



# Experiences from audits of programmes financed under European Social Fund in Slovakia

Supreme Audit Office of the SR  
European Fund Audit Department

Praha

November 2008



# Content

- Status of the Supreme Audit Office of the Slovak Republic
- The audits of programmes financed under European Social Fund in Slovakia
- Conclusions



# Status of the Supreme Audit Office of the Slovak Republic

The Supreme Audit Office of the Slovak Republic is an independent governmental agency bound only by law. The headquarters of the SAO is in Bratislava and there have been six regional offices.

Within the programming period 2004 – 2006 the SAO is responsible for the winding-up declarations of the programs financed under the structural funds according the articles 15-17 Commission Regulation (EC) No 438/2001.



# Winding – Up Declarations

At the end of each programme, the SAO will give a declaration that the expenditure value for the programme is correct and that the underlying transactions are legal and regular.

This declaration accompanies the last expenditure claim made to the Commission for Structural Funds payment.



# Winding – Up Declarations

Regulation 438/2001 (Article 16) requires that the body issuing the winding up declaration 'shall make all necessary enquiries to obtain reasonable assurance that the certified statement of expenditure is correct and that the underlying transactions are legal and regular.'



# Reasonable Assurance

- SAO plan their work to get 95% assurance that their audit opinion is correct
- In forming an opinion on financial statements it is not possible to obtain absolute assurance. Audits can only be selective examinations as it would be impractical and prohibitively expensive, to check every transaction.

# Winding – Up Declarations

This audit conclusion will be based on:

- the results of the annual management and control systems audits;
- work carried out by other auditors;
- the 5% expenditure checks carried out by the Ministry of Finance;
- additional substantive testing that the SAO carries out.



# The tasks of Supreme Audit Office

- systematic audit work over the programmes lifetime according the audit plan
- follow-up of the audit findings, in particular any corrective and preventive measures applied
- final audits
- permanent monitoring of implementation
- cooperation with the Ministry of Finance of the SR – Paying Authority and audit Department

# Audit Conclusions

Conclusion 5(a) should be reached if:

- The total level of errors and irregularities found is assessed as low;
- All identified errors and irregularities have been resolved;
- Sufficient assurance (T) from both controls and substantive testing has been gained for each of the expenditure populations identified;
- The total amount of errors found is less than the materiality level set

# Audit Conclusions

Conclusion 5(b) should be reached if:

- The total level of errors and irregularities found is assessed as low;
- Not all of these errors and irregularities have been resolved;
- Failure to get sufficient assurance from both controls and substantive testing work is just limited to a number of small population areas;
- The total amount of errors found is less than the materiality level set

# Audit Conclusions

Conclusion 5(c) should be reached if:

- The total level of errors and irregularities found is assessed as high;
- Failure to get sufficient assurance from both controls and substantive testing work is widespread across all population areas;
- The total amount of errors found and extrapolated as part of the audit work over the programme lifetime is greater than the materiality level set.



# European Social Fund in Slovakia

The programmes financed under ESF in the programming period 2004-2006:

- Sectoral Operational Programme Human Resources
- Single Programming Document Bratislava NUTS II Objective 3
- Community Initiative Programme EQUAL

# Responsible Bodies

- Ministry of Labour, Social Affairs and Family of the SR (Managing Authority for Sectoral OP Human Resources, SPD Bratislava Obj. 3 and Community Initiative Programme – EQUAL)
- Ministry of Education of the SR (Intermediary Body for Sectoral OP Human Resources and SPD Bratislava Obj. 3)
- Ministry of Finance of the SR (Paying Authority)



# Summary of Audits of ESF in Slovakia

Audits of all programmes financed under ESF were carried out since January 2004 to December 2007.

Managing Authority – Ministry of Labour, Social Affairs and Family of the SR – (2004, 2005 a 2007)

Intermediate Body – Ministry of Education of the SR (r. 2004, 2005 a 2007)

Total number of shortcomings detected – 140



# Audit Plan for 2009

Managing Authority – Ministry of Labour, Social Affairs and Family of the SR

Intermediate Body – Ministry of Education of the SR

Final Beneficiaries

5% sample checks - Ministry of Finance of the SR



# Shortcomings detected in 2004

Insufficient administrative capacities at the ministries.

The training programme for the MA staff was not a binding document.



# Shortcomings detected in 2004

- IT monitoring system (ITMS) – there were several risky areas identified by audit team which caused that ITMS did not provide the reliable information
- Public procurement rules were not incorporated in the EQUAL internal manual



# Shortcomings detected in 2005

- Delay of payments - interval between submitting the requests for payments and disbursement of the payments exceeded fixed periods
- Shortcomings in the Financial Support Contracts

# Shortcomings detected in 2005

national IT monitoring system (ITMS) was not fully reliable (repeated failures, insufficient training activities, low number of connections, ...)

risk analysis of audited subject was not provided



# Shortcomings detected in 2007

- Insufficient formal control of requests for payments
- The property financed by EU funds was not insured

# Shortcomings detected in 2007

- High turnover of the staff and management and the loss of expertise
- The data provided by the national IT monitoring system (ITMS) are not fully reliable



# Conclusions

## administrative capacities

unsufficient administrative capacities at the MA/IB, high turnover of the staff and management and the loss of expertise could have the negative impact to effectiveness of measures financed by ESF



# Conclusions

## monitoring

The nature of ESF projects (mainly the training activities, seminars, ...) requires monitoring the project activities on-the-spot. Most of the monitoring is administrative by completing checklists.

While monitoring the projects implementation the MA/IB are concentrated on financial issues and compliance of declared expenditures with the approved budget and low attention is paid to the real outputs of project activities.



# Conclusions

The data provided by the national IT monitoring system for Structural Funds are not fully reliable – the fact which could have an negative impact for evaluation of 2004 – 2006 programming period.



# Questions?

■