



**EUROPEAN COMMISSION**  
Employment, Social Affairs and Inclusion DG

Audit, Control  
**ESF Audits**

*Limited<sup>1</sup>*

**Final Systems Audit<sup>2</sup> report for**

**OP Administrative Capacity – Bulgaria, 2007BG051PO002 –**

**A-Rep N° 2014-1756**

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Authority subject to audit: Audit Authority, Audit of EU Funds Executive Agency  
Country: Bulgaria  
Region: n/a  
Period subject to audit: Expenditure underlying Annual Control Report 2013  
(01/01/2012 – 31/12/2012)  
Dates of the audit field work: 7 – 16/05/2014  
Auditors: Magdalena Herbots, Zdravka Fournadjieva, Beatrice Da Col, Pavlos Dimitriou

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Report written on: 27/03/2015

Signature

Mark Schelfhout  
Head of Unit

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<sup>2</sup> Systems audit also includes follow-up missions, re-performance audits and thematic missions

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## 1. EXECUTIVE SUMMARY

### 1.1. Introduction

In accordance with its audit plan for 2014 and in compliance with Council Regulation (EC) No 1083/2006, Council Regulation (EC) No 1081/2006 and Commission Regulation (EC) No 1828/2006, DG EMPL<sup>3</sup> conducted a systems audit on the Operational Programme Administrative Capacity, 2007BG051PO002 (hereafter - OPAC). Between 7 and 16 May 2014 the ESF auditors reviewed the Executive Agency Audit of EU Funds of Bulgaria, Audit Authority of the programmes co-financed by the European Social Fund (hereafter - the auditee), and consequently assessed the degree of reliance which could be obtained from the Audit Authority's assessment on the effective functioning of the national management and control systems of OPAC, as reported in the annual control report and the annual audit opinion<sup>4</sup> for the year ended on 31/12/2013.

### 1.2. Common authorities subject to audit

The following auditees, which were the subject of this audit, have responsibilities and/or functions common to other Structural Funds or the Cohesion Fund:

Authority/Body	Responsibility/Function	Funds
Audit of EU Funds Executive Agency	Audit Authority	ERDF, CF, EFF

### 1.3. Findings

#### 1.3.1. Management & control findings<sup>5</sup>

The management & control findings are summarised below:

Finding n°	Management & control issue	Comments from audited body AA	Conclusion EC auditors
1	Fraud indicators partially taken into account at the preparation of system audits	<b>Agreed</b> AA introduced changes to Section VI.6 of the Audit Manual. Auditors have access to OLAF-AFIS database.	<b>Finding and recommendation closed</b> The actions are considered to address the issues raised
2	Not fully supported reliance on past	<b>Agreed</b>	<b>Finding and</b>

<sup>3</sup> DG Employment, Social Affairs and Inclusion, Directorate H: Audit, Control, Unit H3

<sup>4</sup> Annual control report and opinion submitted pursuant to Art. 62(1)(d)(i) and (ii) of Council Regulation (EC) No. 1083/2006

<sup>5</sup> Control system tested against Guidance note on a common methodology for the assessment of MCS in the MS – COCOF 08/0019/00

	checks of public procurement	AA introduced changes to Section VII.3.10 of the Audit Manual.	<b>recommendation closed</b> The changes are considered to address the issues raised
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*1.3.2. Findings concerning specific matters (other compliance findings)*

The finding concerning specific matters is summarised as follows:

<b>Finding n°</b>	<b>Specific / compliance issue</b>	<b>Comments from audited body AA</b>	<b>Conclusion EC auditors</b>
3	Non-reporting of some compliance issues on public procurement	<b>Agreed</b> AA introduced changes to Section VII.4.5 of the Audit Manual.	<b>Finding and recommendation closed</b> The changes are considered to address the issues raised

*1.3.3. Financial findings*

There are no financial findings.

## 2. OPINION

Based on the audit results, the audit team expresses an opinion on the management and control systems (MCS) in place. The audit opinion at 16.05.2014 (date of the end of the audit on the spot) is:

Based on the work carried out as indicated in chapter 3 of the audit report, the auditors of DG EMPL have obtained reasonable assurance that the work carried out by the Audit Authority is compliant with the requirements of Reg. (EC) No 1083/2006, in particular with Article 62, and the results of the AA's audit work presented in the annual control report and annual opinion can be relied on for building the overall assurance for the AAR (Art. 73 of Reg. (EC) No 1083/2006), except for the following minor deficiencies:

- Fraud indicators partially taken into account at the preparation of system audits
- Not fully supported reliance on past checks of public procurement
- Non-reporting of some compliance issues on public procurement

The level of assurance obtained from the effectiveness of the systems can be classified as:

**Category 2. Works, but some improvements are needed.**<sup>6</sup>

The assessment, per key requirement, is as follows:

Audit Authority	Works well	Works, but some improvements needed	Works partially. Substantive improvements are needed	Essentially does not work
Key requirement 12: Clear definition, allocation and separation of functions	X			
Key requirement 13: Adequate systems audits		X		
Key requirement 14: Adequate audits of operations	X			
Key requirement 15: Adequate annual control report and audit opinion		X		

This systems audit represents the assessment and evaluation of the design and the functioning of audit controls of the OPAC at a specific point in time. Hence, this systems audit does not provide assurance for future periods in view of risks such as the weakening

<sup>6</sup> Some deficiencies were found. These deficiencies have a moderate impact on the functioning of the key requirements/authorities/system. Recommendations have been formulated and should be implemented by the audited body.

of the controls resulting from changes in conditions, or possible deterioration of the degree of compliance with legal requirements or procedures.

### **3. THE ENGAGEMENT CONTEXT**

#### **3.1. Legal Basis**

The legal base for the audit is Articles 72(2) of Council Regulation (EC) No 1083/2006.

Article 72(2) "*Without prejudice to audits carried out by Member States, Commission officials or authorised Commission representatives may carry out on-the-spot audits to verify the effective functioning of the management and control systems, which may include audits on operations included in operational programmes.*"

#### **3.2. Audit scope**

The scope of the audit included analysis review and re-performance of part of the work of the Audit Authority's audit preparation, field work, reporting and follow-up of the implementation of recommendations and/or financial corrections.

The audit covered expenditure declared in the reference period for the annual control report 2013 (from 1/1/2012 until 31/12/2012) as declared in the cumulative statement of expenditure of 29/11/2012 for a total amount of €51,684,035.64 and checked on-the-spot by the audit authority in the audit period 1/7/2012 – 30/6/2013. A sample of 8 audits of operations was reviewed and re-performed. The system audit of OPAC carried out in the period 1/7/2012-30/6/2013 was verified as well.

No limitation of scope occurred.

#### **3.3. Audit objectives**

The audit visit aimed mainly at evaluating the audit work of the Audit Authority to assess the degree of reliance that can be placed on it, and consequently the reliance that can be obtained from its Annual Control Report and Annual Audit Opinion under Article 62(1)(d) of Regulation (EC) 1083/2006.

#### **3.4. Audit methodology**

The audit was conducted in accordance with international standards for the professional practice of auditing and the European Social Fund Audit Manual. The audit team examined and evaluated, on a test basis, evidence relating to the design and operating effectiveness of the MCS of OPAC against the criteria established in the "Guidance note on a common methodology for the assessment of MCS in the Member States (2007-2013 programming period)" and other policies, manuals, procedures, directives and guidelines related to OP Administrative Capacity's execution or implementation.

A letter, announcing this audit, was sent to the Member State on 28 March 2014.

A risk analysis was applied to identify the areas representing a high risk. On the basis of this risk analysis, the analysis of system descriptions, and other relevant information, an agenda was determined and sent to the Member State.

In order to review the procedures of the Audit Authority, a sample of reports, including working and supporting documents were analysed for compliance. Furthermore, the audit team carried out a re-performance of 8 project audits initially carried out by the Audit Authority in order to further evaluate the compliance of the Audit Authority's activities with International Audit Standards and with EU legislation.

Project N°	Title	Beneficiary	Expenditure claimed (BGN)
BG051PO002-2.4.02-0001-C0001	Competent and motivated magistrates and judicial staff	Supreme Judicial Council, Sofia	839,399.93
BG051PO002-1.4.02-0002-C000	Searching for sustainable models – partnerships opportunities with the business	Municipality of Pernik	542,027.62
BG051PO002-1.4.02-0001-C0001	Partnership for development	Lovech - Regional Administration	617,558.47
BG051PO002-2.3.01-0327-C0001	Increase of capacity and effectiveness of civil society organisations in Lovech region	[REDACTED] [REDACTED] Sofia	75,796.02
BG051PO002-1.4.02-0003-C0001	Increase of the administrative capacity of municipal administration	Municipality of Sozopol	329,747.40
BG051PO002-2.4.04-0004-C0001	Strengthening the capacity of the specialised administration with the Minister of Justice	Ministry of Justice, Sofia	166,905.12
BG051PO002-3.1.03-0001-C0001	Development of electronic administrative services	Ministry of Transport, IT and Communications, Sofia	1,849,651.56
BG051PO002-1.2.04-0010-C0001	Development and implementation of measures to increase the transparency and integrity in the Agency's activity	Agency for Sustainable Energy Development, Sofia [Energy Efficiency Agency]	604,585.69

The value of this sample amounts to a total of BGN 5,025,671.81 of certified expenditure. This represents 17.3% of the total expenditure declared in the reference year of the ACR 2013 (BGN 29,001,598.32).

## 4. DETAILED FINDINGS AND RECOMMENDATIONS

### 4.1. Management and control findings:

The management and control findings are as follows:

Finding n°: 1	Key requirement 13 (2007-2013): Audit Authority – system audits Assessment criterion 40	
	Fraud indicators at preparation of system audits	
Responsible body: Audit Authority		Volume of funding affected by the finding: € N/A
<p>Description of the finding:</p> <p>At the preparatory stage of the reviewed system audit report<sup>7</sup> the Audit Authority had collected information from various sources in order to make preliminary assessment of the control environment. These sources include reports from other organisations as:</p> <ul style="list-style-type: none"> <li>- the national court of auditors;</li> <li>- the national Agency for Government Financial Inspection;</li> <li>- the internal audit service of the auditee;</li> <li>- review of AA's records for available reports by OLAF/AFCOS<sup>8</sup> on fraud cases.</li> </ul> <p>From the two ESF programmes in Bulgaria, OPAC is more intensely connected with notifications for suspected fraud cases and these cases are more often than not linked to public procurement procedures. Indeed, the nature of the operations in the OPAC suggests intensive use of public procurement procedures. The beneficiaries are predominantly public bodies and the operations to support the development of their administrative capacity are often provided by external private organisations. For the procurement process in Bulgaria, a recent EU anti-corruption report<sup>9</sup> indicates that corruption is a challenge, connected with risks having direct implications on the ability of local authorities to carry out impartial and transparent procurement procedures.</p> <p>Taking into consideration this control environment and the fact that issuance of fraud reports is often a lengthy process, the review of available OLAF/AFCOS reports is deemed as only partial review of the information for preliminary risk assessment in a system audit. According to the Audit Authority's manual this risk assessment and the collected general background information at the stage of planning the audit engagement contribute to the design of the specific audit tests before the beginning of the filed work. Therefore preliminary risk assessment based on partial information can lead to audit tests partially adjusted to the actually existing risks.</p>		
Risks: Partial information on the control environment at the system audit preparatory		

<sup>7</sup> System audit report of the Managing Authority (KRs 2, 4 and 7), dated 30 April 2013

<sup>8</sup> OLAF is the European Anti-Fraud Office, AFCOS is the national Anti-Fraud Coordination Service, a Directorate in the Ministry of Interior

<sup>9</sup> EU Anti-Corruption Report published on 03/02/2014 and available at [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index_en.htm); pages 10-12



stage can affect the risk analysis, hence – the design of the tests of controls, particularly their depth

Recommendation: The Audit Authority is requested to include at the preparatory stage of system audits the exchange of information with AFKOS on suspected fraud cases and take the information into account in the design of the audit tests in system audits.

Deadline for implementation of recommendation: 30 September 2014	Importance of the recommendation: Low <sup>10</sup>
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Comments from the responsible body (auditee):

In implementation of the recommendations, the Audit Authority modified the Audit Manual (version June 2014, approved by Order No. 3-42/18.06.2014 of the Executive Director of the Audit of EU Funds Executive Agency). Changes were made particularly in section VI.6 "Phase Follow-up of measures undertaken for implementation of recommendations" by inclusion of a mandatory requirement in system audit engagements for carrying out follow-up of the actions undertaken by the Managing Authority in response to reports of the European Commission, including the European Anti-Fraud Office (OLAF). The results of follow-up reviews (progress on implementation of corrective measures and status of recommendations from previous audit engagements) shall be included in the report of the audit engagement where the follow-up was carried out. Electronic version of the Audit Manual has been handed over to the audit team of the DG Employment, Social Affairs and Inclusion during the audit visit in September 2014.

In this regard, the notification letters by which the Audit Authority requests background information for the planning of the system audit include a point asking the Managing Authority to furnish all reports from checks carried out by the European Commission, the European Court of Auditors and the European Anti-Fraud Office (OLAF) (Enclosure: Copy of the notification letter to the MA of OPAC for the system audit commenced in November 2014).

In addition, after the closure meeting of the audit visit of DG Employment, Social Affairs and Inclusion, the Executive Director of the Audit Authority requested the directorate AFCOS of the Interior Ministry to provide access to the AA's team leaders to the system OLAF-AFIS, in the capacity of observers. The access is already operational and the information contained in this system shall be accordingly reviewed and taken into consideration in the planning of system audits.

**We consider that the actions undertaken in response to the recommendation address adequately the issues raised.**

Analysis of the reply by the Commission:

The Commission accepts the explanations given and follow-up actions suggested by the Audit Authority.

**Finding and recommendation closed.** The Commission has received the updated Audit Manual of the Audit Authority which addresses the issue as described above (ref. Section VI.6, p. 79 of the Manual).

<sup>10</sup> See annex 1

Finding n°: 2	Key requirement 14 (2007-2013): Audit Authority –audits of operations Assessment criterion 45	
	Not fully supported reliance on past checks of public procurement	
Responsible body: AA	Volume of funding affected by the finding: € N/A	
<p>Description of the finding:</p> <p>In audits of operations, the Audit Authority follows the approach to check 100% the selected payment claims from the annual audit population, whenever possible. In many instances the breakdown of the costs includes expenditure under contracts signed following a public procurement selection procedure, which procedure has already been checked by the Audit Authority in previous audits.</p> <p>It was observed that in these instances the auditors will not check again the public procurement procedure and will verify the other elements of costs' eligibility – reality of activity, link of activity with the project, accountancy, etc.</p> <p>On the other side, since the time of the initial procurement check changes might have occurred in: (i) the public procurement checklist of the Audit Authority as it evolves over the time; or (ii) in the originally procured contract.</p> <p>The changes in procurement checklist could have been addressed at central quality assurance level. This stems from the audit authority's routine reporting process. For each project visit the Audit Authority issues mini-reports, which are underlying the issuance of one consolidated annual report from audits of operations. At the stage of consolidation, DG EMPL team was unable to find, however, a quality assurance step to acknowledge absence of substantial changes in the public procurement checklist.</p> <p>There is also no direct verification on the spot for absence of amendments that may result in a significant change to the originally procured contract. Auditors would verify such changes indirectly, through checks on deliverables/outputs included in the audited payment claim.</p>		
<p>Risks: Detection audit control on public procurement procedure may be partially affected through the use by reference of outdated checklists. Secondly, the effectiveness of the preventive audit control on legality of expenditure is reduced by putting focus on detective controls (on the basis of costs declared pursuant to a modification of the originally procured contract).</p>		
<p>Recommendation: The Audit Authority is requested to ensure:</p> <ul style="list-style-type: none"> <li>• performance of checks on public procurement procedures in accordance with the best (most recent) checklists, consistently across the audited expenditure.</li> <li>• validity and continuous legal compliance of contracts with the procurement rules (e.g. absence of novation or significant change in the scope, time or amount), when checks on the spot are made by reference to previous years' checks.</li> </ul>		

Deadline for implementation of recommendation: 30 September 2014	Importance of the recommendation: Medium <sup>11</sup>
<p>Comments from the responsible body (auditee):</p> <p>The Audit Authority took measures to address the recommendation and added an audit procedure in section VII.3.10 'Examples of audit procedures for checks in specific areas' of the updated Audit Manual of the Audit Authority (version June 2014 approved by Order No. 3-42/18.06.2014 of the Executive Director of the Audit of EU Funds Executive Agency) for review of public procurement procedures checked in preceding audit engagements, as follows:</p> <p><i>'In case a specific public procurement procedure has been checked by auditors of the Audit Authority in the course of previous audit engagements, the team leader of the current audit shall:</i></p> <ul style="list-style-type: none"> <li>• <i>identify the results of the first audit check of this specific public procurement procedure – whether any compliance issues were noted or findings have been formulated, which method was used to quantify the financial impact of any irregularity, whether recommendations for implementation of financial corrections have been formulated and if they have been implemented;</i></li> <li>• <i>review the methodology applied for the check of the public procurement procedure, including the approach for determination of the financial impact of irregularities – the template of checklist approved by the executive director of the Audit of EU Funds Executive Agency.;</i></li> <li>• <i>compare the methodology for review of the public procurement procedure with the one in effect as at the time the audit had previously taken place and establish any differences between the two;</i></li> <li>• <i>check whether changes to the procurement contract have been effected from the moment of the preceding audit check till the current audit.</i></li> </ul> <p><i>In case of material difference(s) between the methodology applied at the time the preceding audit took place, including difference(s) in the approach for determination of the financial impact of the irregularities (for example for irregularities for mixing selection and award criteria or irregularities due to illegal methodology for evaluation of offers before and after the year 2013), the audit team leader shall notify the quality assurance officer and the latter decides whether the public procurement procedure will be reviewed and to what extent. The review/check shall be documented by the team leader in a note to the file, subject to approval by the quality assurance officer. The checklist(s) documenting the check on the public procurement procedure in a preceding audit engagement shall become an integral part of the current audit engagement.</i></p> <p><i>Nevertheless, in case of a public procurement procedure checked during a preceding audit engagement/audit from previous year(s), auditors shall make a mandatory check whether the procurement contract has been modified during its implementation and whether the modification is legally compliant. The audit team leader allocates individual audit checks to auditor(s) who will review on the spot the relevant payment claim/project. The auditor shall document audit tests in appropriate manner – a note to the file (where the check relates only to the legality of changes to the initial contract) or check list (where partial check of the procurement procedure shall be carried out). In</i></p>	

<sup>11</sup> See annex 1

*cases of a change to the signed agreement, the audit team leader shall check its legality and the check shall be documented in a note to the file.'*

Electronic version of the Audit Manual has been handed over to the audit team of the DG Employment, Social Affairs and Inclusion during the audit visit in September 2014.

**In consideration with the foregoing, the recommendation to has been implemented by the actions taken in its response.**

Analysis of the reply by the Commission:

The Commission accepts the explanations given and follow-up actions suggested by the Audit Authority.

**Finding and recommendation closed.** The Commission has received the updated Audit Manual of the Audit Authority which addresses the issues as described above (ref. Section VII.3.10, p. 115 of the Manual).

#### 4.2. Other compliance findings

The other compliance findings are as follows:

Finding n°: 3	Non-reporting of some compliance issues
Responsible body: Audit Authority	Volume of funding affected by the finding: N/A
Description of the finding: One of the project audits underlying the issuance of the annual control report 2013 is the project <i>Development and implementation of measures to increase the transparency and integrity in the Agency's activity</i> <sup>12</sup> implemented by the Agency for Sustainable Energy Development. The projects costs audited by the Audit Authority were connected with two procurement procedures. One of the procedures was open tender pursuant to the Law on Public Procurement with a winner Hewllet [REDACTED]. In the review of the procedure, the Audit Authority applied Art. 16, para 2 (b) and (c) and assessed, among other, the compliance of the expenditure with the EU and national rules. Implementing audit tests for public procurement rules, the national auditors noted compliance issues. For the assessment of their impact, the Audit Authority took into account various factors, including litigation process through the Bulgarian judicial system. The Audit Authority's final assessment was that the identified procurement compliance issues do not have financial impact. The overall assessment of the DG EMPL audit team is the same. The audit team would however like to draw the AA's attention to the fact that the mere presence of a Court's judgement on public	

<sup>12</sup> BG051PO002-1.2.04-0010-C0001

procurement matters is in itself insufficient to conclude that there can be no (other) procurement issues which may lead to financial corrections.

However, the report from the AA's visit does not mention the auditor's observations for the identified non-compliance with the public procurement rules, nor the fact that the final audit conclusion takes into account a litigation process. This is considered deviation from the audit reporting standards (e.g. ISSAI 400).

**Risks:** Non-reporting of compliance issues, especially serious compliance issues, can affect the overall assessment of the effectiveness of the management and control systems for implementation of projects with EU funds. This is particularly valid for the reporting from audits of operations as the Audit Authority forms one opinion in a consolidated report from numerous mini-reports of individual project visits.

**Recommendation:** Audit Authority is requested to report observations connected with non-compliance with public procurement rules, even where the audited procurement procedure was challenged through the judicial system and the audit conclusion for the effect of the non-compliance takes into account the litigation.

**Deadline for implementation of recommendation:**  
30 September 2014

**Importance of the recommendation:**  
Low

**Comments from the responsible body (auditee):**

We would like to emphasize that the template checklists for review of public procurement procedures, in effect since 2013, include a field in the general information for a procurement procedure which requires a note on all acts of the Commission for Protection of Competition or the Supreme Administrative Court connected with the audited procedure. The guidance to the audit checklists sets out that it is mandatory to attach in the audit software [REDACTED] a copy of the decision/ruling of the above authorities.

In addition, the Audit Authority took the following actions for implementation of the recommendation:

The following guidance has been included in Section VII.4.5 'Interpretation of results' of the updated version of the Audit Authority's Audit Manual (version June 2014 approved by Order No. 3-42/18.06.2014 of the Executive Director of the Audit of EU Funds Executive Agency) regarding the analysis of identified errors and irregularities:

'When the auditor identifies irregularity in public procurement rules (breach of the applicable legislation), he/she shall document this irregularity in the relevant checklist, in section 'Comments/Reference'. The irregularities can be significant and compliance issues. Compliance issue is the irregularity of a technical nature (scrutiny) and has not lead to any negative consequences. For all identified significant irregularities the auditor shall report a finding irrespective of the fact whether it has/has not a financial impact. Where the auditor identifies more than one significant irregularity under one procurement procedure, the auditor shall make a finding for each irregularity.

The template checklists for review of public procurement procedures include the following additional guidance notes to the auditors:

'Attention is drawn that in column 'Comment/Reference' the auditor shall make a finding for each non-compliance with the public procurement legislation, regardless of the decision and/or opinion of other authorities who have issued a ruling concerning the same procurement procedure (Commission for Protection of Competition, the Supreme Administrative Court, other courts and/or authorities). The auditor shall include a brief

text describing the opinion of these authorities in column 'Comment/Reference'.

Electronic version of the Audit Manual has been handed over to the audit team of the DG Employment, Social Affairs and Inclusion during the audit visit in September 2014.

**In consideration with the foregoing, the recommendation to has been implemented by the actions taken in its response.**

Analysis of the reply by the Commission:

The Commission accepts the explanations given and follow-up actions suggested by the Audit Authority.

**Finding and recommendation closed.** The Commission has received the updated Audit Manual of the Audit Authority which addresses the issues as described above (ref. Section VII.4.5, p. 129 of the Manual).

#### **4.3. Financial findings:**

None.

## Annex 1

### **Importance of the recommendations**

**High:** The key controls in the management and control systems are absent or are not complied with on a regular basis. There is a fundamental weakness or deficiency in control which involves a substantial risk of error, irregularity or fraud. There is a substantial risk of failure to achieve those objectives of the management and control systems which concern the reliability of financial reporting for the programme, the effectiveness and efficiency of the operations and activities and compliance with national and community regulations. Such risks could have an adverse impact on the programme's financial report. Urgent remedial action should be taken. The recommendation should normally be implemented one month at the latest after receipt of the final report in the Member State's language.

**Medium:** There is a weakness or deficiency in control which, although not fundamental, exposes individual areas of the existing management and control systems to a less immediate level of risk of error, irregularity or fraud. Such a risk could have an impact on the effectiveness of the management and control systems and on its operational objectives and should be of concern to the auditee's management. Prompt remedial action should be taken.

**Low:** There is a weakness or deficiency in control which individually has no major impact but where improved controls would benefit the implementation of the programme and/or allow the auditee to achieve greater effectiveness and/or efficiency. There is a possibility of undesirable effects at the process level, which, combined with other weaknesses, could give cause for concern. Specific remedial action should be taken.

