

Annex

## **ACTION PLAN TO RECTIFY WEAKNESSES IDENTIFIED IN THE EFF MANAGEMENT AND CONTROL SYSTEM FOR THE NETHERLANDS**

<b><u>No.</u></b>	<b><u>Summary of audit finding</u></b>	<b><u>Corrective Action(s) required</u></b>	<b><u>Deliverable(s) to Commission</u></b>	<b><u>Body responsible</u></b>	<b><u>Deadline</u></b>
1.	<p><b><u>Management verifications</u></b></p> <p>The Annual control report concludes that there are deficiencies regarding management verifications on public procurement. The relevant management authority had no clear interpretation on the obligations in the area of the application of public procurement rules.</p>	<p>1.1. The procedures for management verifications of public procurement rules should be reviewed and improved. It should be ensured that proper guidelines are in place for all bodies involved in the management verifications.</p> <p>As stated in the Annual control report, the MA and its IB have already been taking measures to improve the application of public procurement rules.</p>	1.1. Updated check lists and internal documentation should be provided.	Managing Authority	Within 2 months of receipt of this letter

		<p>1.2. The Audit Authority needs to do additional audit work in order to evidence that the systemic problems concerning the correct application of public procurement rules have been adequately addressed.</p> <p>As stated in the Annual control report, the AA has already been doing some additional audit work.</p>	<p>1.2. Documentation of the additional audit work done on public procurement should be provided, as well as an overview and timetable of additional audit work scheduled to check the control improvements undertaken by the MA and its IB.</p>	Audit Authority	Within 2 months of receipt of this letter
2.	<p>The irregularity of the project [REDACTED] [REDACTED] has been qualified as an anomaly by the Audit Authority. However, based on the information provided in the Annual Control Report, the Commission does not have sufficient assurance that these errors are in fact anomalous.</p>	<p>The Audit Authority should assess whether errors are anomalous in accordance with the "International Standard on Auditing 530" and in particular point 13 under "Requirements".</p>	<p>Should it wish to demonstrate that this error is indeed anomalous, the Audit Authority should perform additional audit work in support of its treatment of this error. It should substantively test all other transactions of the same type (if Axis-specific, this examination could be limited to the Axis to which these payments related) and explicitly confirm:</p> <p>Either (a) that the monetary value of errors arising from this additional examination is [<i>state amount in €</i>] which represents the maximum for the entire population of expenditure</p>	Audit Authority	Within 2 months of receipt of this letter

	<p>Management verifications carried out by the Managing Authority and its intermediate body should be strengthened, especially as regards the procedures for the selection of operations – in particular the evaluation of the financing plan provided and the financial capacities of the beneficiaries (art. 59a and 65a of Regulation (EC) No 1198/2006 and art.29 and 39.1 of Regulation (EC) No 498/2007).</p>	<p>The management checks for the selection of operations should be improved, in particular the checks on the financial capacities of the beneficiaries.</p>	<p>declared (i.e. that there are no further errors in the remainder of the population);</p> <p>Or (b) that there are no additional errors arising from this examination, and none in the remainder of the population.</p> <p>Otherwise, the expenditure at risk should be calculated by applying the projected error rate to the unaudited expenditure, taking into account all random errors (also those of the project [REDACTED]). (See GN COCOF_11-0041-01-EN, 5.4).</p> <p>Improved checklist and guidance on the evaluation of the financing plan and financial capacities of the beneficiaries.</p>	<p>Managing Authority</p>	<p>Within 2 months of receipt of this letter</p>
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3.	<p><b><u>Eligibility of expenditure</u></b></p> <p>The Annual control report gives insufficient evidence that the management and control system excludes land purchase for an amount exceeding 10% of the total eligible expenditure for the operation, as stipulated in Article 55 (5) of Regulation (EC) No 1198/2006.</p> <p>The information in the Annual control report concerning the irregularity of the project [REDACTED] 'gives the interpretation of the IB MA on the eligibility of land purchase.</p> <p>Land purchase is said to be accepted by the IB MA when related to the purchase, construction or modernisation of buildings for an amount up to maximum 50% of the total eligible expenditure for the operation.</p> <p>This is not compliant with the above mentioned Regulation.</p>	<p>3.1. It should be ensured that the rules on the eligibility of expenditure, and in particular on expenditure not eligible are clear to all bodies involved in the implementation of the operational programme.</p> <p>Updated guidance should be provided on the rules concerning eligibility of land purchase.</p>	<p>3.1. A copy of the updated internal documentation and guidance should be provided to the Commission.</p>	<p>Managing Authority</p>	<p>Within 2 months of receipt of this letter</p>
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4.	<p>The Annual control report refers to some 'interpretation issues' in the national legislation that are identified as systemic problems. However, there is a lack of clear information in the Annual control report on the shortcomings found in the system for the management and control of the programme, other than those related to public procurement.</p> <p>This is not in compliance with Article 61 (e) of Regulation (EC) No 1198/2006 and Article 42 (3) of Regulation (EC) No 498/2007 which require the audit authority to ensure further examination where problems detected appear to be systemic, to establish the scale of any such problems.</p> <p>Consequently the Commission has insufficient information on the underlying causes of the irregularities, on the magnitude of the systemic problems and the corrective measures taken or to be taken to remedy the deficiencies in the system.</p>	<p>4.1. The individual or systemic nature of all the irregularities detected need to be clearly identified.</p> <p>4.2. All pending interpretation issues concerning eligibility of expenditure need to be solved and assurance needs to be provided that no irregular amounts related to interpretation issues remain in the expenditure declared to the Commission.</p>	<p>4.1. Updated information on the nature of all the irregularities detected.</p> <p>4.2. Updated guidance document for the 'interpretation issues' referred to in the Annual control report, and a written confirmation concerning the checks that were performed in order to verify that no irregular expenditure remains in the expenditure declared to the Commission related to these interpretation issues.</p> <p>4.3 Evidence that the Audit Authority performed additional controls on corrective actions taken.</p>	<p>Managing Authority, Intermediate bodies</p> <p>Managing Authority/ Certifying Authority</p> <p>Audit Authority</p>	<p>Within 2 months of receipt of this letter</p> <p>Within 2 months of receipt of this letter</p> <p>Within 2 months of receipt of this letter</p>
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5.	<p><b><u>Financial corrections by the member state</u></b></p> <p>The information in the annual control report on the financial corrections made required in connection with the irregularities found, gives insufficient assurance that the contributions cancelled were not re-used for the operations that were the subject of the correction, nor, where a financial correction was made for a systemic irregularity, for existing operations within the priority axis where the systemic irregularity occurred, as stipulated in article 96 (2)(3) of Regulation (EC) No 1198/2006.</p>	<p>Cancelling all irregular expenditure found by withdrawal or recovery of the irregular amounts.</p>	<p>5.1. Print out of debtor's ledger showing for all cases detected that irregular expenditure was corrected.</p> <p>5.2. Written declaration that contributions cancelled were not re-used for the operations that were the subject of the correction, nor, where a financial correction was made for a systemic irregularity, for existing operations within the priority axis where the systemic irregularity occurred.</p>	<p>Managing Authority /Certifying Authority</p>	<p>Within 2 months of receipt of this letter</p>
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