

FINAL AUDIT REPORT 30-11-2010 EN VERSION



EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities DG
Audit, Controls
ESF Audits

FOR
INFORMATION

Limited¹

**Final Systems Audit² report for
2007BG051PO001 – Human Resources Development
A-Rep N° <2010 - 1081>³**

Authorities subject to audit:

Managing Authority (Ministry of Labour and Social Policy)

Intermediate Body (Employment Agency)

Intermediate Body (Agency for Social Assistance)

Intermediate Body (Minister for Youth and Education)

Certifying Authority (National Fund, Ministry of Finance)

Country: Bulgaria

Region: Sofia, Varna

Period subject to audit: 2007 – 2013

Dates of the audit field work: 1-5– March 2010 (system audit)

22-26 – March 2010 (projects audit)

Report written on: 19 May 2010

Signature

Head of Unit

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² Systems audit also includes follow-up missions and thematic missions

³ This number should be mentioned in all correspondence relating to this audit

1. EXECUTIVE SUMMARY

1.1. Introduction

In accordance with its work plan for 2010 and in the context of compliance with Council Regulation (EC) No 1083/2006, Council Regulation (EC) No 1081/2006 and Commission Regulation (EC) No 1828/2006, Unit I/4, DG EMPL⁴ conducted a systems audit on the Operational Programme 2007BG051PO001 (hereafter – OP Human Resources Development). Between 1 March 2010 and 5 March 2010 (including an on-site audit of 10 operations between 22 – 26 March 2010), the ESF auditors examined the design, efficiency and effectiveness of the MCS existing for the duration of OP Human Resources Development from 1 January 2007 to 31 August 2009 and implemented by the Ministry of Labour and Social Policy (MA), Employment Agency (IB), Ministry of Education, Science and Youth (IB), Agency for Social Assistance(ASA) and National Fund Ministry of Finance (CA) of Bulgaria (hereafter - the auditees).

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:

<u>Authority/Body</u>	<u>Responsibility/Function</u>	<u>Funds</u>
National Fund, Ministry of Finance of the Bulgaria (CA)	Certification of the expenditure to the EC	ERDF, CF, ESF

⁴ DG Employment, Social Affairs and Equal Opportunities, Directorate I: Audit, Controls, Evaluation, Unit I/4: ESF Audits

1.3. Findings

1.3.1. Management control⁵

The management control findings are summarised below:

Finding n°	Management control issue	Reply MA/IB/CA	Conclusion EC auditors
1	Lack of procedure for adequately assessing the candidate beneficiary. The projects' operational, administrative and financial capacities are not properly assessed	Agrees partially (position stated in the Action plan)	Finding, confirmed
2 and 7	Insufficient audit trail related to arbitrarily-set hourly rates and cash payments. Lack of evidence of the activities carried out. Inflated staff costs declared.	Agrees partially (position stated in the Action plan)	Finding, confirmed
3	Lack of appropriate arrangements concerning treatment of Indirect Costs according to art 11/3b of 1081/2006.	Agrees partially (position stated in the Action plan)	Finding, confirmed
4	The checklists for management verifications and on the spot visits in the framework of art 13 of Commission Regulation 1828/2006 are not adequate enough. Missing is the monitoring of the effectiveness of operations co-financed by ESF	Agrees partially (position stated in the Action plan)	Finding, confirmed
5	Lack of audit trail between corrections following art 13 verifications and applications of these corrections and proof of correction at Beneficiary level.	Agrees partially (position stated in the Action plan)	Finding, confirmed
6	Lack of audit trail concerning reconciliation of real costs incurred for projects in the framework of staff costs.	Agrees partially (position stated	Finding, confirmed

⁵ Control system tested against designed control model (Guidance note on the evaluation of MCS)

	Using arbitrarily set fees without adequate reconciliation with real time worked for project.	in the Action plan)	
8	Insufficient CA's work to mitigate the risks resulting from weaknesses in MA's MCS	Agrees (position stated in the Action plan)	Finding, confirmed

1.3.2. Findings concerning specific matters

Finding n°	Findings concerning specific matters	Reply MA/IB/CA	Conclusion EC auditors
9, 10.	Publicity shortcomings	Agrees partially (position stated in the Action plan)	Finding, confirmed

1.3.3. Financial findings

The financial findings are summarised as follows:

Finding n°	Compliance issue	Amount considered ineligible €	Comments MA/CA	Conclusions EC auditors
11-16	Ineligible expenditure	143 226.40 BGN + VAT where appropriate (position stated in the Action plan)	Agrees	Finding, confirmed

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 is:

Qualified

The ESF auditors reviewed the systems in place and the selected projects in accordance with the audit scope and objectives set out in sections 4.2 and 4.3 of this audit report.

In our opinion, based on the audit methodology (section 4.4) and work performed (section 5), we have reasonable assurance that the management and control systems in place as at 26.03.2010 are functioning effectively and in compliance with the applicable regulations (Council Regulation (EC) No 1086/2006, Council Regulation (EC) No 1081/2006 and Commission Regulation (EC) No 1828/2006); except, however, for the following material deficiencies which affect key elements of the systems:

- Key requirement 2 : Adequate procedures for the selection of operations
- Key requirement 3: Adequate information and strategy to provide guidance to beneficiaries
- Key requirement 4: Adequate management verifications
- Key requirement 5: Audit Trail
- Key requirement 10: Adequate arrangements for the certification of expenditure to be reliable and soundly based

At the end of the audit field work, the level of assurance obtained from the effectiveness of the systems can be classified as: **Category 3: Works partially; substantial improvements are needed.**⁶

This level of assurance would imply that financial correction, possibly on a flat rate basis, are applied to expenditure already declared to the Commission, accompanied by an action plan and measures to take in order to ensure that any future declarations of expenditure are free of material error.

This systems audit represents the assessment and evaluation of the design of the OP Human Resources Development MCS 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 of the internal controls resulting from changes in conditions, or possible deterioration of the degree of compliance with legal requirements or procedures.

⁶ Deficiencies were found. These deficiencies have led or may lead to irregularities. The impact on the effective functioning of the key requirement/authorities/system is significant. Recommendations and/or an action plan have been formulated and should be implemented by the audited body.

Summary of assessment per key requirement

Following these the situation during the audit mission, we suggested in the draft report the assessment here below:

Managing authority/intermediate body/intermediary body level 2	
Key requirement 1 (definition, allocation and separation of functions)	Green
Key requirement 2 (selection procedures)	Orange
Key requirement 3 (information and guidance for beneficiaries)	Orange
Key requirement 4 (management verifications)	Yellow
Key requirement 5 (audit trail)	Orange
Key requirement 6 (computerised reporting systems)	Green
Key requirement 7 (preventive and corrective actions)	Green
Certifying authority	
Key requirement 1 (definition, allocation and separation of functions)	Green
Key requirement 2 (audit trail and computerised system)	Green
Key requirement 3 (reliable and soundly based certifications)	Yellow
Key requirement 4 (account of recoveries)	
Overall assessment	Orange

3. SUBSEQUENT EVENTS AND CONCLUSIONS

After the end of the audit field work and before the end of the contradictory procedure, the Bulgarian authorities sent an action plan addressing the issues raised in the exit meeting and other bilateral follow-ups. Based on the mitigating actions taken by the Managing Authority and Certifying Authority and on the action plan suggested by the Managing Authority (see chapter 6: Subsequent events), the Commission auditors could in principle raise the level of assurance to:

Category 2: Works, but some improvements are needed.⁷

This level of assurance is based on information concerning the mitigating actions we received and analysed after the end of the audit field work. As such and also because this action plan is in the phase of implementation by the national authorities, no audit work to test its effectiveness could yet be performed. The level of assurance is therefore subject to the correct and timely implementation of the action plan by the national authorities and its effectiveness will be subject to a revision by the Commission after the end of its implementation. Hence, no legitimate expectation can be derived from this provisional and conditional level of assurance.

Following the analysis of the action plan, we suggest the re-assessment here below subject to the completion of the corrective actions which are being implemented and of the financial corrections.

⁷ 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.

Managing authority/intermediate body/intermediary body level 2	
Key requirement 1 (definition, allocation and separation of functions)	Green
Key requirement 2 (selection procedures)	Orange
Key requirement 3 (information and guidance for beneficiaries)	Yellow
Key requirement 4 (management verifications)	Yellow
Key requirement 5 (audit trail)	Yellow
Key requirement 6 (computerised reporting systems)	Green
Key requirement 7 (preventive and corrective actions)	Green
Certifying authority	
Key requirement 1 (definition, allocation and separation of functions)	Green
Key requirement 2 (audit trail and computerised system)	Green
Key requirement 3 (reliable and soundly based certifications)	Yellow
Key requirement 4 (account of recoveries)	
Overall assessment	Yellow

4. THE ENGAGEMENT CONTEXT

4.1. Legal Basis

The legal basis for this audit are Articles 14(2)(a) and 72 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the Structural Funds.

4.2. Audit scope

This audit covers expenditure declared up until 31 August 2009. It should be noted that expenditure was declared only concerning Delegated Priority Axes 2, 3, 4, 5 and direct award on Priority Axis 8. Therefore, the audit team could not check situations where the Ministry of Labour and Social Policy is the contracting authority and is directly responsible for the management verifications.

Using risk assessment, the audit aims to assess the system implementation at five bodies, the Managing Authority, three Intermediate Bodies and the Certifying Authority, as part of the system audit, and at beneficiaries as part of the on-the-spot checks (10 operations selected, as described in section 4.4).

Scope limitation: The AA was not in the scope of the audit engagement.

4.3. Audit objectives

The audit objectives were to:

- Determine the degree of the effectiveness of the MCS relevant to each authority's activities;
- Identify weaknesses in the MCS where a control or a series of controls did not reasonably prevent or detect risks that could have had an adverse impact on the MCS' objectives of providing reasonable assurance that:
 - the declarations of expenditure for the programme are reliable;
 - the objectives have been achieved; and
 - European and national legislation is complied with;
- Assess the adequacy of the internal controls in place on the auditee's activities; and
- Review whether the relationship between the OP Human Resources Development's objectives and the internal controls implemented by the auditee ensures that the risks associated with delivery of the OP Human Resources Development's objectives and policies and achievement of its goals are effectively mitigated, focusing, inter alia, on the reasonable prevention, detection and correction of errors, irregularities and presumptive fraud.

4.3.1. Objectives related to the assessment of the MA

The audit objectives were to assess whether there were:

- Clear definition, allocation and separation of functions between and within the managing authority;

- Adequate procedures for the selection of operations;
- Adequate information and strategy to provide guidance to beneficiaries;
- Adequate management verifications;
- Adequate audit trail;
- Reliable accounting, monitoring and financial reporting systems in computerised form;

4.3.2. Audit objectives relating to audits at bodies/firms carrying out the operations

The audit objectives were to assess:

- Whether authorities' accounting records correspond with supporting documents held by the body/firm;
- Whether the nature and timing of the relevant expenditure comply with Community provisions and correspond to the approved specifications of the operation and the work actually executed;
- Whether the use or intended use of the operation is consistent with the use described in the application for Community co-financing;
- Whether the Community financial contributions are within the applicable limits provided for in the applicable regulations and are paid to the final beneficiaries without any reduction and unjustifiable delay, if applicable;
- Whether the appropriate national co-financing has in fact been made available;
- Whether the body/firm has complied with Community rules and policies including on publicity, information, competition, award of public contracts, equality of opportunities, and protection of the environment.

4.4. Audit methodology

The audit was conducted in accordance with the general and specific standards for the professional practice of auditing, the Structural Funds Audit Manual, 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 OP Human Resources Development's 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 Human Resources Developments' execution or implementation.

A letter N° 00353; announcing this audit was sent to the Member State on 12 January 2010.

The audit was planned in conformity with the audit planning requirements identified in the European Social Fund Audit Manual. A risk analysis was applied to identify the high-risk areas. On the basis of this risk analysis, the analysis of system descriptions, information received from the Member State and other relevant information, an agenda was drawn up and sent to the auditee.

A random sample of 10 projects was selected from the list of projects for which expenditure was declared by the selected Intermediate Bodies. The result of this selection was:

Project number	Beneficiary	Expenditure claimed (€)
BG051PO001-2.1.01-0584-C0001	[REDACTED]	82,832.82
BG051PO001-2.1.01-0360-C0001	[REDACTED]	107,779.20
BG051PO001-4.2.01-0228-C0001	[REDACTED]	44,796.88
BG051PO001-5.2.01-0013-C0001	[REDACTED]	71,768.58
BG051PO001-3.3.01-0043-C0001	[REDACTED]	45,119.32
BG051PO001-3.1.02-0002-C0001	[REDACTED]	94,047.57
BG051PO001-5.2.01-0009-C0001	[REDACTED]	76,693.80
BG051PO001-2.1.01-0303-C0001	[REDACTED]	88,967.46
BG051PO001-4.2.01-0234-C0001	[REDACTED]	13,368.50
BG051PO001-2.1.01-0322-C0001	[REDACTED]	170,805.14
BG051PO001-5.2.02-0001-C0001	Agency for Social Assistance	7,412,382.67
Total:		8,208,561.94

Note: The operation BG051PO001-5.2.02-0001-C0001 Priority Axis 8 Direct Award Agency for Social Assistance was checked on the spot during the week of the system audit as the beneficiary of the grant is the Agency of Social Assistance.

The value of this sample amounts to a total of **8 208 561.94 BGN** certified expenditure. This represents 41, 19 % of the total expenditure declared (total BGN 19 930 130.98).

An on-the-spot visit to 10 Final Beneficiaries/Promoters was carried out to assess the compliance of the systems with the European Structural Funds Regulations.

5. DETAILED FINDINGS AND RECOMMENDATIONS

5.1. Management and control findings:

The management and control findings are as follows:

Finding n°1:	Key requirement 2: Adequate procedures for the selection of operations
	Objective: Assess whether there is an adequate appraisal and approval of projects
Responsible body: MA and IB	Volume of funding affected by the finding: € Non-quantifiable

Description of the finding: Systemic issue (all projects)

During the selection procedure the candidate is evaluated together with its partner-organisations. Partnerships are mentioned as a horizontal priority in the Operational Programme. The official beneficiary is the lead partner selected who signs the contract with the MA/IB. Partners signing contracts with the beneficiary are deeply involved in the delivery of core project activities. According to the interviews with staff from MA and IB, selection committees tolerate partnerships as they represent a means to increase capacity and know-how for the beneficiary organisations. However, evaluating the partners as well as the lead organisation leads to an increase of ambiguity, dilutes beneficiary responsibilities and represents risk of reduced transparency. In this respect, art 2, paragraph 4) of Regulation 1083/2006 states that "the beneficiary is an operator, body of firm, whether public or private responsible for initiating or initiating and implementing operations". The Managing Authority should ensure that the selected beneficiaries have the administrative, operational, organisational and financial capacity to implement the project. Because partnerships are "de facto" not foreseen in the definition of the beneficiary, there should be an evaluation of the applicant candidate and the form of the (legal) relationship between him and other (partner) organisations should be transparent and justified in the selection. As such, the Managing Authority and its Intermediate Bodies should implement procedures to ensure that the involvement of partners is justified in terms of adding value to the project. As seen during the project-visits, the added value of a partner is not guaranteed and often leads to an unjustified increase of expenditure.

Example: In Project BG051PO001-2.1.01-0360-C0001 [REDACTED] the project was implemented entirely by the partner companies so that the role and added value of the lead organisation was not clear. For example out of 82 799.13 BGN declared costs in the claim N3 (01/12/2008-31/03/2009) the direct expenses covering the costs of the beneficiary([REDACTED] were at the level of 3000 BGN+14 202.57 (VAT). At the level of the total costs including indirect costs (which were mainly the costs from the lead organisation) the part of the [REDACTED] in the project as proportion was 35%. Moreover the costs of the lead organisation include only publications, substance costs (rent, office supplies) and salary costs for 4 staff members whose work is insufficiently traceable. In the audit team's view, the beneficiary acts merely as an umbrella organisation and does not deliver any activities itself. On the

other hand, an active publicity campaign was launched to promote the lead organisation and the activities which were implemented by its partners.

Regarding Priority Axes 2 and 3 in all the 6 projects reviewed, the beneficiary had different partners (in most of the cases private companies) who were involved in implementing the project activities. The guidelines to candidates for this call (section 3.1.3) stipulate the requirements for lead organisations and their partners. Nevertheless it does not stipulate the circumstances which would justify a partnership. Therefore, the choice of the partners was not based on any regulatory guidelines, was not documented and remains quite arbitrary. Consequently; the beneficiary cannot demonstrate the respect for "value for money" which underlies the principle of sound financial management. This however, does not imply that partnerships may not be selected to implement operations.

Another result of these arrangements is that the lead organisation has minimal or no control over the hourly rates charged by the partners for the cost of salaries. Example: The project BG051PO001-5.2.01-0013-C0001 [REDACTED], the partner [REDACTED] was paid 40 BGN hourly for a three-day basic training in social skills for assistants, and subsequently, the social assistants delivering the projects' services were paid approximately 1.18 BGN. (or 216 BGN monthly based on average 8h daily occupation and 22 working days per month). The hourly rate of 40 BGN/h was not paid on the principle of unit scales; there was neither a study nor analysis to justify this amount. The disparity between the salaries of the trainers and the social assistants is high and the audit team did not receive enough evidence to support it. Therefore the auditors consider that the fee was fixed arbitrarily and is in fact a lump sum and does not follow real incurred expenditure costs..

Risks: Non-transparent and non-equal treatment of project applications for ESF funding risks that the sound financial management principle is not respected. Furthermore, the absence of verification of the beneficiary's financial, administrative and operational capacity risks increasing the level of ineligible expenditure.

Recommendation:

It is recommended that the evaluation of candidates' applications focuses on the beneficiary's capacity to implement the project presented. If another organisation's involvement is needed, then the beneficiary should select the partner company in a sound and transparent way. The Managing Authority should ensure that the partner(s) thus selected provide added value and are relevant to successfully implement the project.

The MA should establish guidelines and requirements for implementing projects involving partnerships, and measures for monitoring the correct implementation of these guidelines, for instance by detailing further the application forms.

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent ⁸
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⁸ See annex 1

Comments from the responsible body (auditee):

In respect to the questions raised the MA presents the following comments:

An approach encouraging the partnership has been adopted within the HRD OP project selection process. As a general principle the partnership has been quoted in a number of texts of Regulation (EC) No 1081/2006 and is defined within the HRD OP as follows: "During the implementation of the operational programme, the partnership principle together with the other horizontal principles will be observed in the framework of all priority axes and all levels of intervention". Partnership has been described in details in different parts of the OP and its content is in full compliance with the requirements of the acting regulations for the programming of an operational programme for the current programming period.

Finding 1 The participation of the partner organizations and the requirements they shall meet, are defined in advance at a higher level - in the criteria for selection of operations approved by the Monitoring Committee(MC), in accordance to the eligible applicants foreseen in the OP (Annexes I – 1 and I-2). The requirements for eligibility of applicants and partner organizations are defined depending on the objective of the particular operation. The eligible partners are defined with the approval of the criteria for selection of operations where they are indicated depending on the objective for each scheme. In case of direct award procedure partner institution/s / organization/s are explicitly named. As far as it concerns grant beneficiaries their possible partners are defined by type of organizations, e.g employers, services providers, etc. In the Guidelines for applicants (GfA) the criteria that the partners should meet are further developed. The methodology and application form are amended in a way that the potential beneficiary should provide justification for the choice of the particular partner, if any.(criteria for selection of operation – page 5; point 2; page 10; point 2; criteria on Alternativi – page 2, point 2; Let's not abandon any child – page 5, point 2, component 1; Qualification services and promotion of employment – page 1-2, point 2; criteria for selection of operations (old) – page 5-6, point 2; page 10-11, point 2).

The capacity of each applicant, as well as the added value of the participation of each partner organization, is object of evaluation within the evaluation process in accordance with the approved by the MC methodology. According to the approved criteria the Contracting Authority (Managing Authority or Intermediate Body) elaborates Guidelines for Applicants (second level of definition of eligible partner organizations), in which the requirements to the applicants – beneficiary and it's partner-organizations, are described in details, including administrative and financial capacity, as well as specific requirements to certain activities that could be financed under the concrete scheme. According to p. 3.1.3. of the GfA, the applicants could apply solely or in partnership (Annex I – 3 – Guidelines for Applicants for grant scheme and Requirements for application for direct beneficiaries). The criteria for eligibility of the partners are the same that are applicable to the leading organization. There are general and specific requirements for each scheme depending on the nature of the operation. Point 3.1.1 of the Guidelines for applicants and 3.1 of the Requirements for applicants define the general criteria for eligibility of both organizations – beneficiary and the partner. Points 3.1.2 and 3.1.3 set the specific criteria. Both requirements – general and specific, are a precondition for approval or rejection of the proposal. As it is shown in the eligibility evaluation grid both organizations are subject to evaluation for their conformity with the general and specific requirements – point I.1 and I.2. The first stage of the evaluation process is the administrative compliance check; the second one – the

eligibility check and the third step is technical and financial capacity evaluation. The last stage is being performed as shown in annex I-3 (folder Template guidelines; evaluation grids) -2Annex 10.6.2 Template Guidelines for Applicants of the template to MA Manual – page 25-29 contain evaluation grids for administrative compliance and eligibility of beneficiary and his partners; on page 30 – Technical and financial capacity evaluation of the proposal the guidelines refer to the Evaluation methodology approved by the Monitoring Committee. Examples of detailed grids are part of the Guidelines – ASA; where on page 57; section “Part 2” evaluation grids are represented. In folder “Guidelines – ASA attachments” declaration D2 is a partnership declaration where both lead organization and the partner agree to act in cooperation during the project implementation. Furthermore, a condition for signing the grant agreement for the beneficiary is to provide signed by all parties’ partnership agreement to the Contracting Authority (the template of the partnership agreement is part of the GfA– annex I-3, folder partnership agreement. In same way the requirements for the direct beneficiaries are designed – eligibility criteria for the beneficiary and partner institutions are described on page 9-10, points 3.1 and 3.1.1 of the Requirements. Additionally the guidelines stipulate additional requirement for the partner organization as eligibility criteria – participation in project results and sustainability of actions: the application form page 9, point 2.4 requires motivation of choosing the particular partner organization. The participation of the partner is also described in the work-schedule on page 17. Point 6.3 on page 18 of the application form requires description of partner’s contribution to the project results and sustainability; on page 13, point 3.1.3, subpoint (1) a text is added “participation of the partner to sustainability of the activities and/or financing after the end of the action, which is also stressed in bold: :Please pay attention that the partner should have contribution in sustainability of the activities and/or financing end of the action and this is requirement for eligibility. (if applicable). On page 29 of the guidelines – Evaluation of eligibility a new point is added – p. 3 “The project proposal describes the role and participation of the partner in providing sustainability of the activities and/or financing after the end of the action (point 6.3 Sustainability of the results form the Application form)”. Expenditures made by the partners are also eligible and supported by adequate financial documentation – page 14, point 3.1.3

Furthermore there are certain legal requirements which have to be fulfilled by the applicants/partners and represent eligibility criteria under the respective HRD OP call for proposals, as for example:

- in order to provide vocational training the applicants/partners should possess a valid license for a vocational training centre, issued by the National Agency for Vocational Education and Training (NAVET). To acquire such license the organization should meet certain criteria stipulated in the Law on Vocational Education and Training, including training facilities (own or hired), the necessary qualified trainers, approved standard training programmes in line with the requirements of the State Educational Standards. It is obligatory for the applicants/partners to present the aforementioned license as an annex to the project proposal whenever vocational training is envisaged as an activity to be funded by the operational programme.

- As far as key competence training falls out of the scope of the Law on Vocational Education and Training whenever such training is envisaged to be implemented by the applicant and/or its partner/s as an activity in the project proposal, the latter should describe their previous operational experience and list the trainers in the application form and present as an annex their training programme which is subject to evaluation

(in the “Qualification services and trainings for the employed” call for proposal under HRD OP it is also required that the organizations which provide key competence training should have at least two years of experience).

- The providers of social services which participate as applicants or partners in HRD OP projects must be registered as such in the Social Assistance Agency (available also on-line <http://212.122.188.84/>) which forms part of the eligibility criteria. In order to be registered by SAA the organizations should fulfill the requirements stipulated in the Law on Social Assistance.

- If it is envisaged that the social services will be provided to children the organizations should also possess a license issued by the State Agency for Child Protection.

During the selection process the evaluation committee examines the applicant (beneficiary and its partners) towards its compliance with these requirements and gives an opinion about its eligibility with yes or no. If the applicant is not compliant with the above criteria, the project proposal is rejected. At the next stage the committee evaluates the capacity of the applicant (and of the partner/s as well). The Methodology for evaluation of the technical and financial compliance of the applicant (lead organization and partner) - p. 34-41 of the Guidelines for Applicants (Annex I - 3) sets the criteria and method for assessing the adequacy of the proposal and the capacity of the applicant to implement the project. In order to ensure objectivity and transparency of the evaluation the general Methodology for HRD OP is adopted by the MC. There is a mandatory field in the Application Form that requires description of previous experience in projects implementation; financial balance sheets of previous years for measuring the financial capacity; CVs of the project team to assess the capacity of the particular project. Within the evaluation process – p. I of the Application Form - Description of applicants and partners, items 1 and 2, the following details from the candidates and partners about the financial, technical and administrative capacity are required – income, turnover, number of staff, resources that would ensure project implementation, etc. P. II – Project management team - CVs of the project management team are also required. The information provided within p. I and II in the Application Form is subject of technical and financial evaluation and if the total number of scores in section “Financial, technical and administrative capacity” is less than 12 points, the application will be rejected (Annex I-3, p. 50 of the Guidelines for Applicants, step 3).

The understanding of the MA is that with the clear definition of the stakeholders in the process - partners and beneficiaries, both at programming level through the criteria for selection of operations, approved by the Monitoring Committee, and during the application phase by setting clear rules for their selection during the evaluation, the beneficiary has a precise and objective criteria through which to choose its partners.

It is clear from the cited definition specified in CoM Decree 121/2007 (Annex I-4) that a beneficiary is an “operator, person or firm, responsible for initiating or initiating and implementing the project”. That is to say that the beneficiary may initiate and implement the project by itself and as the Regulation permits the beneficiary may only initiate the project but implement it in partnership. The legally binding act between the leading organisation and the partner organisation at the stage of applying for funding is the Declaration for Partnership (Guidelines for Applicants – Annex 2, Declaration D2, Annex 10 from the present position). As far as the legal relationship between the Beneficiary and the partners is concerned it is not a subject of evaluation/scoring but the commitments undertaken should be clear in advance as well as the added value of the

partnership. That is why at application phase a Declaration from the partner describing its obligations within the project is envisaged (Annex I-5) and the beneficiary concludes an Agreement with the partner/s. The added value is a subject of evaluation at selection phase as it is described above. The role and the participation of the partner in the project implementation are detailed in the Application Form. In p.5 the main project stages and activities are described. Information is presented not only for the justification of activities, aim, results, period of implementation but also which organization (Leading or Partner) is responsible for the respective activity; the extend to which the partners are committed in the project proposal to the organization and management of project; duration and action plan, in table form it is scheduled who is responsible for the respective activities, in which months the preparation of the respective activity and its implementation are going to be realized.

Without opposing the definition of beneficiary, stipulated in the Regulation, in the first Guidelines for Applicants and subsequently in CMD 121/2007, the version of 27.02.2009, § 1, items 3 and 4 of the supplementary provisions the following definition for an applicant is laid down: "Natural persons and legal entities and their associations, which are applying for grants by submitting a project proposal" (Annex I-4 – CMD 121/2007, 2009 version). Although the Regulation does not define the term "applicant", the text of Art. 2, item 4 does not preclude a partner. This definition corresponds exactly with the definition of beneficiary in the part stating that "the beneficiary is an operator, person or firm responsible for initiating the project". A definition of partner is given in the CDM referred to, namely "Partners are all natural persons and legal entities and their associations involved in the initiation and /or technical and /or financial implementation of the project or in pre-declared in the Application Form activities of the project". This CDM is the legal basis of the Guidelines for Applicants, having in mind that prior to 27.02.2009, which period covered the audited schemes, there is no such distinction.

The applicant becomes a "beneficiary" when the project proposal is approved for funding. In this sense, as it becomes clear from the Guidelines for Applicants as well as from the grant contract signed between the beneficiary („leading organization", to the period of audit, and „approved candidate" – after 27.02.2009) and the Contracting Authority, the following definition of "beneficiary" is observed – "an economic subject... responsible for initiating or initiating and implementing the operations". According to Art 1.7 of the General Conditions of the grant agreement, the beneficiary is the only party to the grant agreement and is responsible for its implementation, but the participation of partner organizations is not excluded – 1.3 and 1.4 from the General Conditions. In cases when under a call for proposals the applicants could participate by themselves or in partnership, there is only one budget that incorporates all the expenditures necessary for the implementation of the activities described in the project proposal. The applicant will sign the grant agreement with the Contract Authority, receive and manage the grant from the Contracting Authority and be responsible for the implementation and reporting on the progress of the overall project, as well as ensuring on-going monitoring and evaluation. The Contracting Authority will only deal with the applicant organisation. If the proposal involves partners, the effective contribution of each individual partner, including the amount of its financial contribution /if it is applicable/, must be clearly described in the application form.

"The beneficiary is the only one responsible for the implementation of the project in front of the Contracting authority", i.e. in cases when parts of the grant agreement,

including activities that result from the partnership, are not implemented, or the main principles applicable to the expenditure of public finances (ESF co-funding in particular) are violated, this is the beneficiary who bears full responsibility, including financial liability

Analysis of the reply by the Commission:

We would like to make a clarification that the Managing Authority has described a procedure for selecting candidates whilst the EC auditors have made observations based on its practical implementation. In that sense the answer of the Member State does not completely address the issues raised by the Finding 1.

Therefore, we reiterate our position regarding the use of partnerships. As we mentioned already, the Guidelines for Applicants and all supporting evidence are not detailed enough to justify the choice of a given partner. It is presented like a "de facto" entity which proves its good standing. The evaluations are focused on two different entities which are evaluated separately (partner/candidate) without adequate evaluation of their relationship. The questions introduced in the Application form – that candidate should provide justification why the exact partner is chosen for this operation (p2.4, p9) is not evaluated by the Contracting authority and is only for informative purposes.

So the ambiguity remains on how the particular organization is selected as no sound selection procedures are applied to select partners.

In addition, the eligibility criteria of candidates and partners are identical so it is not clear how complementarities are achieved. In the example of partnerships provided for BG051PO001/07/2.1.01 the same institutions eligible for partners are also for lead organizations. Therefore it is not clear how the partner is selected. For example, a possible eligible type of organisation is "employers" for both lead applicant and partner; it is not clear how therefore a particular employer company will be selected. It is not acceptable that there is no selection procedure at any level to determine which exact employer is selected for partner.

We deem that the Managing Authority should be precise in definition of concrete partners and whether there is a lack of capacity inside a candidate then sound selection procedure is conducted so that it is absolutely clear who does what and why.

Lastly, you say in your comments that partners are responsible for initiation and /or technical financial /implementation of an operation. Thus, all the incurred costs are supported by the Beneficiary and /or Partner. We want to draw your attention on the fact that if the project is implemented in partnerships (definition as per Regulation 1081/2006 art 5) it does not automatically mean that the project is implemented by a partner.

Therefore we reiterate our position that partnerships should be detailed and defined at high level for a given area of cooperation or/and contribution towards achieving a concrete goal. They should not be used systematically to fill in a lack of capacity. If this is the case, then appropriate selection procedures should be conducted.

Colour code : orange

Finding n°2:	KR 2 – Adequate procedures for the selection of operations	
	Objective: Assess whether there is an adequate appraisal and approval of projects	
Responsible body: MA and IB		Volume of funding affected by the finding: € Non-quantifiable

Description of the finding: All projects

The audit team observed the use of civil contracts (for delivery of services) for staff working on ESF projects. These contracts relate to activities which fall outside the normal labour contracts. It was noted that the (hourly) rates charged to the project varied significantly between contracts but also with the rates applied in normal labour contracts. There was weak evidence of the existence of binding rules (legal acts, decrees, etc.) for the hourly rates for different types of activities, grades and profiles for trainers and trainees. However, there are no thresholds to limit the use and/or the rates charged under these contracts. When employees work under civil contracts for ESF co-financed projects, the monthly salaries vary from beneficiary to beneficiary and comparison with similar salaries for non-ESF activities is lacking. Secondly, the civil contracts do not unambiguously mention the number of hours which need to be worked. As such there is no convincing evidence of the exact hours worked or of their relevance to the activity.

In addition, the audit team did not get appropriate evidence of how participants' contributions as scholarships (for example, project BG051PO001-3.3.01-0043-C0001 [REDACTED]) are fixed.

Risks: Lack of audit trail and relevance to the claimed ESF activities; declaration of ineligible expenditure.

Recommendation:

The MA should issue detailed grids with hourly rates regarding ESF projects, based on which civil contracts should be concluded, taking into account the expertise level of the trainers and the trainees. Hourly rates for ESF activities should not substantially differ from hourly rates for non-ESF activities and should also be based on a specifically-elaborated methodology.

Deadline for implementation of recommendation: 30 September 2010	Importance of the recommendation: Urgent
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Comments from the responsible body (auditee):

Providing training is a type of service. The same is considered a "professional service", many of these services are performed by persons engaged in the so-called "freelance professions", according to the definition given by the European Commission - Directive on Recognition of Professional Qualifications (2005/36/EC) (Annex II-1). Civil contracts for carrying out training can be considered as a consulting service and the outcome of its implementation is a type of product. The labour provided is based on an hourly rate, it is

reported as regulated and paid per hour according to the type of service and the hours worked, according to national legislation. The criteria for selection of operations approved by the HRD OP Monitoring Committee stipulate certain requirements regarding the maximal amount of the eligible individual costs or maximal costs per participant e.g. the amount of scholarships per day/month, the amount of the salaries for the hired staff, the amount of the grant for training of one participant, etc. Especially for the trainings maximum threshold on the total training value per one person were set. These thresholds are in accordance with the Bulgarian legislation, namely the - Unified State standards for the activities delegated by the state for the current year, which also includes vocational schools and annually adopted Decree, adopting the National Action Plan for Employment, where in Annex 3 are precisely detailed the maximum values for the training of a person (adult) depending on the level of vocational qualification or type of key competence. According to these two acts in the Guidelines for Applicants and in the criteria for selection of operations (Annex I-2) a maximum average value for a training per person (BGN 925 for vocational training) is given, as the beneficiary has been given the option to provide the best value for money within the total cost of training. The budget is based on the number of trainees and the training methodology is subject to evaluation at the selection stage.

Thus, it could be stated that the fee for a trainee as well as scholarships are pre-defined by the Monitoring Committee decision and follow the national legislation requirements in the field. Regarding staff costs fees the above mentioned Methodology shall be applied.

In accordance with the recommendation of the European Parliament to set requirements for the provision of such services in the field of training, skills, etc. in the Guidelines for Applicants further request was made that the applicant has to present the experience and the qualifications of lecturers by submitting a CV. The latter should meet the national requirements for adult training and the compliance is part of the selection procedure.

When the requirements for pricing of vocational services, provided under the project, were elaborated all regulatory requirements of existing European and Bulgarian legislation were met. There is competitiveness between providers of vocational services on the one hand and a requirement for their quality on the other. Therefore, the current approach is to enable the applicant to justify the estimated budget which is in accordance with the principle of sound financial management. In practice this means that the project costs should be similar to the activities, normally performed by the beneficiary. The budget of the project is subject to evaluation also

In the criteria for selection of operations and in the GfA under scheme 3.3.01 (Annex II-2) as "eligible expenditures" the payments for the trainees (pupils and/or university students) is fixed as follows: pupils – not less than 10 BGN per day, university students – not less than 15 BGN per day. The value of these expenditures is calculated taking into account the duration and the average salary or the common hourly/daily remuneration for equivalent job in the respective branch as well as the common remuneration amounts.

With relation to the cited as an example project of [REDACTED] we would like to present the following clarifying information:

The remuneration payable to the pupils/ university students under "Development of practice training mechanisms for pupils and university students" scheme is based on a contract for practice training. It is not a scholarship within the meaning of the Bulgarian

legislation. The remuneration for practice training within the context of this operation includes expenditures for daily allowance (food and travel) for the period of practice calculated on the basis of a practice training day. The objective of the operation is to provide opportunity for additional practice training of pupils/ university students in real work environment for which they receive the respective amount to cover their expenditures during the training. This should not be considered as services performed by a worker for a wage and parallels in this sense should not be made. The allowances are regulated in line with similar national legislation mechanism - CoM Decree 207/03.10.1994 and CoM Decree 90/2000 setting rules for granting scholarships (Annex II-3 and II-4)..

Analysis of the reply by the Commission:

We acknowledge your comments and reiterate our position regards finding 2. We had made clear that we accept the civil contract as a legal form of work commitment for staff assigned to projects when the contracts are clear and explicative regarding tasks, time frames and salary. We questioned the soundness of accounting for these contracts. After having checked several projects, we have come across different rates for similar activities and the cause for that was lack of clear instruction from Managing Authority. We have noted also differences in terms of requested time accountability papers (summaries, timesheets etc) which was also due to lack of clear instructions.

In that sense your comments are not adequate to the finding raised. We reiterate our position.

Nevertheless, we acknowledge the elaboration of the "Methodology for setting up salaries under HRD OP" which has been submitted with the Action plan (see Annex 3). It is an adequate answer to our recommendation raised.

Colour code: Orange

Finding n°: 3	Key element 3: Adequate information and strategy to provide guidance to beneficiaries
	Objective: Assess whether there is an adequate strategy to provide guidance to beneficiaries
Responsible body: MA	Volume of funding affected by the finding: Non quantifiable

Description of the finding: Systemic issue: All projects

Indirect Costs

For the audited period there was no agreement between EC and MA for implementation of Art. 11(3) (b) of Reg. 1081/2006. According to the Council of Ministers' PMS 180 from 27.07.2007 art 3 point 5 (setting out detailed eligibility rules under Human Resources Development Operational Programme) - indirect expenditure is allowed up to 20% of the direct expenditures of the Beneficiary. No further detail of the indirect expenditure types or methodology of calculation has been adopted. The auditors were not presented with the methodology of how indirect costs are defined.

The incurred indirect costs were presented by the beneficiaries in their financial reports under Chapter 8 Indirect costs; mainly covering Staff Management Costs.

- Items representing indirect costs were placed under direct costs. (Energy, telephone, water- projects BG051PO001-2.1.01-0584-C0001 [REDACTED]).

- It was noticed that management staff costs was, in all projects, claimed under chapter 8 "Indirect costs". At the same time management staff had, on top of their normal labour contracts, separate specific civil contracts for the project, stipulating a monthly salary. This situation leads to the following observations:

Firstly, the civil contracts are charged in full to the project, without any indication or proof of the actual time worked for the project. As a result, the audit trail, underlying this expense is missing and renders the expenditure to be ineligible. This fact undermines the use of the flat rate calculation applied by the Managing Authority in the sense that the basis for determining the flat rate is distorted by the use of these contracts.

Secondly, in the absence of any audit trail, the use of additional contracts may lead to double funding with the normal salary.

Thirdly, the fact that beneficiaries systematically need to use these contracts demonstrates the beneficiaries' lack of operational and administrative capacity to implement the project.

Risks: Inflated indirect costs charged to the ESF; risk for double funding

Recommendation:

The MA is requested to develop and implement guidance for beneficiaries on the

rules concerning the flat rate methodology. These rules should explain when it is appropriate to use these contracts, their maximum ceilings and the supporting evidence to determine their eligibility.

Deadline for implementation of recommendation: 30 November 2010	Importance of the recommendation: Prompt ⁹
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Comments from the responsible body (auditee):

Indirect costs are regulated by CoM Decree 180/2007, describing the detailed rules for eligibility of expenditures under the HRD OP (Annex III-5). The operations, subject to audit, had started before the European Commission requested the implementation of a methodology for their spending. Direct costs and indirect costs are described separately in the GfA for the grant schemes subject to the audit (Annex III-1 Templates). Separate instructions are elaborated for the definition of both types of costs. (Page 17, p. 3.1.5 of the GfA). In addition, those two major budget items are divided in separate lines in the budget template and there are instructions for the completion of each line. According to Art. 11, item 3b indirect costs are allowed when not exceeding 20% of the total amount of direct costs. In this specific example it is stated that indirect costs have been claimed in the direct costs budget line. According to the budget form submitted by [REDACTED] overhead costs (such as telephone, electricity, water supply, etc.) are filled in in line 4.3 section 4 (Costs for external services) as part of the direct costs (Annex III-2- Budget). the time when this project started implementation Regulation 68/2001 have been in force where article 4, item 7c defines the eligible costs for the implementation of activities related to trainings as:

- (a) costs for remuneration of trainers;
- (b) travel costs for trainers and trainees;
- (c) other operating costs for materials and deliveries.

According to invoice №.1110176837 as of 26 February 2009 costs have been made for water supply required for the normal implementation of the training course and in this connection those are directly related to the implementation of the project activity – the training. Costs under this budget line are effected only for electricity and water and are considered direct costs according to CoM Decree 180/2007 as they are directly related to the provision of the training. (Annex III-3, debit note №0064259775 as of 31 December 2008 and aviso as of 14 January 2009 (Annex III-4).

No costs for telephone have been claimed and respectively verified under the selected project. Trainings have been carried out in premises of the beneficiary (no rent has been claimed). The verified costs for water and electricity supply are related only to the trainings and have no connection with the project management team in order to be considered as indirect costs. There is a detailed methodology for the calculation of costs

⁹ See annex 1

related to the trainings, written in a statement as of 25 November 2008, according to Ordinance № 2 as of 15 July 2008. In addition, ordinance № 3 as of 1 December 2008 endorses the project eligible costs for water and electricity supply. (Annex III-6).

The general conditions, related to eligibility of expenditures and the application of indirect costs under the operational programmes co-funded by the EU Structural Funds and the Cohesion Fund for the programming period 2007-2013 are stipulated in Art. 8, paragraph 3, item 2 of CoM Decree 62 as of 21 March 2007 (Annex III-7), while the detailed rules for eligibility of expenditures and the application of indirect costs under Human Resources Development Operational Programme, co-funded by the European Social Fund for the programming period 2007-2013 are stipulated in Art. 4, paragraph 5 of CoM Decree as of 27 July 2007.

§ 1 of the Supplemental Provisions of CoM Decree №180 as of 27 July 2007 defines “direct costs” as costs which are directly related to the project activities and the implementation of the project. “Indirect costs” according to Art. 11, paragraph 3b Regulation № 1081/2006 are not directly related to the project activities. The allowed percentage for indirect costs in the GfA for the grant schemes subject to audit is up to 20% of eligible direct costs. Based on definition of § 1, item 5 of CoM Decree № 180 as of 27 July 2007, the **basis for calculating of indirect costs**, declared as a flat rate, **are the direct costs** – these are costs that are directly relevant to the activities of the respective project and has been done exclusively for the implementation of the specific project. The categories of the direct costs are clearly defined and does not provide for double funding with the indirect costs. During the verification process any reduction of project’s direct eligible costs resulted in reduction of the relevant indirect costs proportionally.

On page 29 of the GfA under grant scheme BG051PO001-2.1.01 is stated that “Indirect costs not directly related to the project activities and to the achievement of the project goals, declared on a flat rate basis and not exceeding 20% of the total amount of direct eligible costs”. On the same page the following requirement is set: “Indirect costs declared on a flat rate basis are declared by the beneficiary and are subject to follow-up checks.”

In accordance to the findings of the audit team, indirect costs may be distinguished in the beneficiaries’ reports as those are used to cover management costs as stipulated in Regulation 1081/2006, CoM Decree 62/2007 and CoM Decree 180/2007.

According to the abovementioned GfA during the project submission, “indirect eligible costs should be clearly indicated by types and should be described in the budget template or its attachments”. Those requirements guarantee that during the project evaluation stage the evaluation committee shall check for budget items allocated both in the direct and indirect costs and avoiding the risk of double funding.

As pointed in an explanatory note of the Commission for the implementation of article 11, paragraph 3, item B of Regulation 1081/2006, the application of the flat rate rule for indirects costs means: “to dispense with the need to justify in detail the individual costs (i.e. no provision of copies of paid invoices and no request for specific prorata breakdown for each type of expenditure), which make up the indirect costs. This simplifies matters both for the beneficiary and for the administration managing and controlling the ESF operation”. There was no requirement for elaboration of a methodology for the implementation of the flat rate rule for indirect costs before the

deadline for submission of project proposals for the audited grant schemes. Despite this fact, the draft methodology for determining the amount and the application of indirect costs under HRD OP has been presented for approval by the Monitoring Committee on its meeting held on 20 November 2007. The methodology takes into consideration the usual amounts of management costs for similar types of projects in terms of activities and beneficiaries under Programme PHARE which possess comparable characteristics to those under priority axes from 1 to 5 of HRD OP.

The elaboration of rules to apply the flat rate is required for the first time from the Ministry of Finance Ref. № 91-00-712 of 29.11.2007 to MA of AC OP and the MA of HRD OP, regarding a request from the European Commission to provide national rules for the declaration of the indirect costs under the operational programmes, co-financed by the European Social Fund.

From that date on between the MA of HRD OP and EC discussions and meetings for opinion exchange have been carried out as well as the following correspondence:

1. Letter from the HRD OP MA Ref. № 0413/872 as of 24.01.2008 to the Ministry of Finance regarding the possibility of declaring indirect costs on a flat rate basis under the HRD OP;
2. Letter from the Ministry of Finance Ref. № 91-00-712/07 as of 22.02.2008 to DG Employment, Social Affairs and Equal Opportunities regarding the rules which national authorities responsible for the management of operational programmes co-financed under ESF will apply to in compliance with the rule for declaring indirect costs on a flat rate basis.
3. Letter from DG Employment, Social Affairs and Equal Opportunities to the Head of the HRD OP MA Ref. № 08098 as of 23.05.2008 to provide more detailed rules regarding the implementation of the rule for declaring indirect costs on a flat rate basis under HRD OP.
4. Letter from the Head of the HRD OP MA to DG Employment, Social Affairs and Equal Opportunities Ref. № 1051 as of 08.07.2009 with a proposal for a mechanism for determining the amount of and declaring indirect costs on a flat rate basis under HRD OP.
5. Letter from DG Employment, Social Affairs and Equal Opportunities to the Head of HRD OP MA Ref. № 022127 as of 17.11.2009 with comments on the proposed by HRD OP MA mechanism for determining the amount of and declaring indirect costs on a flat rate basis.

After receiving EC working paper (version 22 September 2009), in which new elements in terms of applying the flat rate rule are presented, the HRD OP MA has decided not to apply this approach, but management costs under Art. 4 (8) CMD № 62 as of 21.03.07 and Art. 4 (6) CDM № 180 as of 27.07.07. Flat rate rule shall be introduced after the rules and issues arising from the new document on HRD OP are clarified (Annex III-8 – Report from [REDACTED] Ref. No 8011-369/14.10.2009). The Managing Authority informed the Certifying Authority about its decision with a letter Ref. No

There is no risk of double funding of remuneration of an employee, paid under civil contract for the project activities and the remuneration paid for the regular work duties of the same employee under labor contract, because of the following reasons:

1. in the employee's job description, their rights and obligations under the main labor contract are explicitly described, as well as the working schedule for execution of their work duties;
2. the civil contract usually arranges different activities out of the scope of the job description and it is easy to be traced during on-the-spot visits;
3. in case of overlapping between the duties under the main labor contract and those under the civil contract the expenditure is not verified;

the main difference between the labor and the civil contract is that the first demands labor expanded, whereas the second demands a specific result. Even though both type of contracts could be measured by the attained objectives, the labor contract demands requirements like work place, work schedule, labor discipline etc. Under a civil contract a remuneration is paid in return for a certain output, which could be proved by the result achieved, regardless the time for its implementation and the related specifics – accounting, elaboration of any materials, etc. An exception is made by the contracts with prolonged realization like the ones for training, rent etc. Their implementation could be easily proven by supporting documents – timetables, attendance lists, records of handover etc

The performance of additional activities that are not part of the usual work duties involves their regulation with a distinct type of written act - an additional contract. The remuneration received under the main labor contract is paid only for the time and duties described in the contract. Any assignment of additional tasks shall be remunerated and described in a civil contract or an additional labor contract. On the one hand, the written contract legalizes the relations between the parties and may be used as evidence; on the other hand it is a document trail for the expenses for remuneration. The capacity of the staff of the beneficiary is measured by the employee's qualification and not by the type of their contracts.

Besides the grant, the beneficiary could provide its own financial contribution. The members of the project management team are subject of evaluation, their capacity being evaluated according to their experience in project implementation and activities related to their functions within the project. In section 3, p. 3.1. of the Methodology for evaluation, the following evaluation question is stated: "Are proposed activities appropriate and practical and do they correspond to the objectives and expected results? (Annex III-10 - Methodology for evaluation)".

Analysis of the reply by the Commission:

We deem the length and content of the reply irrelevant to the finding raised. In your comments you describe again a process which was thoroughly inspected during the mission and criticised in the report. Therefore you should have addressed the criticism and not the process itself.

In addition, the information disclosed was already presented during the mission and the

subsequent meetings.

We keep the finding open and take note of the actions presented in the Action plan (Annex 3, Finding 3, p.4, p.6) that you decided to implement 10% flat rate correction on the staff costs for indirect costs. We will close the issue once the corrections have been implemented.

Colour code: Yellow

Finding n°4:	KR 4 - Adequate management verifications	
	Objective: Assess whether the management verifications are adequate in determining the eligibility of expenditure claimed.	
Responsible body: MA and IB		Volume of funding affected by the finding:
		Non-quantifiable

Description of the finding: Systemic issue : All projects

The checklists which Intermediate Bodies use for management verifications according to Art 13 of Commission Regulation 1828/2006 and the checklists for on the spot verifications are insufficiently detailed. No data exists on the verification of the effective and successful implementation of the project and therefore it is not possible to measure the project's efficiency. The questions in the checklists do not provide sound information about performance parameters checked. Frequently the answers to questions are "Yes/No" and there is insufficient evidence of reconciliations of the costs claimed.

On the basis of these checklists, it was not possible for the audit team to conclude either as to whether the MA proceeded to any mathematical reconciliation on the spot; on the analysis of the resources implemented for the project compared to the amounts claimed; on the analysis of the rates applied and information from timesheets and activities summaries. As a result, the verifications applied by the Managing Authority and its Intermediate Bodies are of a formal nature rather than of a way which builds assurance concerning the effectiveness of the systems and the eligibility of expenditure.

Risks: Inefficiency of the verifications carried out by Managing Authority /Intermediate Body and lack of capacity for detecting errors may lead to the declaration of ineligible expenditure and to the interruption of payment claims from the Commission

Recommendation:

The MA is requested to revise the checklists for management verifications and on-the-spot visits. In this respect, staff should also be trained in order to analyse and verify the expenditure declarations in a critical, less formal, manner. A complete analysis of the project's activities and costs should strengthen the assessment of the efficiency and effectiveness of the project activities and the legality and regularity of expenditure claimed. Reconciliations should allow justifying the rates used and opportunity of costs declared.

Deadline for implementation of recommendation: 30 September 2010	Importance of the recommendation: Urgent
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Comments from the responsible body (auditee):

The verification process includes not only on-the-spot visit but it is a process of control and analysis of project's activities and related expenditures and for this reason different in substance check lists are being applied.

On-the-spot visit is only one part of the management verifications within which the

implementation of activities is checked and verified. Under each project there is a 100% on-the-spot check performed by the IBs and on a sample basis there is a check performed by MA for delegated priority axes 1 to 5. The documentary check as part of the verification process is 100% both at IBs and MA levels. The on-the-spot visit aims to give assurance for the quality of the activities and that the activities have been actually implemented and the availability of the related documentation. At verification of expenditures phase the report is being examined firstly as regards the technical implementation, including all documents of proof, on-the-spot visit forms which give information about implementation status, and secondly, the financial report with enclosed documents proving the expenditures is being examined. The presented check lists (Annex IV-1) demonstrate that the first part is filled in before the check is performed on the basis of the scheduled in the project activities and the plan for their implementation. The second part of the check list is filled in when on-the-spot visit within the beneficiary's premises is performed depending on the findings during the check. In the list is marked that when comments are applicable the checkbox "YES/NO" should be numbered and have the same number as the one of the comment written at the end of the check list. When there are no findings there are no comments.

In addition, instructions on gathering information on ESF participants required by Annex 23 of Regulation 1828/2006 have been elaborated (Annex IV-2).

In order to illustrate the written above we enclose check lists for technical report (Annex IV-3) and check lists for application for interim/final payment (Annex IV-4) of the audited grant agreements with the following beneficiaries – [REDACTED] and [REDACTED]

Analysis of the reply by the Commission:

We acknowledge your arguments, but have to point out that they do not fully address the issues raised in the finding.

The Regulation (EC) 1828/2006, art 13 p.2 states that the verifications to be carried out by the Managing authority pursuant to Article 60(b) of Regulation (EC) N° 1083/2006 shall cover administrative, financial, technical and physical aspects of operations, as appropriate. We have criticised the formality with which Managing Authority satisfies itself with the requirements under this article. (using checklists with Yes/No answers or not proceeding systematically to reconciliations etc)

You reply describing the procedure which actually we checked and challenged in our finding.

Therefore we reiterate our position and keep the finding open.

Nevertheless, we take note of the instructions and developments of new parts of the checklists regards points we raised in the finding. (Action plan, Annex 3, Finding 4, p.6). We think that these checklists should be further elaborated and the questions introduced should be clarified and broken down into different parts (sub-questions).

We reviewed also the training plans provided which will be completed by the end of 2010.

On the basis of the implementation of these corrective actions we could gradually close

the issue.

Colour code: orange

Finding n°: 5	Key element 5: Audit trail
	Objective: Assess whether the audit trail allows for the reconciliation of expenditure declared to the Commission with the individual project records
Responsible body: MA, IB	Volume of funding affected by the finding: Non- quantifiable

Description of the finding: Systemic issue

Review of the on-the-spot audit : project BG051PO001-5.2.01-0009-C0001

The audit trail between the management verification report drafted by the Agency for Social Assistance and the final corrections made by the beneficiary was missing. Financial corrections were made to each of the payment claims introduced by the beneficiary. The beneficiary was not able to provide the auditors with detailed listings concerning these three corrections. In fact corrections were made by the IB without adequately informing the recipient as to what types of costs are not eligible and the motivation for excluding them. The financial irregularities were not summarized in the management verifications report. There was no audit trail providing a link between the amount corrected and the final amount. For project BG051PO001-5.2.01-0009-C0001 the inconsistencies were as follows:

- First payment request – difference of 334.40 BGN
- Third Payment request – difference of 484.61 BGN
- Fifth Payment Request – difference of -5392.84 BGN

Risks: A risk of loss of audit trail between expenditure claims sent to the Commission and the individual project records, omission of treatment of irregularity and lack of adequate communication to the beneficiary.

Recommendation:

There should be a more detailed explanation by the IB concerning the corrections applied to beneficiaries' expenditure claims. This exchange of data should be adequately documented. It should allow for the reconciliation of the corrections applied to claims submitted by the beneficiaries. For the above-mentioned project the IB should provide explanations regarding the corrections differences.

Deadline for implementation of recommendation: 30 November 2010	Importance of the recommendation: Prompt ¹⁰
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¹⁰ See annex 1

Comments from the responsible body (auditee):

According to instruction of the Managing Authority dated 2.11.2009 (annex V-5), the Contracting Authority shall notify the beneficiaries about the expenses declared in the payment claims that have not been verified.

Explanation of the Contracting authority on the disparities between the payment request and the amounts paid (Annex *V-1 lists*):

- For the first payment claim, the expenditure for work medicine services is not verified as it exceeds the amount allocated in the budget – 386.00BGN and notary fee - 8.46 BGN, or there are ESF expenses not verified to the total amount of 334.40 BGN.
- For the third payment claim - the VAT expenses to the amount of 484.61 BGN are not verified. In the list of the payment documents the beneficiary has included the VAT, but has excluded it in the payment claim, so the amount of the request is correct.
- For the fourth payment claim the amount of 5737.35 BGN has been held – this is the amount exceeding the amount of the advanced and interim payments (80% of the grant, requirement according to national rules).
- For the fifth payment claim (final) - the real amount reimbursed is the balance payment and it includes the amount of 5737.35 BGN that has been held during the fourth interim payment.

Analysis of the reply by the Commission:

In its reply the Managing Authority quotes an instruction from 2.11.2009 for notifications to Beneficiaries in case of corrections made. During our audit we came across the fact that the Beneficiaries were not systematically notified and therefore we recommended another instruction to take place or this one to be reinforced.

We acknowledge the explanations provided regarding the amounts above but we take note also on the fact that you have not provided any justification that the beneficiaries have been informed about these corrections.

Therefore the finding remains and the recommendation needs to be followed up.

Colour code: Yellow

Finding n°6:	KR 5 - Audit trail
	Objective: Assess whether there is an adequate audit trail
Responsible body: MA and IB	Volume of funding affected by the finding: Non-quantifiable

Description of the finding: Systemic issue - All projects

Beneficiaries are systematically using civil contracts for staff recruited for the ESF projects. These contracts are concluded for the duration of the projects and are based on the outcome of the activities - there is a fixed monthly salary. Working hours are not always mentioned, nor are timetables and hourly rates. Usually, civil contracts complement full-time labour contracts, thus people declare project work outside normal working hours. Having in mind that civil contracts only mention salaries, hourly rates vary from project to project.

Although the same wage is paid each month, timesheets¹¹ evidenced the presentation of different working times every month. (For example project BG051PO001-3.3.01-0043-C0001 [REDACTED] the monthly salary for the training staff is 600 BGN based on 30 days' occupation. However, according to the timesheets the teacher worked 20 days one month and 10 days the following month without any salary adjustments). Therefore the staff costs are not incurred according to the principle of real costs and do not reflect the actual time spent on the project.

During on-the-spot visits, evidence of time spent on ESF projects was not always available; summaries of activities showed a general picture but no details such as register of participation of participants, summaries of content of training, progress of the training compared with hours spent on it etc. [REDACTED] 051PO001-4 2 01/234 and [REDACTED] 051PO001 2 1 01/322) The level of details of supporting papers for the time spent on ESF projects varies significantly between projects making it difficult to assess the veracity and reality of the activities and costs declared.

Having in mind the fact set out above, the audit trail was unclear and difficulties were found reconciling the direct staff costs claimed for ESF funded projects. Since the costs have to be real and incurred in order to be reimbursed, it could not be demonstrated whether they are indeed real and actual incurred bearing in mind that the same person who worked 10 days or 20 days during a month could be paid the same fee.

Project 051PO001 3.2.01 Training for Directors - A serious problem is that the audit team found timesheets signed in advance for the coming week. This is a serious potential risk for not claiming real costs and/or activities.

Risks: Inadequate audit trail and difficulties with reconciling expenditure hinder the

¹¹ Some training organisations had actually kept a trail of the hours worked by staff working under civil contracts.

examination of the expenditure and activities and may compromise their regularity and legality

Recommendation:

The MA is requested to use a more detailed and informative form of contract for project staff. It should be possible to reconcile all staff costs claimed and see the clear link with the project activities throughout the project's duration. Salary cost declared should reflect actual time worked and should not be determined arbitrarily.

Deadline for implementation of recommendation: 30 September 2010	Importance of the recommendation: Urgent
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Comments from the responsible body (auditee):

Under the scheme managed by the Employment Agency that was in the scope of the audit mission, civil contracts for trainers are signed with specific hourly rates included and only the real working hours are remunerated on the basis of teacher's registers and attendance lists. All the trainers are subject of evaluation at the selection stage and any change is allowed only when the new trainer has the same or higher competences. An example – civil contract with a teacher in foreign languages under the project № ESF 2101-03-16007. As it becomes clear from the civil contract № Б – 001 of 01.12.2008 signed between [REDACTED] Ltd. (in the capacity of sub-contractor of [REDACTED] and Mrs. [REDACTED] the remuneration of 20.50 BGN per training hour is paid by the contractor on the basis of the declared attended classes (Annex VI-1 – civil contract and daily attendance lists).

During on-the-spot visits the IB checks the correspondence between the list of trainers according to the grant agreement and the time schedule for trainings, on the one hand, and the person who really is performing the training, on the other hand, as it is provided in the check-list for on-the-spot visit dated 22.12.2008 (to Annex VI-1 – Check-list for on-the-spot visit).

Contracts with the tutors on the project envisage remuneration of 20 BGN per day comprising 8 teaching hours for 240 hours practical training held (or 30 working days for the lifetime of the project). The amount of 600 BGN is not remuneration per month but the remuneration for the all 240 hours envisaged under the project.

Annex 30 – contract with trainer and report on work done, where it is obvious that the remuneration of 600 BGN is for several months when the 240 hours being worked off.

[REDACTED] BG051PO001-4.2.01-234: The project is about conducting tennis training with students from 4 capital schools. Carrying out sports events is an activity, which does not envisage creation of a product or the availability of teaching materials (textbooks, books, presentations).

The approved interim report provides reasonable assurance of the activities carried out. Attendance list with participants, involved in sports trainings as well as training schedules are attached to the interim technical report. In addition to the mentioned above, after submitting the report on-the-spot check was carried out immediately, where two experts from the IB controlled the proper implementation of the project activities. (Annex VI-2: on-the-spot check lists).

The verification of expenditures actually controls the hours worked and initially requested. In case of discrepancy only the actually proven hours are paid. Conducted classes are examined and proved by: attendance lists of students and on-the-spot checks, carried out by experts of the Contracting Authority, including photographs.

[REDACTED] BG051PO001-2.1.01-322: To the first interim technical report photographs, taken during the training of the real estate brokers, attendance lists and syllabus are attached. (Annex VI-3 - photographs, syllabus, attendance lists and publications).

Expenditures are verified not only on the basis of attendance lists. The implementation of the activity is proven through the enclosed report from the platform for online training of the [REDACTED]. The report shows the day and the hour when each trainee has worked on the platform and has made tests (Annex VI-4) and this is additional prove for the training held. IB will take into account the finding of the auditors when verifying this expenditure.

Analysis of the reply by the Commission:

We have already checked all the evidences you submitted again regarding the projects in our sample. Nevertheless we remain on our position that hourly rates should be strictly determined on a high level and monitored against project implementation.

We take note of the actions taken in Annex 3, Finding 6, p.8 and Finding 3, p.4 and we accept the 10% flat rate correction on indirect staff costs.

When these corrections will be completed we could close the issue.

Colour code: orange

Finding n°7:	KR 5 - Audit trail
	Objective: Assess whether there is an adequate audit trail
Responsible body: MA and IB	Volume of funding affected by the finding: Non-quantifiable

Description of the finding: Systemic finding All projects

The primary form of payment is cash based, even for large amounts. There were cash orders but in some cases it was difficult to have assurance that the payment was actually done.

It was noticed that payments in cash were authorised for considerable amounts – (for example invoice N° 0192 from 25.09.2008 for 9600 BGN VAT excluded, invoice N° 01477 from 16.10.2008 for 4900 BGN VAT excluded) – project. BG051PO001-2.1.01-0322 -C0001 [REDACTED]

Risks: Inadequate audit trail and difficulties with reconciling expenditure hinder the examination of the expenditure and activities and may compromise their regularity and legality. Cash payments are also inherently hazardous and are an indicator of misuse of funding.

Recommendation:

The MA and IB are recommended to create rules determining the use of bank transfers in order to justify payments for ESF-incurred costs (except for small and everyday expenses: bus, coffee, etc).

Deadline for implementation of recommendation: 30 November 2010	Importance of the recommendation: Prompt
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Comments from the responsible body (auditee):

In Bulgaria to the date of the implementation of the projects is available a legislative act, which sets eligible amounts for payments in cash and respectively the payments performed are within the prescribed limits. According to the Law on Measures against Money Laundering (in force since 1998 - Annex VII-1), Art. 4, transactions with cash payment are allowed up to BGN 30 000, as this value is eligible by dividing the amount for purchases of similar goods from the same supplier as well. For individual transactions concerning trading in securities, postal services, loans, pension funds and insurance and legal services, this threshold is even lower and the maximum amount that could be paid in cash is BGN 10,000 or its equivalent in foreign currency.

Clear from the above mentioned is that payments, made in 2008, are complying fully with the current legislation in Bulgaria. In this context this actions fulfilled the European legislation too, which requires that costs should be recorded and traceable to national standards and laws.

Analysis of the reply by the Commission:

The EC does not criticise the fact that cash payments occur. However, cash payments increase the risk and occurrence of irregularities. In order to increase transparency and requirements for a clear audit trail, the audit team reiterates its position regards payment in cash and acknowledges the changes made at national level after the end of the audit mission. (See Annex 3, Finding 7, p.8)

Colour code: yellow

Finding n°8:	Key requirement 10: Adequate arrangements for the certification of expenditure to be reliable and soundly based
	Objective: To assess whether there are adequate arrangements for the certification of expenditure to be reliable and soundly based
Responsible body: CA	Volume of funding affected by the finding: Not applicable

Description of the finding:

Although out of the scope of this audit, the audit team reviewed some of the activities carried out by the Certifying Authority. The analysis of some certification reports (requested during this meeting) showed that the checks performed are formal of nature. Reconciliations and in-depth checks are done only when an on-the-spot visit is made by the Certifying Authority or the sub delegated outsourced company. This happens according to the on-the-spot annual plan (established on a risk based principle). In the auditors' view this fact represents a risk for the certification process.

Risks: Insufficient grounds for certification – the expenses declared to the Commission may not be accurate and free of errors

Recommendation:

The Certifying Authority is recommended to increase, taking into consideration cost/benefit factors, the number of certification checks for the ESF, with a view to substantially raise the frequency and scope of the certification activities.

Reconciliations should be made each time there is a new verification report. There should be more certification activities in order to avoid cash flow problems at beneficiary level.

Secondly, it is strongly recommended that the Certification Authority increases the sample of on-the-spot visits to ESF beneficiaries in order to increase the level of assurance that expenditure complies not only with the conditions of regularity and legality, but also with the principles of sound financial management.

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

With regard to the recommendation to the CA to increase the number of certification checks for the ESF and to increase the sample of on-the – spot visits to ESF beneficiaries:

1) The procedure applicable for on - the – spot checks performed by the CA for the audited period envisages on - the - spot visits to the level of beneficiaries. Regarding the expenditures certified in 2009 the CA has performed two on - the - spot checks at concrete beneficiaries under the Administrative Capacity OP (administration of Council

of Ministers and Ministry of State Administration and Administrative Reform). Despite of this, the CA has amended the procedure for on - the - spot checks by adding a separate procedure for on - the - spot checks at beneficiary level.

2) The CA has further strengthened the concept for certification of expenditures. The main aspects of the improvements are related to more detailed controls for documentation of the checks on the report on certification of expenditures submitted by the managing authorities of the OPs and improvement of the format of the information provided by the MAs.

The CA's management puts permanent and consistent efforts in order to increase the qualification and to improve the professional skills of the CA's staff. A training plan of the CA is elaborated and approved on an annual basis. The trainings are organised and held in EU recognized training organisations. The CA's experts pass the following types of trainings:

1. introductory – these trainings are obligatory for newly appointed civil servants
2. specialized – for experts who have experience and for those who are newly appointed after completion of their introductory training
3. tailor – made trainings/upon request – for all experts of the CA
4. others (for example – thematic - only for European Social Fund practitioners, for horizontal issues, for major projects) - out of the trainings mentioned above.

The lack of practical experience of National Fund Directorate as a Certifying Authority under the Structural and the Cohesion Fund of EU has justified the need of preparation and approval of a special project, co-financed under the OP Technical Assistance. Following the official approval of the project, the National Fund Directorate –CA for the SCF and beneficiary under OPTA, for a second year implements successfully the project “Support to the implementation of CA's functions regarding the Structural Funds and the Cohesion Fund – 2008-2011”. To this end, in the framework of the project, the following activities were implemented:

- 21 specialized trainings were organised for 79 experts in 2009 (some of the experts have passed more than one training during the reported period).
- In implementation of the 2010 training plan 12 specialized trainings were organised for 40 experts of the CA until August 31, 2010.

As a result of all trainings carried out up to now, the management of CA has sufficient basis to conclude that there is good understanding of the concept for the role and the responsibilities of the CA for the programming period 2007-2013 among the personnel of the National Fund Directorate. New knowledge and skills are obtained with regard to the processes of verification of expenditures, certification of expenditures and the checks and controls performed in this relation. There is significant improvement of the overall expertise and expert skills, the experience from the past programming periods has been also examined, as well as the best practices that exist in this area.

For the period September – December 2010 the CA will continue to implement its annual training plan. Some of the trainings will cover topics like “Delivering the European Social Fund (ESF) 2007-2013”, “Financial Management of EU Structural funds”, “Structural funds Finance Seminar”, “ESF seminar for Evaluation and Monitoring” and others.

Analysis of the reply by the Commission:

We take note of the amendments and training plans under implementation (Action plan, Annex 3, Finding 8, p.9) and would close the recommendation upon their completion.

Colour code: Yellow

5.2. Findings concerning specific matters

The other compliance findings are as follows:

Finding n°: 9	Key requirement 3: Adequate information and strategy to provide guidance to beneficiaries
	Objective: Assess whether adequate information is provided to beneficiaries
Responsible body: MA and IB	Volume of funding affected by the finding: Non-quantifiable

Description of the finding: Systemic issue

During the on-the-spot visits the audit team noticed that publicity for the ESF was missing systematically on invoices and other supporting documents. Although there was an analytical accountancy for the projects, on the underlying and supporting documents there was no mention of the ESF or of the amount to be charged to ESF.

Moreover, in some cases contracts concluded for services were signed between the beneficiary and the external company without taking into account the ESF publicity requirements or the ESF identification on the papers. When the trainings were delivered by partner organisations it was not clear that the participants were informed about ESF co-financing. An example of this is project [REDACTED] 051PO001-5.2.01/013, [REDACTED] 051PO001-3 2 01 and [REDACTED] 051PO0001-2.1.01/322

Risks: Final recipients who do not comply with requirements regarding Art. 69 of Council Regulation (EC) No 1083/2006.

Recommendation:

Managing Authority and Intermediate Bodies should advise beneficiaries as to which parameters should have all papers presented to support ESF incurred costs.

Deadline for implementation of recommendation: 30 November 2010	Importance of the recommendation: Prompt
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Comments from the responsible body (auditee):

The publicity requirements are part of the Guidelines for Applicants and of the General conditions of the grant agreements.

In addition Guidance for publicity has been approved on 10.03.2009 (Annex IX-1) and published on the MA web page in order the stakeholders to apply its provisions.

According to Art. 8, item 4 of Regulation 1828/2006 and the Guidance for publicity referring to ESF (items 1.2.4 and 1.2.5 from the Guidance) should be done only for

activities connected with trainings or events aiming at giving information to the participants. In the Guidance it is explicitly stated in which cases this requirement should be applied.

It should be taken into account that the invoices are only part of the documentation proving transaction between two parties - contractors. As such the invoice has obligatory parameters according to Art. 7, para. 1 and 2 of the Accounting Act, i.e. the visualization is not part of the requirements of the cited Act. Visualisation requirements are fulfilled for all other supporting documents. They are not applicable to small advertising objects according to p. b. and c. of Art. 9. *Under project BG051PO001-5.2-01-0013-C0001* one introductory and two supporting trainings had been conducted and 22 trained persons received certificates for completed training. (Annex IX-2).

In the course of training all trainees have been informed that the project is implemented with the financial support of the European Social Fund by means of presentations, training materials, etc.

The documentation verifying the conducted trainings – attendance lists, training materials, presentations as well as certificates, had been visualized according to the requirements of Annex I of Art. 8 from Regulation 1828/2006 (Annexes IX-2, IX-3 and IX-4).

Under project BG051PO001-3.2.01, implemented by [REDACTED] all contracts concluded with external contractors mention the contribution by ESF under the operational programme (on the model contract the EU and ESF in Bulgaria logos are placed in the template of the grant contract, HRD OP is mentioned also in the text of the contracts – Annex IX-5: example contract with external contractor (contract № Д01-908/13.08.2009).

Under project: [REDACTED] *BG051PO001-2.2.01-322*: During the training as it is obvious from the pictures enclosed the visualization is available through information table. Visualisation is available also on attendance lists and training programmes. We enclose on-the-spot visit form in which a checkbox is envisaged for availability of visualization (Annex IX-6 Form №4/23.10.2008 – point 10). On the web site of the organisation information for the training is regularly published. This could be seen from the print screens of the website. (Annex IX-7, 6 print screens).

Analysis of the reply by the Commission:

We note that there was a Guidance on publicity from 10.03.2009 but since our audit found out that it was not enough respected by the Beneficiaries, we therefore requested further actions by the Managing Authority. Therefore we remain on our initial position.

Colour code: yellow

Finding n°: 10	Key requirement 3: Adequate information and strategy to provide guidance to beneficiaries.	
	Publicity and information to the general public.	
	Objective: Assess whether adequate information is provided to beneficiaries	
Responsible body: MA		Volume of funding affected by the finding:
		Non-quantifiable

Description of the finding: Systemic issue

- In the "Guidelines for Applicants" the MA did not mention that the candidates had appealing rights. Although during the interviews the MA/IB staff confirmed their willingness to help unsuccessful candidates, this right for applicants was not clearly mentioned throughout the selection process.
- There is a need for uniform templates for supporting papers- timesheets; activities record forms, unit of measure (days, months, hours) in order to facilitate uniform treatment and to avoid confusion.
- There is a need for a clear and uniform mention of the project period - start date and end date. Some contracts mention only the duration in months, others mention end date, others the start-date as the date of the first advance payment. Therefore, the eligibility period is fixed on a case by case basis and does not reflect the time of the project start, (example- when the start date is the advance payment, by then the project might have had incurred costs for preparations, studies, etc which are retroactively claimed). This observation applies to all contracts which were reviewed by the audit team.

Risks: Ineligibility of ESF costs – expenses paid outside of the eligibility period may not be detected and corrected before the declaration to the Commission

Recommendation:

The MA/IB is requested to

- increase the level of uniformity in the templates used to monitor the implementation of the projects as well as the templates used to demonstrate expenditure incurred and activities performed
- establish clear rules to ensure that the start and end date of the contract are fixed at contract signature.
- inform potential candidates of their right to appeal within a certain period.

Deadline for implementation of recommendation: 30 September 2010	Importance of the recommendation: Urgent
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Comments from the responsible body (auditee):

heretofore the last amendment of the CoM Decree № 121/2007 laying down the provisions for awarding of grants under the operational programmers co-financed by the Structural Funds and the Cohesion Fund of the European Union, and under the PHARE Programme of the European Union, there was no procedure under which the applicants could appeal the evaluation of the project proposal under a procedure provided in that decree. There was a possibility to claim under the Administrative Procedure Code (i.e. under the common procedure for appeal of administrative acts – art. 81 and art. 132). Because of this we consider that the applicants were provided with the necessary mechanism to appeal acts of the contracting authority

there are uniform templates, as well as standard ones, which are approved with the manuals of each contracting authority – MA and IB, as well as specific one for each scheme – technical and financial interim/final report form, guidelines for beneficiaries of the three IBs, uniform templates for applying the CoM Decree 55/2007 (Annex VI-5 and X-1). In addition, the budget template affords the possibility to describe the expenditure on monthly, weekly or daily basis and to report them on the same basis. When elaborating the budget, it is up to the beneficiary to determine the units in which to measure and report the expenditures

deadlines for implementation of projects are set in the criteria for selection of operations, respectively, in the GfA, concerning every single scheme. The grant contracts are subject to the national legislation, in particular to the Obligations and Contracts Act, in particular Art. 3a: “Contracts shall have the force of a law for the parties which have concluded them”, as well as Art. 9: “The parties may determine the content of the contract”. Along these lines are the uniform templates, which enable, even under standard conditions, defined texts to be arranged in a specific way according to the will of the parties and the nature of the activities performed. Therefore, in the uniform templates the MA provides the beneficiary the option to choose the start date of the implementation of the activities under the project contract (grant agreement).

choosing the start date of activities, coinciding with the signing of the grant agreement would be applicable in cases, when the beneficiary wishes to start immediately implementing the project. Setting a date unilaterally - by the Contracting Authority, on the one hand violates a fundamental principle of law “The parties may determine the content of the contract insofar as does not contravene the mandatory provisions of the law and good moral.” and on the other fixing a specific start and end date for all contracts would unnecessarily hinder the beneficiary. With checklist 10.26 of the MA Manual (Annex X-2) – item 2.4 certifies the start date as part of the grant agreement details. This agreement does not contradict to CoM Decree 30/2007 (Annex III-7) in Art. 3, which clearly define the period of eligibility of expenditures and which allows this to be the entire period of grant agreement. Clear from the texts mentioned above, the Decree, regulating the detailed rules for eligibility of expenditures under the HRD OP and the Obligations and Contracts Act are not contradictory. On the contrary terms/stipulations of such contracts (with options available for negotiating the start date for commencement of the activities) are fully synchronized.

In conclusion, we believe that there is no risk of a request and payment of costs incurred before the approval and signature of the grant agreement because each Contracting Authority verifies the eligibility of expenditure after the period of its incurrence (start - end of the project) in order to assess their eligibility period. CoM Decree 180/2007 does not admit in Art. 3 costs incurred before or after this period. In the GfA for each scheme is defined the

nal date by which beneficiaries should complete the implementation of project activities, as they meet the criteria for selection of operations adopted by the MC (Annex I-2), p. 25 of the fA (Annex I-3). The same text is reproduced in the grant agreement in Art. 2, item 2.2 Annex X-3, p. 3 of the grant agreement):

Analysis of the reply by the Commission

We take note of the fact that you agree with our findings and we remain on our position. We accept the corrective measures presented in the Action plan, Annex 3, Finding 9, p.9-12). On the basis of that information we could close this recommendation.

Colour code: yellow

5.3. Financial findings:

The financial findings are as follows:

Finding n°: 11	Final beneficiary: [REDACTED]
	Project number: 051PO001 3.2.01

	BGN		BGN	% certified amount
Total amount claimed	94.047,57	Audited	81,927.16	87.11%
ESF funding	79.940,43	Ineligible expenditure	51,240.00	64.10%
National cofinancing	14.107,14	Non-quantifiable erros	0.00	0.00%
Other				

Description of the finding:

The expenditure concerning a trip to Florence and Venice, invoice N°2000000034 of 02.06.2009 from [REDACTED] amount 3000 BGN (for directors who won on tombola vouchers for trips abroad), is ineligible by nature. The motivation for this expense was to "stimulate the participants" and cannot justify the use of public money (not a value for money).

The call for tender concerning the Elaboration of procedures for training for volunteers to become directors was considered to give insufficient evidence of how the bidders were evaluated. Moreover, 2 out of 3 invitations were addressed to travel agencies which are not relevant at all with the content and the terms of reference of the call. Therefore, the auditors consider that the selection process does not meet the conditions required to determine value for money. The procedure applied undermined the selection process in the sense that only one company could have entered into the bid. Therefore, the auditors consider that this procedure is equal to an unjustified "single source" award.

Recommendation:

The amount declared in the framework of the contract [REDACTED] needs to be recovered. Evidence of this should be sent to the Commission.

The amount of the invoices concerning the services provider [REDACTED] regards developing training plan for directors is not transparent and not in conformity with the public procurement directives and should be 100% corrected. (invoice 0000000322 from 29/06/2009 for 24 120 BGN and invoice 0000000328 from 30/07/2009 for 24 120 BGN)

Deadline for implementation of recommendation: 30 September2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

Under tender procedure for "Elaboration of application procedure for training for

volunteers under the project “Development of programmes and trainings for principals of schools, kindergarten and other services in the educational system”, the direct beneficiary – [REDACTED] has lead a procedure with 3 offers under the Ordinance for the Award of Small Public Procurement Contracts.

According to the Terms of Reference the contractor shall perform the following:

1. Organize 6 working meetings with experts of the Regional inspectorate of education, municipalities and principals.
2. Elaborate participants’ selection procedure – according to the tender procedure the contractor is obliged to introduce the application form in testing environment, to create user accounts, to assign the candidates to the places where the test is to be held, to name invigilators and technical persons and Regional inspectorate of education representatives, to hold the test (on-line).
3. Elaborate an application form.

The subject of the tender involves logistics as well – ensuring accommodation, food and travel for the participants (about 100 persons, trainers and team members - totally about 120 persons for the 6 meetings). This is the reason invitations to be sent to 3 companies that provide tour operator services. (Annex XI-1 Tender procedure documentation – Terms of Reference and Contract D 01-498/10.06.2009 with [REDACTED] Ltd.).

Invitations have been sent to the following companies: [REDACTED] Ltd., [REDACTED] Ltd. and [REDACTED] Ltd. All the three companies have submitted offers with technical and financial parameters. The tender evaluation committee has suggested the contract to be signed with the company that has offered the lowest price [REDACTED].

According to the documentation attached to the report and the reference from the APIS Law Register, the 3 companies have common scope of activity (Annex XI-2 – references from the APIS Law Register about [REDACTED] Ltd., [REDACTED] Ltd. and [REDACTED] Ltd.).

The amount of the public procurement for development of the application procedure for those willing to receive training and apply for the position of principal is below BGN 50 000 (VAT excluded). Art. 28 of the Directive refers to the applicable national legislation, adapted for the purposes of the Directive. We would like to point out that the national Public Procurement Law (in particular the Ordinance on the award of small public contracts, which is applicable for the procedure) are completely in compliance with the EU Directives. According to art. 2, paragraph 1 of the Ordinance for public procurements between BGN 15 000 and BGN 50 000 VAT excluded, the contracting authority is not enforced to open a public procurement procedure, but to collect at least 3 offers, which include financial and technical proposal.

The selection is delegated by order No. ПД09-923/26.05.2009 to the head of the National Institute for training of principals, where the requirement for equality of the offers is set in art. 5 of the order: offers are selected and then evaluated only if *collected using a similar means and are equal*. The documents accompanying the offers show that the main activities of all three candidates include activities, which show capacity for the implementation of the procurement. The main activities of [REDACTED] Ltd. include “training activities ... as well as any other activities which are not prohibited by the law”, which makes the applicant eligible. The main activities of [REDACTED] Ltd. include “consultant activity ... as well as any other activities which are not prohibited by the law”, which also makes the applicant eligible. The main activities of [REDACTED] Ltd. is

settled in the same way – any other activity which is not prohibited by the law.

In regard to the comment that there is no evidence how the procedure was conducted we enclose the Minutes for the selection process and the documentation under the tender – Order for the Selection Committee, Terms of Reference and Offers containing technical and financial part as well as supporting documents of the Tenderers. The Minutes dated June 6 2009 show that the evaluation committee assigned ascertains the compliance of the Tenderers taking into account the documentation presented which is cited above. The Committee admitted to participation all the three Tenderers and ranked them in ascending order on the basis of the lowest price. As a result of the selection the Committee proposed as Contractor to be nominated '██████████' Ltd. and the Contracting authority concluded a contract with the company.

Taking into account the facts presented and the enclosed additional evidence for the tender it can be drawn a conclusion that all the three offers are equal in terms of technical capacity and on that basis the Committee decides on the admissibility of the three Tenderers. The risk of conducting a single tender would have been arisen if two of the Tenderers as a result of the selection dropped out and only one offer continues to participate and later on is selected. In this case in order to take a decision the Committee had three equal offers for which the official documents demonstrated their capacity

Analysis of the reply by the Commission:

We accept the additional evidence sent in relation to the abovementioned selection process. Nevertheless we insist on the fact that two of three invited companies did not have as main activity the subject of the terms of reference (to elaborate participants selection procedures, to elaborate application forms) and therefore there were not fair conditions for competition.

In that sense we accept the intention of the Managing Authority to correct 25% of the incurred expenditure for the contract with '██████████' and upon completion of that correction we will be in a position to close the issue.(the correction is stated in the Action plan, Annex 3, Finding 11, p.12).

Finding n°: 12	Final beneficiary: [REDACTED]	
	Project number: 051PO001 4 2 01/0228	

	BGN
Total amount claimed	44,966.88
ESF funding	38,221.85
National cofinancing	6,745.03
Other	

	BGN	% certified amount
Audited	34,880.01	64.63%
Ineligible expenditure	34,880.01	76.04%
Non-quantifiable erros	0.00	0.00%

Description of the finding:

- The project is within the measure 4.2.1.of OP Human Resources "Making school more attractive for students" and its purpose it to combat early school leaving. This is in the framework of Paragraph 2, point ii) of article 3of the Regulation 1081/2006 "ESF shall support actions in Member States under the priorities.. ii) "..... Actions aiming to achieve a reduction in early school leaving and in gender based segregation of subjects". The audit team considers that the private school beneficiary [REDACTED] has implemented a project which is not eligible to the measure since there is no population at risk of dropping out, students in that school pay high fees to study there and the project itself consist more of an advertising event for the school itself than for ESF project. The audit team considers that in this respect, the Ministry Education, Science and Youth should have identified the population at risk and should have determined the conditions; both operational as well as financial it is envisaging addressing the problem.
- The project consists of preparing an event for Europe's day (concert and exhibition) for 8 months with the participation of students aged between 8-10 and 11-17. The obligatory education age in Bulgaria is 16 years so students who are aged after that age practically are not eligible for the projects since the dropping out risk is not relevant to them.. The relevance of the concert and all the subsequent purchases of costumes, rent of [REDACTED] hiring external experts in preparing the event brings no added value to the ESF objectives, has little continuity and sustainability effect.

Financial Findings

- 1401/10.04.2009 for 957BGN VAT excluded and invoice 14092/24.04.2009 for 1000.93 BGN VAT excluded – concert, purchase of memory sticks, dictionaries, and books for gifts to the students taking part in the project. No ESF logo or contribution mentioned. The audit team failed to see any evidence (pictures, samples) of publicity for the ESF.
- Invoices 356 and 464 for 500 BGN each concern publications in Actualno.com about the co-funded project. The contract dated 15.12.2008 between [REDACTED] and [REDACTED] (communication agency) makes no mention of ESF. The publication itself on Actualno.com does not have any ESF information notice but instead advertises the beneficiary.

Secondly there is some deficiency related to sound financial management.

- Private school [REDACTED] had rented costumes for the concert (ballerinas, traditional, others) the total of the invoices from '[REDACTED]' (invoices 000176, 000175) and '[REDACTED]' - invoice 0000000029 is 17920 BGN. The duration of the rent is 30 days. The concert itself is 1 day. The audit team considers that, even if the project would have been eligible, the duration of the rent is excessive and not soundly based.

Recommendation:

The project is a 100% ineligible by nature. Appropriate financial corrections of the certified amount should be made. Secondly, the Managing Authority should develop key criteria to identify the eligible target groups that would fall under these measures so that any future funding is aimed at the right category of participants and beneficiaries.

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

The operational programme finances not only actions aiming at reintegration of drop-outs from educational system but actions for prevention of early school leaving and better inclusion of children and adolescents into educational system through encouraging them to participate in out-of-class and out-of-school activities and support for developing each pupil's individual potential.

The grant scheme "Making school attractive for young people" is developed on the basis of clear priorities set in a number of leading European and national documents. Within the "Convergence" objective according to Regulation 1081/2006 ESF co-finances actions by Member states in the context of priorities which expand and improve the investments in human resources including through promoting increased participation in education and life-long training and actions aiming at reducing the early school leaving. One of the specific goals of the scheme "Let's make school attractive to young people" is prevention from early school dropping out, the basic target is creation of conditions necessary for the development of students' potential through expanding the range and quality of extra-curricular activities, provided in schools. Such activities are totally in compliance with Article 3 (a) para 2, point A Section 2 of Regulation (EC) No 1081/2006 in connection with "increased participation in education and training, throughout the life-cycle including through actions aiming to achieve... increased access to and quality of initial, vocational and tertiary education and training."

In the above context the scheme contributes directly also to the implementation of the main goals and guidelines of the European Employment Strategy in 2008-2010, in particular regarding:

- **Guideline 23 – Expand and improve investment in human capital, including through efficient lifelong learning strategies open to all**

Improving not only the amount but also the efficiency of investment in lifelong learning

is a key element of the Lisbon strategy on human resources development. In this respect, the scheme makes an important contribution, taking into account national specificities and challenges. Extremely low participation of adults in various forms of lifelong learning in Bulgaria is an issue to be addressed further in the education system. In this sense, the activities under the scheme have a positive effect on important aspects of one element of the necessary skills in the new economy – key competences. Acquisition and development of all key competencies before leaving the education system on the one hand creates better conditions for the realization on the labor market, and on the other hand improves conditions and skills for participation in various forms of lifelong learning and in later stages of life.

In this context the national goals, objectives and strategies of key competences envisaged in documents such as: National Strategy for Lifelong Learning (2008-2013) and National Programme of Development of School Education and Preschool Upbringing and Training (2006 – 2015). It is important to note that on the basis of these documents, the Ministry of Education and Science announced 2008 Year of Key Competences. Under the specified national documents, school education covers the period associated with the acquisition of initial knowledge, skills and competencies necessary for work, employability, socialization and active citizenship. Therefore, school education should be oriented towards provoking thought and independence, practical skills formation and personality development. Skills and competences acquired during childhood and adolescence are particularly important for the further personal development in the course of life. Engaging in a natural way imagination, skill and interests of students will undoubtedly contribute to their physical, intellectual and personal development.

It should be noted that the chosen method of implementation of the scheme not only provides equal opportunities for access of children and students in the country, regardless of which school they are studying in, but also allows to focus on key competencies, which are not or are almost not included in the curricula, such as “Social and civic competences”, “Initiative and entrepreneurship”, “Cultural awareness and creative performances”¹². Thus the activities of the scheme build upon the results achieved in the learning process. It should be noted that the participation of children and students in such activities builds their learning skills^{**}, which leads also to better results in the learning process. The analysis of the scheme shows that most of the financed activities are related to participation in various clubs, sports and creative activities – directly linked to the curricula in which the objects are envisaged. Last but not least, the scheme creates good opportunities for year-round involvement of students in appropriate forms, including during holidays.

In this context, the grant scheme “Let’s make school attractive to young people” achieves maximum development of each student’s potential and provides opportunities for adequate future social realization. This is achieved by promoting extra-curricular and out-of-school activities, as opportunities on the one hand for the development of the envisaged in school education key competences regarding the EU framework, which defines them as knowledge, skills and attitudes, and on the other hand – for the increase the attractiveness of schools. Thus will be achieved synergy between school education,

¹² Key competences No 6, 7 and 8 of the European Qualifications Framework.

^{**} Key competence No 5 of the European Qualifications Framework.

extra-curricular and out-of-school initiatives and independent learning.

- **Guideline 24 – Adapt education and training systems in response to new competence requirements, including through enhancement of the attractive aspect of the educational system.**

Ensuring adequate reforms in the system of education and training is at the basis of the Lisbon Strategy as a long-term goal that will ensure better connection with the changing requirements of the labour market. In the Lisbon Strategy and the Guidelines for Employment there are particular targets, regarding the decrease of students dropping out of the educational system, and one of the basic trends to achieving positive results is the application of prevention activities. Enhancement of the attractiveness of the educational system addresses those students involved in the learning process and serves directly as a preventive measure, directed to their stay and successful completion of the educational process.

In this respect there are indicative scores from a representative sociological research from the year 2006, guided by the Ministry of Education and Science jointly with UNICEF and carried out by [REDACTED] as follows:

The annual share of students, dropping out of school is within 2-3% out of the total number of children in school age. About 2.9% quit comprehensive schools for different reasons in 2004/2005. Out of them 17100 of them are secondary school students. In the school year 2005/2006 the percentage of students having left the educational system is the same figure-2.9% , and in 2006/2007 it rises up to 3.2%.

One of the causes for students' dropout of school is their reluctance to continue their school education. In 2004/2005 27.2% of those who left the educational system did it for the above stated reason. In 2005/2006 their percent is 30.23%, , while for the school year 2006/2007 the number of dropouts due to reluctance to attend classes is 28.1% out of the total number of dropouts from the educational system. The stated causes for dropping out of school are grouped into several basic categories: socio-economic, educational and ethno-cultural. Statistical analysis recommends undertaking of the following measures:

- Providing possibility of a full-day organization of the educational process and adding new extra-curricular activities;
- Drawing up models of motivating and keeping students back at school, including organization of extra-curricular and out-of-school forms of events.

It should be noted that the scheme "Let's make the school attractive to young people" is characterized by massive participation of schools - 67 percent of all beneficiaries are schools. In this regard, the data from the National Statistical Institute shows that the number of dropout students of the system of education declines in the subsequent years – during the academic year 2007/2008 it was – 2.7% and in 2008/2009 it is 2.4%. On the other hand the percentage of dropouts due to reluctance has also decreased – during the school year 2007/2008 it is 23.7 percent of all students left, and in 2008/2009 it is 22.26%.

The table clearly illustrates the downward trend in the number of dropouts from the educational system after 2007/2008 when the activities under the scheme have been

carried out.

Period

	2005/2006	2006/2007	2007/2008	2008/2009
Students left	2.9 %	3.2 %	2.7%	2.4%
Left due to reluctance –				
% of all left	30.23 %	28.1 %	23.7%	22.3%

Data by National Statistical Institute

Guideline 18 - Promote the lifecycle approach to work, including through better reconciliation of work and private life.

The implementation of the scheme “Let’s make the school attractive to young people” contributes directly to the implementation of this guideline in several ways. Firstly, the education of all children in Bulgaria after first grade is half-day class. In practice, the provision of quality child care is based on the active participation of the parents, and to a greater extent of women on the labor market, and addresses one of the important obstacles to increased participation in employment of certain groups of the workforce. Secondly, it should be noted that under Bulgarian legislation – Child Protection Law – children under 12 years cannot be left without parental supervision, and those over 12 – if there is a risk to their physical and mental health (art. 8, para. 7 and 8, Art. 45 para. 4). Moreover, under art. 182, para. 1 of the Criminal Code: “Parent or guardian who leaves a person falling under the parental care or guardianship without adequate supervision and care and thereby create a danger to his physical, mental or moral development is punishable by imprisonment up to three years and a public censure.”

In the described context, the scheme supports parents to participate actively in the labor market by improving quality and access to extra-curricular (out-of-school) activities related to the main goals of the educational process.

Within the European context Human Resources Development Operational Programme and main area of intervention 4.2 “Children and youth in education and society” (page 113) give guidelines for effective application and adaptation of described EU framework documents to the Bulgarian conditions. This area of intervention is targeted at more extensive coverage of children and adolescents into the educational system, establishing better conditions for their creative expression and developing their potential for future successful advancement. One of the main activities is expansion of the out-of-class and out-of-school forms of learning as clear mechanism which plays a key role in prevention against early school leaving. In this context the grant scheme “Making school attractive for young people” is related to the National Strategy for life-long learning adopted by CoM in the end of 2008 where Bulgaria has clear commitments for prevention against early school leaving. (Annex XII-1 “National Strategy for life-long learning 2008 – 2013”).

It is obvious from the analysis in the HRD OP that the reasons for dropping out of school

are complex. In this regard it would have been unilateral interpretation the reasons for dropping out to be associated only with the financial status of the family. The practice shows that irrespective of the social status of pupils they are exposed equally to the risk of falling into unhealthy environment, lack of motivation for full participation in school process, etc. In this regard the Monitoring Committee approved criteria for selection of operations under the scheme which based on the good tradition in the country for diverse forms of out-of-class and out-of-school activities give opportunity for development of interest clubs, pupils' centers and circles (theatrical compositions, fine arts, school orchestra and choirs, discussion clubs, sport activities, etc.).

In connection with the mentioned above the objectives of the grant scheme "Making school attractive for young people" are "expansion of the out-of-class and out-of-school forms as it is important for personality development of pupils. Expansion and enhancement of these activities will make the school life more valued and attractive and will increase the opportunities for creative development of pupils' talents, give a meaning to their free time, orient them to the preferred personality expression and thus will help to form independent individuals with broad general knowledge and modern value system. The actual participation together with assuming obligations and responsibilities and cooperation with the others creates the feeling within the young people that they belong to the community". (page 10 of the Guidelines for Applicants). It is obvious that the objectives of the project audited correspond to those of the grant scheme. In the project proposal the objectives are as follows:

- General objective: Conduct a system of actions providing conditions for development of pupils' potential, their intellectual and personal development and social commitment.
- Specific objective: Affirm a model for class and out-of-class activity in the area of fine arts aiming at achieving the general objective among larger part of the Bulgarian pupils.

(page 12, Annex II of the grant agreement)

Complementing the mentioned above it should be added that according to the national legislation the education in Republic of Bulgaria is obligatory till 8 grade but this is not bound to the age of the person. Each statement which does not rest on the legislation is discriminating and this is obvious from the position of the competent state institution – Commission for prevention against discrimination (Annex XII-2 Letter from CPD).

While one of the secondary objectives of the call for proposals "Making school attractive for young people" is the prevention of early school leaving, the main objective remains the creation of necessary conditions for the development of the potential of talented pupils and students through widening the scope and increasing the quality of extracurricular activities available in schools. Such actions are completely in line with the provisions of Paragraph 2, a), point ii) of Art. 3 of Regulation (EC) 1081/2006 as regard the "*increased participation in education and training throughout the life-cycle, including through actions aiming to achieve ... **increased access to and quality of initial, vocational and tertiary education and training***". Moreover in the HRD OP as approved by EC services there is a clear distinction between actions aiming to reduce the number of early school-leavers/drop-outs among vulnerable groups (children with disabilities, representatives of ethnic minorities, etc) as described in main area of intervention 4.1. "Access to education and training for disadvantaged groups" and the actions aiming to

increase the access to services in education which fall within the scope of main area of intervention 4.2. "Children and youth in education and society". The latter envisage the possibility to fund activities which apart from providing support for the development of individual talents and increasing the commitment of children to school life facilitate the reform in preparatory and secondary schools in terms of widening the scope and improving the quality of the services. Furthermore in the criteria for selection of operations approved by the HRD OP Monitoring Committee among the eligible activities are included such targeted at introducing and developing HRD OP horizontal principles including gender equality and non-discrimination based on gender, race, ethnic origin, religion or beliefs, disabilities, age or sexual orientation.

"Making school attractive for young people" contributes to preventing early school leaving among target groups which do not necessarily constitute part of the aforementioned groups. This is achieved by creating conditions for involving pupils and students in their spare time in various extra-curricular activities based on their personal interest. Thus a variety of risks for dropping-out such as lack of motivation, drug-abuse, etc. are being tackled. These particular risks are not related to the social background of children and present a threat among all students especially in secondary schools. Regarding the above the fact that the parents pay certain fees in private schools has no relation to the possibility the pupils/students in these schools to be exposed to those specific risks and drop out of school.

The activities under the project include not only the realization of the events on the occasion of the Day of Europe (exhibitions and concert), but also their preparation that ensures conditions to develop the pupil's potential, their intellectual and personal development and social involvement, to increase the opportunities to discover and develop pupil's gifts and talents and to give meaning to their spare time.

The project foresees "summer school" after the end of the regular school classes, in which the participants are given the opportunity to develop their skills and talents.

Regarding the duration of the project – 8 months, the objective was to cover the period from the contracting of the project to the end of May, when the Day of Europe is celebrated and to cover the school year. The meaning of the concert corresponds with the concrete aims of the grant scheme BG051PO001/07/4.2-01 "Making School Attractive to Young People", namely: to enrich the extracurricular and out-of-school activities through personal development of the pupils. The realization of this activity directly supports the diversification of the school life, making it richer, valuable and attractive and increases the opportunities to discover and develop the talents of the pupils, which is the added value of the project.

The recommendation is partially accepted. Proportional financial corrections are applied for the amount of the finding with proportional correction of the indirect costs. The financial correction would be reflected in the September Declaration for Certified Expenditures from the MA. Regarding financial corrections to [REDACTED] school MA suggests correction to the amounts related to the concert as follows:

- decoration of a concert hall = 3874.57 BGN;
- gifts=3320.41BGN;
- rent of a concert hall=6500 BGN;

-
- rent of the costumes=17920 BGN.

The total amount of the proposed financial corrections is 31 614.98 BGN from the direct costs. Proportional reduction of the indirect costs will also be applied.

Analysis of the reply by the Commission:

In your comments you tackle policy topics and decisions regarding school leavers which we did not actually challenge as such in our Finding 12. We have come across projects which represented a measure under the OP HRD "Making school more attractive for young people" whose financing should have been subject to an ex-ante analysis to define eligible beneficiaries and actions so that sound financial management is achieved.

In the example (the Beneficiary audited is a [REDACTED]), the school was private and there was no population at risk in need to be taken on board for the sake of the measure. Therefore we deemed the project ineligible by the nature of the beneficiary and action financed.

However, in light of the additional information brought forward including the information on the other objectives of the project, we find that the project is compatible with the priorities established for measure 4.2.1 of the Operational Programme Human Resources "Making school more attractive for students" the OP and in line with the provisions of the ESF Regulation and therefore eligible for ESF support.

Nevertheless, the flaws detected in the selection process of these projects do not ensure sound financial management and the Commission can accept the action plan proposed 10% flat rate financial correction on the call under priority measure 4.2.1 "Making school more attractive". (Annex 3, Action plan, Finding 12, p.13-14). We welcome also the analysis to be performed to define target groups of beneficiaries in the national priorities for education.

We will close the recommendation at the implementation of these corrections.

Finding n°: 13	Final beneficiary: [REDACTED]
	Project number: 051PO001 2 1 01/0360

Total amount claimed	107.779,20
ESF funding	91.612,32
National cofinancing	16.166,88

	BGN	% certified amount
Audited	47,492.42	44.06%
Ineligible expenditure	17,496.42	19.10%
Non-quantifiable erros	0.00	0.00%

Description of the finding:

- The training materials (see annex 2) included alcohol and food. The quantities claimed are excessive in relation to the nature of the project.

- Invoices N° 93 and 878 from 18.03.2009 (5000 BGN VAT excluded) and 26.03.2009 (1000 BGN) cover rent for rooms for theory and practice. The training centre within [REDACTED] Ltd does not have the capacity to ensure training and an external provider had to be found. That undermines the role of [REDACTED] as partner for [REDACTED]. Nevertheless, according to the training timetable the rooms were rented when there were no courses or practice exercises. The rent was paid for 30 days according to contract between [REDACTED] and [REDACTED]. Real occupancy was 7.5 days. A prorate formula for the occupancy should have been used.

- Invoice 171 from 22.01.2009 for 2400 BGN- elaboration of publicity brochures. The audit team reviewed the brochures, from the interview with the project staff it appeared that amongst other things, the brochures were distributed during electoral campaigns/together with election campaign materials. The audit team finds there is no relevance with ESF objectives and activities.

Recommendation:

Appropriate financial corrections should be made. The corrections on the amounts on the invoices should be reflected on the VAT account too. When the financial corrections concerns direct costs (as it is the case), appropriate corrections should be made to the indirect cost amount.

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

Used training materials

The training should be organised in accordance to the internal regulations of each member state. Like in other countries, there are authorities responsible for the certification of the acquired skills after completion of the training, as well as established rules for the verification process. In order to obtain a certificate for acquired

degree/profession, a person should cover the minimum requirements stipulated in Ordinance № 7 as of 4 December 2006 for acquiring professional qualification for waiter-bartender (Annex XIII-1). According to the Ordinance based on the State educational standards, the training should include at least 50% practice exercises, which require training materials and tools corresponding to the category of the establishment where the person will be employed (Table 2 of the Ordinance). Having in consideration that the persons receiving training will be employed in 4/5-star hotels, it is logical that they use materials corresponding to the books of recipes for establishments of those categories. This will ensure for quality training, while the received qualification corresponds to the state educational standards for this profession (■■■■■■s criteria for certification – Annex XIII-2). The verified quantities are in accordance to the books of recipes laid down in the manuals for chef, bartender, waiter and restaurateur and are corresponding to the number of persons stated by the partners. The manuals are based on the standards covered by the partners – ■■■■ ■■■■ and are in accordance with the requirements laid down in Ordinance № 7 as of 4 December 2006 for acquiring professional qualification for waiter-bartender, chef and restaurateur. There are orders issued by the relevant hotel managers stating that the acquired training materials should be used only for the project activities. Those orders also describe the methods for preservation of the products for the purposes of the project. The food products are used only for training courses for chefs, waiters, restaurateurs and bartenders. According to the State educational standards for specific professions related to client service in restaurants, the training should be in compliance with the category of the establishment. The categorisation of establishments in Bulgaria is based on the provisions of the Ordinance for categorisation of restaurants and establishments for entertainment. The provisions of the Ordinance are applied for all type of restaurants and establishments for entertainment independently of the type of ownership and management. A 5-star categorisation system is applied for restaurants and establishments for entertainment in compliance to the international standards, the traditions in the Bulgarian tourism and the Instructions for application of the Ordinance. The categorised restaurants and establishments for entertainment should comply with the following requirements: 1. Façade and interior design by type and category; 2. Availability of cutlery, dinner sets and other equipment; 3. Organisation of the provided client service at restaurants and establishments for entertainment; 4. Serving rules at restaurants and establishments for entertainment. The category, type and profile of the establishment are taken in consideration when setting the assortment minimum.

The minimum requirements for client service in restaurants and establishments for entertainment are set in annex 4 of the Ordinance. An establishment is certified with 4-star category in accordance to the conditions stipulated in annex XIII-3 (an excerpt for Ordinance 4). The beneficiary, in its quality of cluster that consolidates the interests of the touristic branch, has been invited to share good practices. In this relation the beneficiary has presented the ESF funded project. There is no violation of the rules for information and publicity, by the following reasons. The event is not financed by the project and is not part of the project activities the beneficiary has not obligation to inform the Contracting authority

Regarding invoice 93 – finding is accepted.

Regarding invoice 878 – finding is accepted.

The recommendation is accepted. Financial corrections are applied for the amount of the

accepted finding with proportional correction of the indirect costs The financial correction would be reflected in the September Declaration for Certified Expenditures from the MA. The imposed correction for the invoices for rent including reciprocal reduction of the indirect cost is 2989.93 BGN.

Analysis of the reply by the Commission:

We do not agree that the corrections proposed are sufficient and reiterate our position on the amounts proposed to be corrected- 47492.42lv.

Therefore our finding and respective recommendation remain open.

Finding n°: 14	Final Beneficiary [REDACTED]	
	Project number: 051PO001 5 2 01 /009	

Total amount claimed	76.693,50
ESF funding	65.189,48
National cofinancing	11.504,03

	BGN	% certified amount
Audited	41,435.46	54.03%
Ineligible expenditure	5,575.86	8.55%
Non-quantifiable erros	0.00	0.00%

Description of the finding:

- The expenses related to the development of a website for the project (invoice [REDACTED] n°. 0000000002 from 04.07.2008 BGN 2500 VAT excluded) is not eligible, because there was no evidence of the existence of this website. Moreover the added value of the site is questionable; given the nature of the project (addressed to socially disadvantaged people) it was not evident how the website intended to reach its audience.
- The audit team was not in the position to reconcile a claimed amount of 1361 BGN done to the National Agency and the sum of 518, 16.BGN. The payment includes several other social security costs.
- The expenses related to purchase of advertising materials (mugs and pens) –invoice n° 0000000380 from 16/04/2009 for 1196.70 BGN VAT included are considered not eligible because there was not any evidence found of their existence (samples, pictures).

Recommendation :

Appropriate financial corrections of the certified amount should be made. Where VAT is not included in the invoice concerned, appropriate corrections of the VAT account should be made. The corrections of the direct costs should be adequately reflected in the indirect costs amount as they are declared on flat rate principle.

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

The web site was created and operational during the lifetime of the project and based on the on the spot checks it was verified. The Foundation does not have the necessary resources to maintain the site after the end of the project that' why it is not functioning

To the date of incurrence of the expenditure – 04.07.2008, the supplier was registered under VAT and the amount paid by the [REDACTED] did not include VAT.

MA does not accept the finding.

The list of justifying documents is prepared by the beneficiary in accordance to the budget sections and lines. In this case social security payments paid by the employer are divided for health insurance, additional obligatory pension insurance, additional voluntary pension insurance, including fund "Pensions", fund "General disease and motherhood" and fund "Unemployment". The amounts described in the list comply with the reporting documents for social security payments. Payment of BGN 518.53 for fund "Pensions" was made for the period June 2008 – July 2008 being separated according to the date of birth of the social assistant (before and after 1960). According to the National legislation payment orders are prepared by type and code of the social security payment, which requires the data to be sorted according to the enclosed list. In this case there are 4 payment orders (June – for those born before and after 1960, and July – for those born before and after 1960). The payment orders include the social security payments paid by the employee which have been included in point 1.1.2. of the list enclosed. All data described in the list is equal to the payment orders, which may be confirmed by the attached detailed information regarding the social security payments paid by the employer and the employee, the method for calculation of both the payment orders and the amounts described in the list in accordance to the budget items.

Financial corrections would be applied for invoice No. 0000000380 from 16.04.2009 for 1196.70 BGN VAT included.

Financial corrections are applied for the amount of the accepted finding with proportional correction of the indirect costs The financial correction would be reflected in the September Declaration for Certified Expenditures from the MA

Analysis of the reply by the Commission:

We accept the financial corrections proposed. We will close the recommendation at the implementation of the correction.

Finding n°: 15	Final Beneficiary: [REDACTED]
	Project number: 051PO001 2 1 01/322

Total amount claimed	170,805.14
ESF funding	145,184.37
National cofinancing	25,620.77

	BGN	% certified amount
Audited	171,805.14	100.00%
Ineligible expenditure	11,914.11	8.16%
Non-quantifiable erros	0.00	0.00%

Description of the finding:

Absence of adequate audit trail and justified criteria for the apportionment factors used for:

- rent of the office for months 7-10/08 for 1916.71 BGN (70% of the total rent)
- telephone bills for 07-10/08 for 1597.40 BGN (70% of the total telephone bill)
- Printing of 100 000 brochures with information/publicity about the project - invoices Ito Mix N° 01477 for 4900 BGN and 01480 for 2100 BGN from 16/10/08 and 23/10/08 respectively). Having in mind that there were 391 participants from 95 organisations, the number of brochures is disproportioned against the number of organisations involved. Secondly, the selection of the service providers is considered insufficiently transparent as there was only one candidate for a common and not specific service and there was no evidence that other companies were contacted.

Recommendation:

The invoices for rent and telephone should be corrected and [REDACTED] should elaborate a detailed methodology of evaluating overheads. The percentage applied for those costs should reflect the intensity of use of the facilities for the duration of the project and be coherent with the intensity of use for usual activities.

The expenditure for printing of brochures should be corrected at 100% with the appropriate VAT amount (980 BGN+420 BGN).

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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The recommendation is accepted. Financial corrections are applied for the amount of the accepted finding with proportional correction of the indirect costs. The financial correction would be reflected in the September Declaration for Certified Expenditures from the MA.

Analysis of the reply by the Commission:

We accept the financial corrections proposed. We will close the recommendation at the implementation of the correction.

Finding n°: 16	Final Beneficiary: [REDACTED]	
	Project number: 051PO001 2 1 01/303	

Total amount claimed	88,967.46
ESF funding	75,622.34
National cofinancing	13,345.12

	BGN	% certified amount
Audited	106,594.27	96.48%
Ineligible expenditure	22,120.00	23.55%
Non-quantifiable erros	0.00	0.00%

Description of the finding:

The expenditure concerning two invoices: [REDACTED] (12 580BGN) and [REDACTED] (5 890 BGN) for teambuilding activities is ineligible by nature as it falls outside the scope of the project. Although evidence from the activities was collected, the motivation for this expense is not acceptable in order to justify the use of public money (not a value for money). In fact, the project's aim is to improve the skills of employees in [REDACTED] company through 14 different trainings like marketing, data processing, communication and media etc.

There are 3 650 BNG which could not be reconciled from the listings between the [REDACTED] and the [REDACTED] No audit trail.

Recommendation:

The invoices for teambuilding should be excluded from financing from the ESF. The reconciliation between Agency for Employment and [REDACTED] of the amount of 3 650 BGN should be provided

Deadline for implementation of recommendation: 30 September 2010	Nature of the recommendation: Urgent
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Comments from the responsible body (auditee):

The recommendation is accepted. Financial corrections are applied for the amount of the accepted finding with proportional correction of the indirect costs The financial correction would be reflected in the September Declaration for Certified Expenditures from the MA

Analysis of the reply by the Commission:

We accept the financial corrections proposed. We will close the recommendation at the implementation of the correction.

6. SUBSEQUENT EVENTS

Following the end of the audit field work, the Bulgarian authorities sent an Action plan to the Commission (Annex 3 attached). This action plan describes the aim of strengthening the Management and Control Systems in order to remedy the deficiencies found.

The auditors have analysed the Action plan and several bilateral exchanges were held. The following general issues are to be outlined:

We have noted numerous repetitions, lack of references of the supporting papers, lack of consistency between them. Most of the supporting documents had already been inspected during the audit so the re submission of them brought no extra value. It is not clear which documents are submitted in the framework of the contradictory procedures and which are evidence of the action plan implementation.

Generally, the comments made by the Managing Authority limit themselves to stating procedures, laws, regulations, decrees. The audit team does not question, in this report, the existence of such. The observations raised by the audit team question the effective implementation and the impact of these on the legality, regularity and eligibility of the expenditure declared, together with the capacity of the competent authority to monitor them.

In that sense, with this final report, the audit team reiterates the findings raised and recommendations needed.

Nevertheless the Managing Authority has submitted an Action plan which tackles some of the raised issues. Even though some of them are not yet implemented, we have analysed it.

On the basis of the mitigating actions taken by the Managing Authority and Certifying Authority in the Action plan (Annex 3), the Commission auditors have decided, in line with the provisions explained in chapter 4.4 of the Commission's guidance note on the evaluation of management and control systems (COCOF 08/0019/00) to raise in due time the level of assurance to:

Category 2: Works, but some improvements are needed.

This level of assurance is based on information concerning the mitigating actions we received and analysed after the end of the audit field work. As such and also because this action plan is in the phase of implementation by the national authorities, no audit work to test its effectiveness could yet be performed. The level of assurance is therefore subject to the correct and timely implementation of the action plan by the national authorities and its effectiveness will be subject to a revision by the Commission after the end of its implementation. Hence, no legitimate expectation can be derived from this provisional and conditional level of assurance.

We acknowledge the efforts made to close some of the recommendations but nevertheless the audit team considers that the financial corrections listed under Findings 11-16 inclusive, the flat rate corrections and analysis following Findings 3 and 12 must be made before the report can be closed and the level of assurance increased.

ANNEX 1

Urgent remedial action is required: 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 be implemented one month at the latest after receipt of the final report in the Member State's language.

Prompt remedial action is required: 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. The recommendation should be implemented three months at the latest after receipt of the final report in the Member State's language

Specific remedial action is required: 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. The recommendation should be implemented three months at the latest after receipt of the final report in the Member State's language.

Annex 2

051PO001/2.1.01/360

Financial report – Annex to payment request 1

Reporting period

01/4/2009-31/7/2009 г.

Вид разход	№ на докуме нт	Дата на документ а	Стойно ст с ДДС lv	Плаща не lv	Дата	ФИРМА
2	5	6	8	9	10	
чаша тънкостенн а оловен кристал червено вино	2559	23/04/2009	379.68	316.4	18/05/2009	
чаша тънкостенн а оловен кристал вода	1450	29/04/2009	403.68	336.4	29/04/2009	
чиния предястие 22 см	2559	23/04/2009	346.08	288.4	18/05/2009	
чиния основна 27 см	1450	03/01/1900	409.36	341.14	29/04/2009	
чиния супена с подложна чиния 18 см	1450	29/04/2009	451.8	376.5	29/04/2009	
шампаниер а със	2560	23/04/2009	108	90	18/05/2009	

стойка						
подложно каре за чиния платнено с лого	2560	23/04/2009	137.7	114.75	18/05/2009	
салфетки платнени 25x25	2560	23/04/2009	176.25	146.88	18/05/2009	
ножове готварски комплект (по 8бр)	2560	23/04/2009	288	240	18/05/2009	
дъски за разяне PVC	1450	29/04/2009	52.8	44	29/04/2009	
тиган готварски	2560	23/04/2009	156.96	130.8	18/05/2009	
Миешки препарати	1E+09	02/06/2009	1121.4	934.5	04/06/2009	
Почистващ и препарати	1E+09	02/06/2009	1425.78	1188.15	04/06/2009	
Дезинфекта нти	1E+09	02/06/2009	126	105	04/06/2009	
Ръкавици	1E+09	08/07/2009	3.32	2.77	08/07/2009	
Четки	1E+09	01/06/2009	21.98	18.32	06/06/2009	
Гъби	1E+09	02/06/2009	2.5	2.08	02/06/2009	
	1E+09	01/04/2009	7.5	6.25	01/04/2009	
Уиски	15013	15/04/2009	427.2	356	21/04/2009	
бял ром,	15013	15/04/2009	175.02	145.85	21/04/2009	
текила,	15013	15/04/2009	170.4	142	21/04/2009	
коняк,	15013	15/04/2009	76.92	64.1	21/04/2009	
бренди,	15013	15/04/2009	72	60	21/04/2009	
джин,	15013	15/04/2009	198.96	165.8	21/04/2009	
водка,	15109	22/04/2009	391.68	326.4	03/06/2009	
крем-какао,	15109	22/04/2009	44.88	37.4	03/06/2009	

коантро,	15109	22/04/2009	169.2	141	03/06/2009	
мараскино,	15109	22/04/2009	7.8	6.5	03/06/2009	
кюрасо,	15109	22/04/2009	98.04	81.7	03/06/2009	
ликьори	15109	22/04/2009	448.56	373.8	03/06/2009	
мартини	15109	22/04/2009	66.78	55.65	03/06/2009	
Бяло вино	15109	22/04/2009	256.32	213.6	03/06/2009	
Червено вино	15109	22/04/2009	256.32	213.6	03/06/2009	
Минерална вода	15109	22/04/2009	32.04	26.7	03/06/2009	
газирана вода,	15109	22/04/2009	2.4	2	03/06/2009	
безалкохолни напитки	15109	22/04/2009	106.77	88.98	03/06/2009	
Подправки	68	23/06/2009	60	50	26/06/2009	
	1E+09	30/04/2009	82.7	68.92	27/04/2009	
свински котлет	9757	16/04/2009	148.18	123.49	21/04/2009	
свински котлет	9848	25/04/2009	61.81	51.51	08/05/2009	
пилешко месо филе,	24272	16/04/2009	94.03	78.36	21/04/2009	
Агнешки котлет	9757	16/04/2009	246.42	205.35	21/04/2009	
бяла риба,	9548	07/05/2009	138.84	115.7	07/05/2009	
сьомга	1E+06	29/04/2009	402.06	335.05	08/05/2009	
сьомга	1E+06	27/04/2009	295.16	245.96	03/06/2009	
сьомга	1E+06	17/04/2009	181.78	151.48	03/06/2009	
скумрия	1E+06	29/04/2009	63.39	52.83	08/05/2009	
наденички	9881	29/04/2009	40.95	34.13	08/05/2009	
кайма	9881	29/04/2009	27.92	23.27	08/05/2009	
кайма	9848	25/04/2009	69.5	57.91	08/05/2009	

кайма	9762	16/04/2009	55.84	46.53	02/06/2009	
субпродукт и	9881	29/04/2009	55.76	54.56	08/05/2009	
шунка	42355	08/05/2009	20.08	16.74	03/06/2009	
домати,	1E+09	29/04/2009	37.44	31.2	07/05/2009	
краставици,	1E+09	29/04/2009	37.44	31.2	07/05/2009	
пресни гъби,	1E+09	29/04/2009	51.84	43.2	07/05/2009	
моркови	1E+09	29/04/2009	15.84	13.2	07/05/2009	
стар лук,	1E+09	29/04/2009	2.4	2	07/05/2009	
пресен лук,	1E+09	29/04/2009	39.48	32.9	07/05/2009	
червен лук,	1E+09	29/04/2009	14.04	11.7	07/05/2009	
тиквички,	1E+09	29/04/2009	26.04	21.7	07/05/2009	
пиперки,	1E+09	29/04/2009	57.24	47.7	07/05/2009	
картофи,	1E+09	29/04/2009	19.38	16.15	07/05/2009	
магданоз,	1E+09	29/04/2009	60.48	50.4	07/05/2009	
краве масло,	24697	30/04/2009	104.05	86.71	08/05/2009	
растително масло	1E+09	02/06/2009	4.03	3.36	02/06/2009	
сирене,	24697	30/04/2009	88.18	73.48	08/05/2009	
кашкавал,	24697	30/04/2009	67.01	55.84	08/05/2009	
хляб,	1E+09	02/06/2009	3.07	2.56	02/06/2009	
яйца	1E+09	02/06/2009	5.7	4.75	02/06/2009	
Синьо сирене	42355	08/05/2009	39.08	32.57	03/06/2009	
млечни продукти	5E+05	01/05/2009	90	75	19/05/2009	
	5E+05	12/05/2009	35.76	29.8	19/05/2009	
	5E+05	20/05/2009	35.76	29.8	04/06/2009	
	5E+05	02/06/2009	90	75	04/06/2009	

