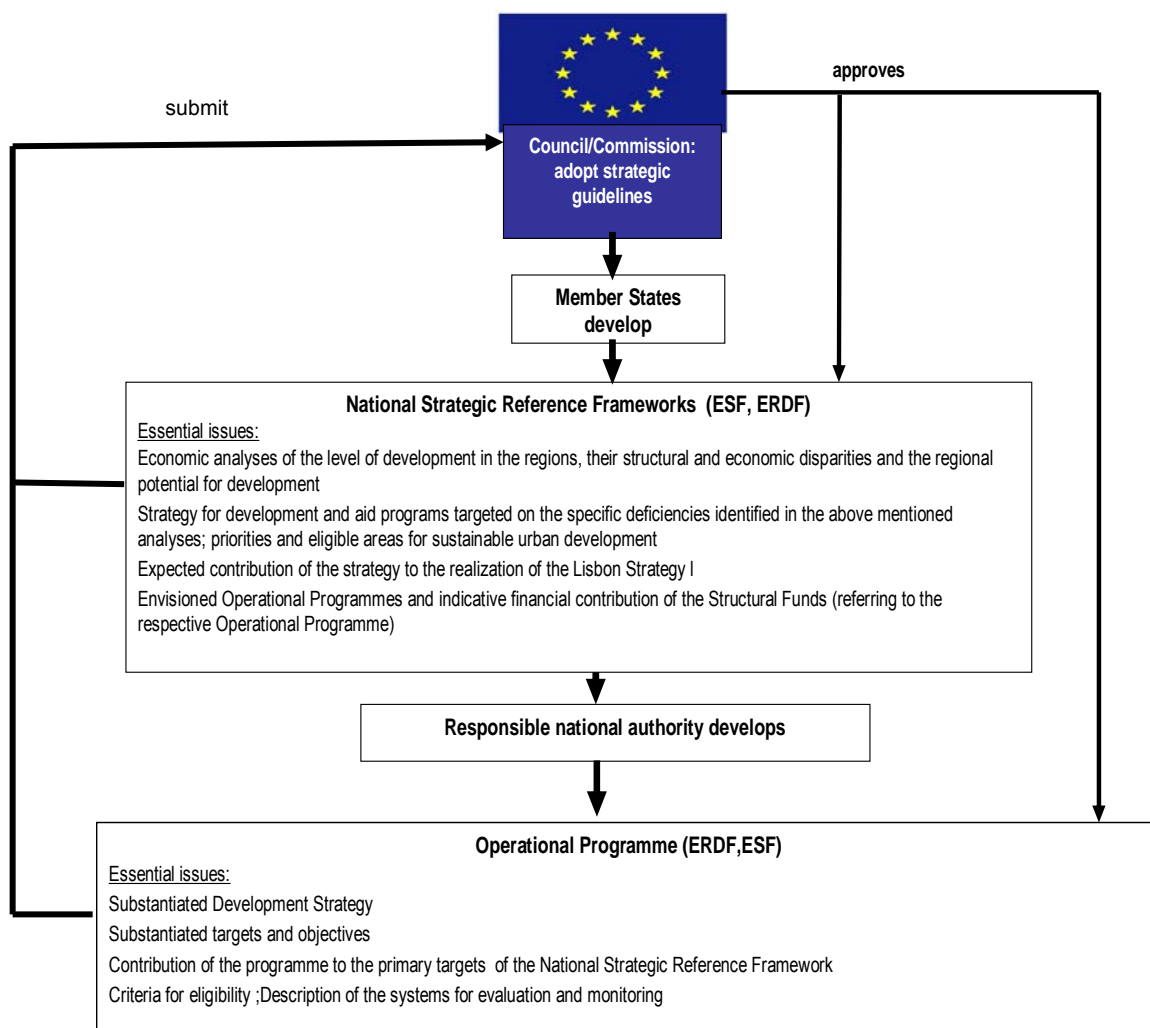
- ❖ Immediate improvement of the natural and physical environment: Integrated concept for a sustainable urban development (Successor of the Community Initiative URBAN); conservation of the landscape and the forests; other measures for the protection of agricultural and coastal ecology (Ecology as an independent objective of Structural Funding) => ERDF
- ❖ Consideration of ecological effects and concerns in all other projects aided by the Structural Funds; e. g. upgrading or expanding of traffic systems, launching of new companies, modernisation in the agricultural sector, rural development etc. (Ecology as an integrated objective of all measures aided by the Structural Funds) => ERDF, ESF
- ❖ **Establishment of more and better employment:**
  - Improvement of job quality and productivity in the agricultural sector as well as in all other sectors of the economy => ESF
  - Increasing and improving the investments in human capital; therefore school, professional and postgraduate education should be focused on by the new requirements of the modern markets, e.g. education => ESF
- ❖ **Abolition of social disparities and of racial, ethnic or gender related discrimination in the area of employment**
  - Supporting social integration and equal opportunities in the labour market (e.g. family adaptive jobs, education and training of women and migrants, better access to the labour market for women etc.) => ESF, ERDF

These were important targets for the Structural Funds from 2000-2006; they are even more important in the new period 2007-2013, for which they were rephrased in the new strategic guidelines. The top priority “measures in congested urban areas” is not innovative to the new period either, but is a result of the former Community Initiatives ‘URBAN’ integration into the mainstream of the Structural Funds. With the targets mentioned above the new period resumes the old period’s strategic goals.

### National planning and programming for Structural Funds

The Member States are responsible for the implementation (planning and programming) of Structural Funds’ programmes. They must respect the Commission’s strategic guidelines. Planning and programming of Structural Funds is a multistage process:

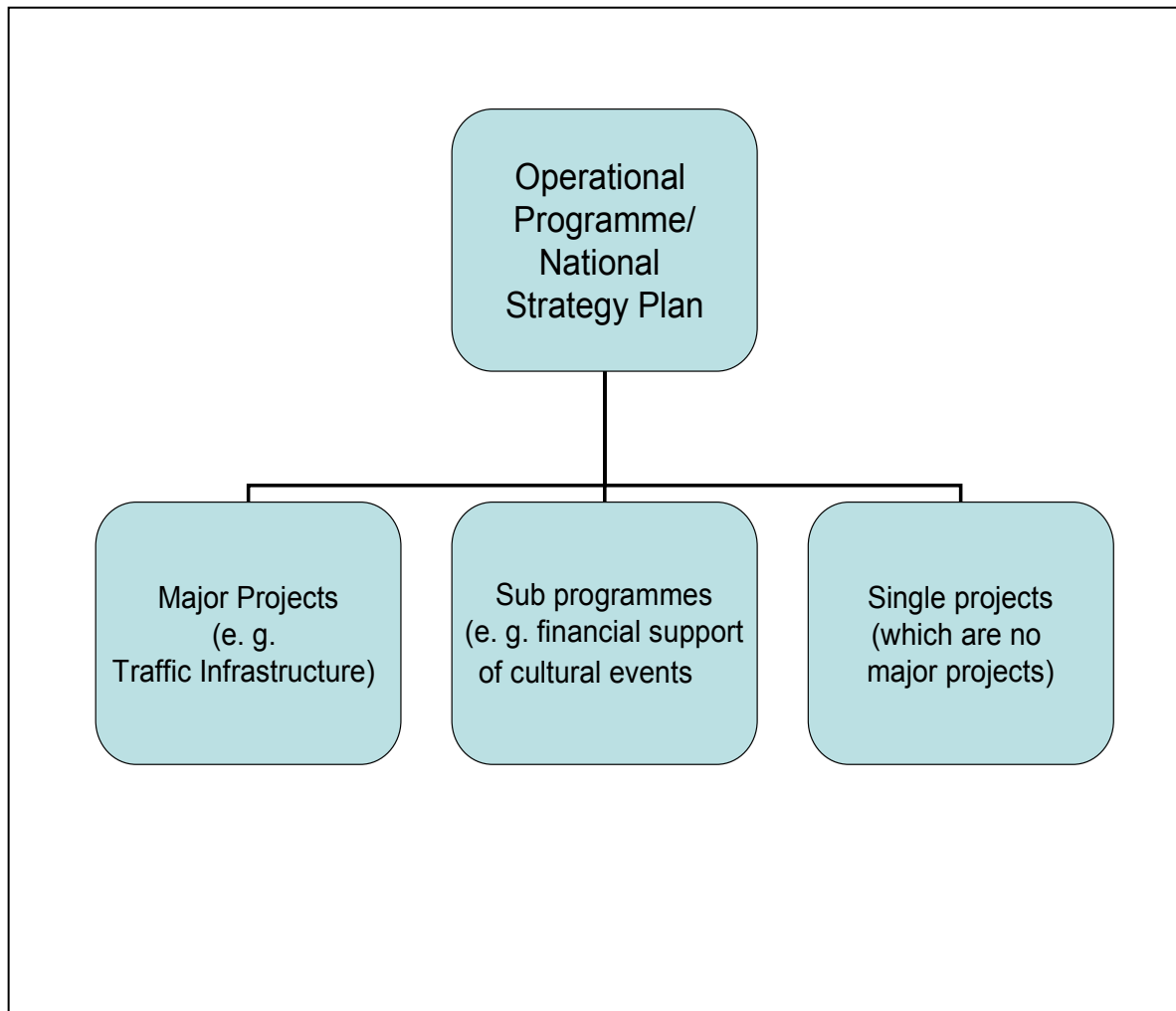
**Illustration 1: Process of strategic planning and programming**



The particular aid measures are executed on the basis of the OPs (OP). The execution of the OP lies in the Member States’ responsibility as well. Principally the following kinds of measures are eligible under an OP:



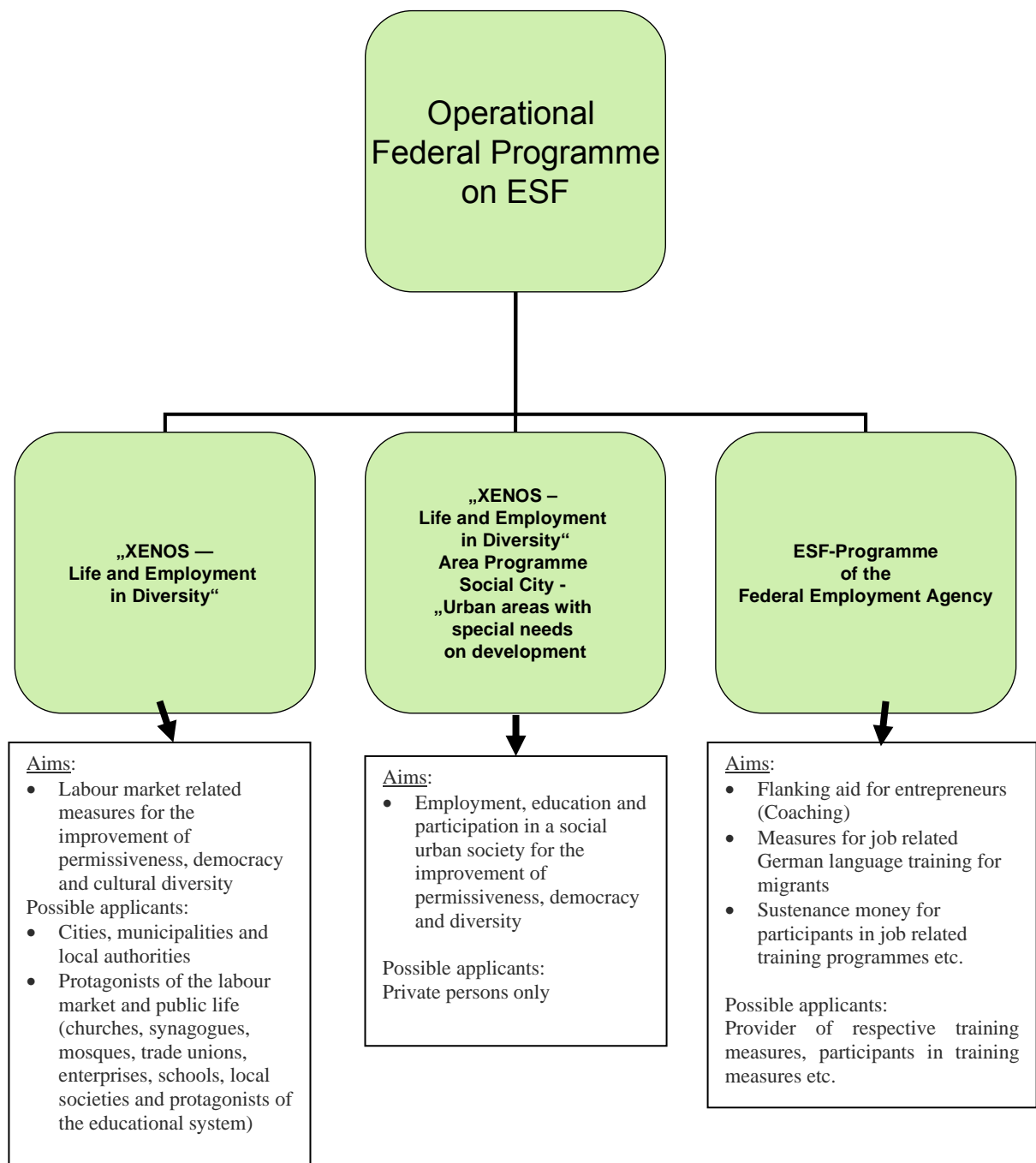
**Illustration 2: Possible kinds of eligible measures under an OP**



These kinds of OP provide a framework for many concrete single aid measures (“sub-programmes”). In such cases, the respective criteria for aims, eligibility, selection of projects as well as for the application and grant procedures are often fixed in special administrative rules, on which the particular awards are based.

An example of an OP with a large number of sub programmes was the German Federal OP for the ESF in the period 2000-2006:

**Illustration 3: Sub programmes with specific administrative flats under an OP**



### Relevant legal basis of Structural Funds

The following regulations should be relevant for the parallel audit:

- Council Regulation No. 1260/1999 (Regulation on Structural Funds 2000-2006)<sup>10</sup>
- Council Regulation No. 1083/2006 (Regulation on Structural Funds 2007-2013)<sup>11</sup>
- Council Regulation No. 1784/1999 (Regulation on the ESF 2000-2006)<sup>12</sup>
- Council Regulation No. 1081/2006 (Regulation on the ESF 2007-2013)<sup>13</sup>
- Council Regulation No. 1783/1999 (Regulation on the ERDF 2000-2006)<sup>14</sup>
- Council Regulation No. 1080/2006 (Regulation on the ERDF 2007-2013)<sup>15</sup>

### 3. Audit subject

The Working Group will examine the effectiveness of national measures co-financed by any of the Structural Funds, providing they do have objectives in the areas of employment and/or environment. The manner in which Member States ensured and evaluated the success of co-financed measures will be a primary subject of the parallel audit, which means, the SAI will examine the national administration's work on the planning, monitoring and evaluation of projects, sub programmes or programmes (as appropriate) co-financed by the Structural Funds.

### 4. Audit objective

The Working Group strives to identify potentials for improvements in the Structural Funds' programmes and in the administrative management. Based upon this audit's findings, the SAI will develop recommendations for such improvements in the Member States. To do that, the SAI should examine for particular parts of the Structural Funds (objectives 1 and 2) in the areas employment and/or environment,

- if and how national authorities monitored the sustainable success of the funded measures<sup>16</sup>;
- to what extent the concrete aid measures (sub programmes, major projects and other projects) contributed effectively and sustainably to the strategic goals of the Structural Funds and
- whether the cost-benefit relation of the aided measures was appropriate (e. g. State aid per newly created job).

From the findings of the national audits the Working Group will deduce recommendations for the improvement of the programmes and the implementation of aid measures in the new period of the Structural Funds.

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<sup>10</sup> <http://eur-lex.europa.eu/LexUriServ/site/en/consleg/1999/R/01999R1260-20050222-en.pdf>

<sup>11</sup> <http://eur-lex.europa.eu/LexUriServ/site/en/consleg/2006/R/02006R1083-20060801-en.pdf>

<sup>12</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/1999/l\\_213/l\\_21319990813en00050008.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/1999/l_213/l_21319990813en00050008.pdf)

<sup>13</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_210/l\\_21020060731en00120018.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_210/l_21020060731en00120018.pdf)

<sup>14</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/1999/l\\_213/l\\_21319990813en00010004.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/1999/l_213/l_21319990813en00010004.pdf)

<sup>15</sup> [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_210/l\\_21020060731en00010011.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_210/l_21020060731en00010011.pdf)

<sup>16</sup> This question is primary related to the evaluation- and monitoring systems. The Core Group in its meeting in Potsdam in September 2006 defined this issue as a possible Key Area.

## **5. Scope and approach of the parallel audit**

With the audit subject "Performance (output/effectiveness) on the Structural Funds programmes in the areas of employment and/or environment" the Working Group picks up a primary topic of the old and the current period of the Structural Funds.

The audit will relate to Key Areas of the strategic planning and the evaluation of aid measures. At the same time, the planning related part of the audit should focus on major or single projects, sub programmes or programmes (as appropriate) (s. illustration 2 and 3). If aims and criteria in the OP are not clearly defined, they are an inappropriate audit measurement. The same applies for the even more abstract manner in which National Strategic Reference Frameworks or National Strategy Plans are composed.

Based on the examination of measures from the period 2000-2006 the auditors are to find out, to what extent the Member States, by implementing aid measures co-financed by the Structural Funds, contributed to the realisation of the strategic goals mentioned in paragraph 2.1 of this audit plan. Due to the continuity of the old and the new period's goals, the findings from the audit of measures from the period 2000-2006 can lead to recommendations for the improvement of the new period 2007-2013. Therefore the findings and recommendations of the Working Group will be relevant for the new period, although the audit samples were chosen from the past period.

The audit should if possible cover selected aid measures from the ERDF and the ESF.

### **Criteria for the selection of measures should be:**

- Measures should have started in the period 2000-2006 and should if possible, be finished during this period. Measures, which are not yet finished but are sufficiently advanced to estimate their success or failure are also suitable for the audit.
- Measures should be continued in the new period or should have similar successors in new programmes, for example measures in infrastructure such as the restructuring of industrial wastelands, founding of new enterprises, aid programmes for employment etc. The continuity of the audited measures is a prerequisite for the implementation of the SAI's recommendations in the new period.

To ensure a coherent approach, all Members of the Working Group are requested to follow this audit plan, particularly with regard to the main questions, conclusions and the format for country reports (see below), as close as possible. The audit questions are designed to help the auditor to gather the necessary evidence to support the conclusions.

The Working Group recognises that not all SAI may address fully each of the six Key Areas or all funds and objectives. At the same time, some SAI may not cover both subjects of the parallel audit, i.e. environment and employment. All participants of the Working Group are, however, encouraged to cover as much of this audit plan as possible.

The Working Group acknowledges that the scope of the examination carried out by each SAI could be influenced by, for example, national rules or constraints.

## 6. Methodological instructions

When conducting their work auditors must act with professional scepticism and consider the potential risk that the information obtained during the audit may be incomplete, misleading or untrue. To reduce this risk, verification or further evidence (for example documentation or physical examination) must be obtained and reviewed where explanations are provided by the audited entity.

In all cases where an audited entity has not fulfilled its tasks or has fulfilled its tasks improperly, after the deadline and/or with the infringement of integrity, the following should be established and documented:

- The reason for this failure;
- The individual(s) responsible;
- The consequences of this failure.

Audit Report findings should be presented in the order set out in the audit plan and the tables prepared to collect the audit evidence should be in accordance with the examples provided in the audit plan. In addition, evidence should be attached to the tables to support the findings.

The Audit Report should also include, where appropriate, examples of good and bad practice

If requested by auditors, the Core Group will aim to provide information and advice on the audit methodology or performance of the audit.

## 7. Relevant Commission Guidance

- Commission's working paper on ex-ante evaluation<sup>17</sup> 2000-2006 (for major or single projects)
- Commission's working paper on indicators and monitoring 2000-2006<sup>18</sup>
- Technical paper "Mainstreaming equal opportunities for women and men in Structural Fund programmes and projects (2000-2006)"<sup>19</sup>
- Strategic Guidelines on cohesion 2007-2013<sup>20</sup>
- Working Document No. 6 – Measuring Structural Funds' Employment Effects (2007-2013)<sup>21</sup>
- Indicative guidelines on evaluation methods: Monitoring and evaluation indicators 2007-2013<sup>22</sup>

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<sup>17</sup> The programming period 2000-2006, WORKING PAPER 2: The Ex-Ante Evaluation of the Structural Funds interventions;  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/exante\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/exante_en.pdf)

<sup>18</sup> The programming period 2000-2006: WORKING PAPER 3: Indicators for Monitoring and Evaluation - an indicative methodology;  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/indic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_en.pdf)

<sup>19</sup> The new programming period 2000-2006: TECHNICAL PAPER 3: Mainstreaming equal opportunities for women and men in structural fund programmes and projects, March 2000;  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/mainst\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/mainst_en.pdf)

<sup>20</sup> Council Decision from 6 October 2006 about strategic guidelines on cohesion and Council Decision from 20 February 2006 about strategic guidelines for rural development (Period 2007-2013);  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/osc/l\\_29120061021en00110032.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/l_29120061021en00110032.pdf)

<sup>21</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/wd6\\_employ\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd6_employ_en.pdf)

- Guidelines on cost-benefit analyses 2007-2013<sup>23</sup>
- Guidelines on evaluation methods: Evaluation during the programming period (2007-2013)<sup>24</sup>

Furthermore, there are two papers from the period 1994-1999 still relevant for this audit:

- Understanding and monitoring the cost-determining factors of infrastructure projects - a user's guide<sup>25</sup>
- Counting the jobs – how to evaluate the employment effects of Structural Fund interventions<sup>26</sup>

## 8. Previous SAI reports<sup>27</sup>

- ECA-Special Report, No. 3/2000
- ECA-Special Report, No. 12/2001
- ECA-Special Report, No. 4/2002
- ECA-Special Report, No. 7/2003
- ECA-Special Report, No. 7/2006

SAI should also consider any other relevant national or EU audits carried out within their Member State. For all of these reports SAI should identify the main issues arising from the audits and any follow-up action taken by the Member State.

## 9. Format of the Country Reports

Each SAI should provide one Country Report. Each Country Report will identify the SAI's judgement on:

- Parts of the Structural Funds' programmes identified by national authorities as being effective (provide reasons why national authorities did think these measures to be effective).
- Identified weaknesses in respect to the strategic focus, success-oriented execution of programmes or projects and their evaluation
- Description of monitoring systems and reporting systems (provide reasons why the systems are effective / are not effective)
- National authorities' procedures on the examination of cost-benefit relations of aid measures and the criteria used for the measurement of these relations
- Examples of good and bad practice identified by the SAI (as appropriate)
- SAI's point of view on the cost-benefit relations of aid measures, based on the auditors' findings

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<sup>22</sup> The new programming Period 2007-2013 - INDICATIVE GUIDELINES ON EVALUATION METHODS: MONITORING AND EVALUATION INDICATORS, Working Document No. 2; [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/wd2\\_indic\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd2_indic_en.pdf)

<sup>23</sup> The new programming Period 2007-2013, GUIDANCE ON THE METHODOLOGY FOR CARRYING OUT COST-BENEFIT ANALYSIS, Working Document No. 4; [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/wd4\\_cost\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd4_cost_en.pdf)

<sup>24</sup> The New Programming Period 2007-2013, INDICATIVE GUIDELINES ON EVALUATION METHODS: EVALUATION DURING THE PROGRAMMING PERIOD, Working Document No.5; [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/wd5\\_ongoing\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd5_ongoing_en.pdf)

<sup>25</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/5\\_full\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/5_full_en.pdf)

<sup>26</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/pdf/1\\_full\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/1_full_en.pdf)

<sup>27</sup> [http://www.eca.europa.eu/audit\\_reports/special\\_reports/special\\_reports\\_index\\_en.htm](http://www.eca.europa.eu/audit_reports/special_reports/special_reports_index_en.htm)

The report should also include

- details of the methodologies used;
- the Funds, Objectives (e.g. ESF-Objective 1) covered by the audit; and
- details of the sample chosen for the audit as well as details of how the sample has been chosen.

The Report will consist of three parts:

- executive summary,
- the report itself and
- annexes giving additional information, if necessary.

## 10. Schedule

The attached timetable consists of three separate phases:

- **Planning phase:**  
The planning phase should end by end of May 2007 latest, at which point the finalised Audit Plan, taking account of comments from the WG's Members, will be circulated to all participants of the Working Group. This should leave enough time for the considerable audit work.
- **Implementation/Country Audit phases:**  
The implementation phase will run from June 2007 to March 2008 at the latest. By 30 May 2008 each of the participating SAI should submit its Country Report in English to the Core Group.
- **Reporting phase:**  
The reporting completion phase will run from June to August 2008 with the Working Group producing a combined report in English summarising the key findings and recommendations. The Working Group will formally submit the final composite report to the 2008 Contact Committee.

## **AUDIT QUESTIONS**

### **PART I - EVALUATION OF PERIOD 2000 – 2006**

#### **Key Area I.1: Planning of Measures and Selection of Projects**

**Main Question:** Is programme planning and project selection focused on the contribution to the Funds' primary goals in the areas employment and environment?

***Audit Questions:***

- What criteria have been defined to aid the selection of projects in respect of employment and environment objectives?
- What relationship exists between the criteria and the primary goals for employment and environment<sup>28</sup> defined in the programme?
- Why has the Member State chosen these specific criteria?
- Against this background, are the criteria sufficiently well defined to allow projects to be selected on the basis of value for money?
- Do Regional Development Plans exist in the Member State?
- How did national authorities factor the Regional Development Plans in the planning of (sub) programmes, especially in the criteria for the selection of projects?
- Did national authorities carry out ex ante appraisals or cost benefit analyses for measures or projects whether or not this is required by EU Regulations, e.g.:
  - On the displacements or competitive effects or other expected effects, for example:
    - Are measures for the aiding of job related retraining or of training measures for juveniles or long term unemployed people based on preliminary analyses of the labour market?
    - Did they analyse the ecological or job related effects of measures aiding tourism before they award subsidies?

#### **Conclusion:**

The auditors should judge whether the contribution to the primary goals of the Structural Funds in the areas of environment and employment are the essential reason for the selection of aid measures. The auditors should also judge whether the planning and selection of aid measures is based on criteria, which allow a purposeful selection of projects. Therefore, the auditors should judge whether the criteria are sensibly and meaningfully related to the primary ecological and job related goals of the Structural Funds. National authorities should not focus on e.g. accelerated spending and avoiding n+2. Therefore, auditors should not concentrate on these questions in this audit either.

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<sup>28</sup> In a carefully planned programme or project, the definition of selection criteria is of special importance. Criteria must be deduced objectively from the primary goals, e.g. why did the national authority think schools with a high percentage of pupils of foreign origin are a suitable target group for a programme fighting premature school exit? Does the national authority rely on statistical data or other facts with this assumption or is the assumption founded on other considerations?



## **Key Area I.2: Goal-oriented application procedures**

**Main Question: How do the national procedures for calling in, formulating and analysing applications support selection of aid measures that represent best value for money<sup>29</sup>?**

Within Key Area I.2 the auditors should consider the following three sub-issues:

### **a) Ways of requesting applications**

#### ***Audit Questions:***

- Did national authorities publish invitations to apply (Calls for Tenders) or other adverts to call in applications?
- Did the Calls for Tenders or the other adverts contain appropriate indicators by which the applicant can define and describe his project's contribution to the primary goals of the respective programme in the areas of employment and/or environment?

### **b) Application forms and requirements on applications**

#### ***Audit Questions:***

- What information was required in the application to assess the value for money of the aid measure, e.g.:
  - What are the aims of the project? (Description of expected 'outcome')
  - What are the expected results or effects of the project? (Description of expected 'output')
  - How the output and the outcome are related to the primary goals of the programme? How will the project contribute to the primary goals?
  - What is the project's schedule? When will the project achieve its outcomes and outputs? (Description of schedule / Milestones of the project)
  - What is the project's cost-benefit in relation to the subsidies and the expected outcome/output?
  - Are there other expected effects e.g. environmental impacts?

### **c) Analysis and assessment of applications by the national authorities**

#### ***Audit Questions:***

- Did the national authorities analyse and evaluate the application's data mentioned above appropriately?
- Did they evaluate the project's expected contribution to the primary goals by the cost-benefit analysis?
- Did they record the results from the application's analysis and evaluation properly?
- For applications called in by an official "invitation to apply" or other advert:
  - Did the invitation accurately describe the indicators used to evaluate the application?
  - Did national authorities classify applications in a "ranking" eg by the projects expected outcome and output, or some other objective analysis?

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<sup>29</sup> Projects should be selected by the highest possible contribution to the funds' primary goals in the areas environment and employment and at the same time the lowest possible costs.

**Conclusion:**

The auditors should judge, whether the national procedures for calling in, formulating and evaluating applications are suitable to support the delivery of a programme which is sustainable and represents best value for money.

**Key Area I.3: Award Procedures**

**Main Question:** How did the national authorities seek to ensure within the award procedure that the final beneficiary will carry out the project so as achieve the planned results in the forecast cost frame, time and manner?

**Audit Questions:**

- What conditions and requirements are included in the award to ensure the appropriate execution and the sustainability of the aided measure?
- Does the award contain suitable indicators for the evaluation of the project's progress and success?
- At the same time, does the award allow appropriate flexibility for amending the project plan or execution e.g. due to findings from the monitoring or as a result of delays in parts of the project?
- What possible sanctions are laid down in the award for failed projects, e.g.:
  - Reducing financial aid to the project if the project is considerably delayed or only partial successful
  - Recovery of payments if the project does not meet the expectations on long-term effects, e.g. if the jobs are not kept for at least 5 years in the enterprise although this was a requirement of the award.

**Conclusion:**

The auditors should judge, whether the award procedures are suitable to support a sustainable success of aided measures by appropriate conditions or requirements.

**Key Area I.4: Monitoring and Reporting**

**Main Question:**

**How do the national Monitoring Systems support an appropriate evaluation of ongoing measures?**

**Audit Questions:**

- How do national authorities obtain and use the monitoring data?
- Does the monitoring system include provisions for monitoring the sustainable success of aided measures, e.g. by
  - Requesting reports from beneficiaries even after the spending term has ended.
  - On site supervision for projects with long term conditions or requirements (If yes, give examples)
- Did national or EU-authorities identify weaknesses in national monitoring systems for the 2000-2006 period? If yes, what were these weaknesses?
- Is the manner in which monitoring data is obtained and used in the system suitable from the SAI's point of view to support a reliable evaluation of aided measures, e.g.

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- Do the indicators in the system (Financial-, Progress- and Output- or Outcome indicators) allow an appropriate evaluation of the measures' effectiveness?
- Do national authorities evaluate the de facto cost-benefit of a measure?
- Did national authorities monitor the indirect effects of measures too, e.g. the success of a job related training project measured by subsequent new employment of the measure's participants?
- What is the national authorities' experience regarding the cost-benefit of the annual reporting system of the old period 2000-2006? (Benefit = support won from the annual reports for a more effective and efficient execution of Structural Funds' programmes.)
- What experiences do they have on the use of the reporting system?
- Are the indicators used in the reporting system consistent with the indicators in the monitoring system and those used in the programme itself e.g. in the application or in the award procedure or are there inconsistencies which could distort the annual reports?

### Conclusion:

The auditors should judge whether the national Monitoring and Reporting Systems comply with the relevant EU-Regulation and whether they are suitable to support an appropriate monitoring and evaluation of the aided measures' real contribution to the primary goals of the programmes in the areas of environment and employment.

## Key Area I.5: Evaluation

**Main Question: What evaluations<sup>30</sup> were carried out, how, and with what results?**

### Audit Questions:

- What types of evaluations were carried out? And by whom?
- What evaluation methodologies were used?
- What main findings and recommendations regarding the performance / effectiveness were identified in evaluations of Structural Funds' programmes or projects examined for the period 2000-2006?

Finding	Recommendation
<i>Project selection:</i>	
<i>Award procedures:</i>	
<i>Monitoring system:</i>	
<i>Results / effectiveness:</i>	
<i>Cost-benefit analysis:</i>	

- What output and impact indicators are in use for this evaluation? Are they appropriate?
- Did national authorities evaluate indirect effects?<sup>31</sup>

<sup>30</sup> For example mid-term evaluations or other evaluation reports that have been completed to date.

<sup>31</sup> For example increase in local purchase power by founding new enterprises with new jobs.

**Conclusion:**

The auditors should judge whether the evaluations were carried out using appropriate methodologies and in accordance with EC guidance. The auditors should also judge whether the evaluation results gave a sufficient overview on the real contribution of the measures to the Structural Funds' primary goals.

**Key Area I.6: Participation of the Monitoring Committees in the evaluation of earlier Structural Funds' measures**

**Main Question:** To what extent did the Monitoring Committees<sup>32</sup> participate in the processes of evaluating former measures?

**Audit Questions:**

- How did the national authorities include the Monitoring Committees in the Evaluation and reporting system?
- What action have the Monitoring Committees taken to ensure successful implementation of the programmes?

**Conclusion:**

The auditors should judge whether and how national authorities have included the Monitoring Committees in the evaluation of Structural Funds' measures

## PART II – PREPARING FOR PERIOD 2007 - 2013

**Key Area II.1: Planning of measures and selection procedures**

**Main Question:** Is the planning of (sub-) programmes' and the selection of projects focused on the contribution to the Funds' primary goals in the areas employment and/or environment?

**Audit Questions:**

- What lessons were learned from the previous period by the national authorities?
- How were these lessons implemented in the new period?

Recommendation	Follow-up action taken? (yes or no)	If yes: Evidence?
(example) More specific guidance on methods for the estimations of newly created jobs	Yes	specific guidance on methods for newly created jobs

<sup>32</sup> In the old Regulation on Structural Funds (see Art 15/6 and Art 34-37 of EU-Regulation No. 1260/1999) as well as in the new Regulation (see Art 65-67 of EU-Regulation No. 1083/2006) the Monitoring Committees' role is of special importance for the goal oriented planning and execution of measures aided by the Structural Funds. This is especially important to the evaluation of such measures. Therefore, it is important that this parallel audit should also consider their de facto participation.

- What criteria are defined by the programme for the selection of projects with respect to employment and/or environmental objectives?
- What are the results of the ex ante appraisal in respect of employment and/or environmental objectives?

**Conclusion:**

The auditors should judge, whether the new period's planning and selection procedures are suitable to support the successful execution of the programme and reflect the experiences of the old programme appropriately.

**Key Area II.2: Goal oriented application procedures**

**Main Question: What national procedures are, or will be, in place for calling in, formulating and analysing applications?**

Please answer the main question with respect to the following aspects:

**a) Ways of requesting applications**

**b) Application forms and requirements on applications**

**c) Analysis of applications by national authorities**

- What changes have been made in the procedures, and why?
- To what extent are changes due to lessons learned from the previous period?
- How were those lessons implemented in the new period?

Recommendation	Follow-up action taken? (yes or no)	If yes: Evidence?

**Conclusion:**

The auditors should judge, whether the new period's national procedures for calling in, formulating and evaluating applications are suitable to better support a successful execution of the programme and reflect the experiences of the old programme appropriately.

**Key Area II.3: Award Procedures**

**Main Question: What national award procedures are, or will be, in place to ensure that the final beneficiary will carry out the project so as to achieve the expected result?**

- What changes have been made in the procedures, and why?
- To what extent are changes due to lessons learned from the previous period?
- How were these lessons implemented in the new period?

Recommendations / lessons	Follow-up action taken? (yes or no)	If yes: Evidence?

**Conclusion:**

The auditors should judge, whether the new period's national award procedures are suitable to better support the successful execution of the programme and reflect the experiences of the old programme appropriately.

**Key Area II.4: Monitoring and reporting**

**Main Question: Have national Monitoring Systems been established which will support the evaluation of measures in the future?**

Within Key Area II.4 the auditors should consider the following two issues:

**a) Monitoring Systems and Indicators****Audit Questions:**

- How did national authorities take into account experiences from the old period 2000-2006 in the Monitoring systems of the new period 2007-2013?

Recommendations / lessons	Follow-up action taken? (yes or no)	If yes: Evidence?

**b) Reporting****Audit Questions:**

- How do the national authorities intend to meet the future annual reporting requirements for programme evaluation pursuant to Article 67-68 of EU-Regulation No. 1083/2006?
- How do the national authorities estimate the cost-benefit relation of the annual reporting system on evaluation in the new period? (Benefit = support won from the annual reports for a more effective and efficient execution of Structural Funds' programmes.)

**Conclusion:**

The auditors should judge whether the national Monitoring Systems for the 2007-2013 period comply with the relevant EU-Regulation and whether they are suitable to support an appropriate monitoring and evaluation of the aided measures' real contribution to the primary goals of the programmes in the areas of environment and employment and reflect the experiences of the old programme appropriately.

**Key Area II.5: Participation of the Monitoring Committees in the planning of new Structural Funds measures**

**Main Question:** To what extent will the Monitoring Committee participate in the planning for the monitoring and execution of new measures and procedures?

***Audit Questions:***

- How did the national authorities involve the Monitoring Committees in the planning for the monitoring and execution of the new period's programmes?
- How have the Monitoring Committee's activities changed as a result of the new Regulations and experiences of the 2000-2006 Programme?

**Conclusion:**

The auditors should judge whether the Monitoring Committees were involved appropriately in the planning of the new period's programmes and to what extent their experiences from the previous period were taken into account.