



Interreg V-A – Estonia-Latvia

Audit of management and control systems of appropriate selection of operations

Audit No JKS-6/2016

Final Report

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REPUBLIC OF ESTONIA
MINISTRY OF FINANCE

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EXECUTIVE SUMMARY

The purpose of this audit was to assess the effectiveness of the management and control systems (herewith as MCS) of Cooperation Programme Interreg V-A – Estonia-Latvia (herewith as Programme) in administrating the project (idea) applications and selecting the operations to be financed from the Programme.

The assessment was carried out on the basis of the key requirement 2 (herewith as KR2) as defined with the Commission Delegated Regulation (EU) No 480/2014 and specified with the EC Guidance for the Commission And Member States on a common methodology for the assessment of management and control systems in the Member States (EGESIF_14-0010 18/12/2014).

By compiling the final audit opinion the auditors took into account the evidence gathered and conclusions made during the audit work.

SUMMARY OF THE AUDIT RESULTS

As the result of this audit, the Audit Authority (herewith as AA) is in opinion that the MCS of the Programme in respect of the KR2 **works, but some improvements are needed** (Category 2¹).

The detailed results by assessment criteria of the KR2 are presented in Part B of this report and the summary table of results in Annex 1.

During the audit, several recommendations were made to the Managing Authority (herewith as MA), including the following **significant**² findings:

[Finding 2.1.1. Currently, there is a criteria used that is not in accordance with the principle of non-discrimination. That criteria should be removed \(significant\)](#)

[Finding 2.1.2. Currently, there is no criteria used to assess the principles of the promotion of equality between men and women and the principles of sustainable development. That criteria should be added \(significant\)](#)

[Finding 2.1.5. Currently, there are criteria used that are not in accordance with the principle of non-discrimination. Those criteria should be removed \(significant\)](#)

¹ Category 1 – Works well. No or only minor improvements needed

Category 2 - Works, but some improvements are needed

Category 3 – Works partially; substantial improvements are needed

Category 4 – Essentially does not work.

² **Significant findings** are findings that describe an error in the auditee's MCS which has a significant effect on the possibility of fulfilling its critical tasks and requirements (this may include systemic errors). Significant findings require immediate action from the auditee's management in order to correct those errors.

Non-significant findings are findings that describe an error in the auditee's MCS which has a non-significant effect on the possibility of fulfilling its critical tasks and requirements (this may include random errors). Non-significant findings require action from the auditee's management in order to correct those errors.

Finding 2.1.6. Currently, there are criteria used that are not in accordance with the principle of transparency. Those criteria should be removed (significant)

Finding 2.4.1. Any criteria used for assessment should be matched to specific sections of the application form (significant)

Finding 2.4.2. The guidance to applicants should include the information stating which section is evaluated according to which criteria (significant)

Finding 2.4.3. There should be clear information communicating to the applicants that regardless of the assessment scores, the application can be not accepted if the Monitoring Committee decides so (significant)

Finding 2.4.4. The activities and budget should be easily understandable as divided between different partners of the project (significant)

Finding 2.4.5. Assessment of coordination and cooperation activities in the project is difficult based on the information asked currently (significant)

Finding 2.4.6. Assessment of activities as compared to reporting periods in the project is difficult based on the information asked currently (significant)

Finding 2.4.7. Assessment of publicity measures during and after the project is difficult based on the information asked currently (significant)

The auditors make the assumption that the information presented to them during the audit including both in written and verbal form describe the MCS of the Programme correctly and in accordance with its actuality. Should there exist information that was not known or not presented to the auditors at the time, the results and the opinion may have been different.

The audit has been carried out in accordance with internationally accepted internal auditing standards of the IIA – International Standards for the Professional Practice of Internal Auditing.

The final audit report will be published at the homepage of the Ministry of Finance.

The audit team wishes to thank the employees of the Programme for their cooperation and assistance during the audit work.

Final Report consists of 21 pages.

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PART A

1. Summary of the audit work

In accordance with the Article 127(1) of the CPR and the working plan of the AA for the year 2017, the AA carried out an audit on the MCS on selection of operations of the Programme during the programming period of 2014-2020. The purpose of the audit was to give an independent opinion on the functioning and effectiveness of the MCS.

The audit was carried out between 20th of December 2016 and 28th of February 2017. The audit was managed and the audit procedures carried out by a Lead Auditor of Audit Unit II of the Financial Control Department of the Ministry of Finance (herewith as FCD), Mart Pechter. The audit supervisor was the Head of Audit Unit II of the FCD, Kadi Peets.

In order to present an opinion, the MCS was analyzed and tested in accordance with the KR2 and the following sub-criteria³:

- 2.1 The MA drew up, for approval by the monitoring committee, appropriate selection procedures and criteria that:
 - o Ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;
 - o Are non-discriminatory and transparent;
 - o Take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 of the CPR.
- 2.2 Calls for applications are published.
- 2.3 All applications received are recorded.
- 2.4 All applications or projects are evaluated in accordance with the applicable criteria.
- 2.5 Decisions taken on the acceptance or rejection of applications or projects should be taken by an appropriately authorized person in the responsible designated body, results notified in writing in an agreement or decision (or comparable document) to the candidate and the reasons for acceptance or rejection clearly set out. The appeal procedure and related decisions should be published.

The audit was based on the following documents:

- Programme Manual of the Programme (1st call of proposals, updated July 2016);
- Description of the MCS of the Programme (updated on the 15th of December, 2016);
- Assessment of projects (updated on the 14th of December, 2016);
- Project idea form for consultations (2nd call);
- Guidelines for filling in the application form;
- eMS Project application drafting tool;
- Selected project idea forms and their assessment forms;

³ The criteria are described in detail in "Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States"

- Selected project application forms and their assessment forms;
- The Programme Monitoring Committee minutes.

In order to form an opinion, the following audit procedures were carried out:

- The evaluation of compliance of the criteria used for selection of project ideas and projects with the principles of the KR2;
- The evaluation of compliance of the procedures described by the MA and the Joint Secretariat of the Programme for selection of project ideas and projects with the principles of the KR2;
- The testing of compliance of the procedures described for selection of project ideas and projects with the procedures actually used in practice;
- The evaluation of the details of the practice mentioned with the principles of the KR2.

The audit work was based on the methodology developed by the FCD for the programming period of 2014-2020.

2. Sampling methodology

In order to test for the practice, seven projects were selected out of the 38 applications for full projects. For those seven projects, both project idea forms and project applications were tested along with the assessment forms and the respective minutes from the Monitoring Committee.

The projects to be tested were selected randomly, although the following conditions had to be met:

- At least one project application from each Specific Objective had to be selected;
- At least one project application that was not approved had to be selected.

3. Background information

In accordance with the Article 127(1) of the CPR, the AA shall ensure that audits are carried out on the proper functioning of the MCS of the operational programme.

For the Programme in the 2014-2020 programming period, the only previous audit of the MCS has been a Compliance audit of the MA (No III-2/2016) from 14th of December 2016 with an **unqualified opinion** on the description of the MCS.

The audit was added to the working plan of the AA for the following reasons:

- The results of Compliance audit that was previously conducted by the AA indicated that more attention has to be paid to the specifics of operation selection;
- The 1st Call for Applications had just ended, providing the auditors with a possibility for testing the results of operation selection in practice;
- The Programme was preparing to open the 2nd Call for Applications and the possible audit recommendations could be integrated to the Programme's methodology in the course of the preparation process.

4. Follow-up and monitoring

The auditee must take into consideration all the findings and recommendations presented in the Part B of this report. The MA is responsible for the follow-up and monitoring of the implementation of measures taken as a result and will report of the results in a written form. The final opinion on the implementation of measures will be given by the AA during the follow-up of its own findings. If necessary, a follow-up audit may be conducted.

PART B

FINDINGS AND RECOMMENDATIONS

Key Requirement 2: Appropriate selection of operations

As the result of this audit, the auditor finds that the MCS of the Programme limited by the KR2 **works, but some improvements are needed** (Category 2)⁴

Assessment criteria 2.1

The MA drew up, for approval by the monitoring committee, appropriate selection procedures and criteria that:

- A. ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;
- B. are non-discriminatory and transparent;
- C. take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 of the CPR.

The AA is of the opinion that the selection procedures and criteria are generally in accordance with the principles of assessment criteria 2.1, but some improvements are needed.

Findings and recommendations for quality assessment of project ideas

Finding 2.1.1. Currently, there is a criteria used that is not in accordance with the principle of non-discrimination. That criteria should be removed (significant)

In accordance with the Regulation No 1303/2013⁵, Article 125 section 3 and the Methodology for assessing management and control systems⁶, Key requirement 2.1, the criteria for the appropriate selection on procedures must be non-discriminatory.

There is a criteria for the quality assessment of project ideas that is not in line with that principle. The criteria is the following: "Is the budget balanced between the Estonian and Latvian partners?" The auditor finds that this criteria is discriminatory and there are no specifications in the particular rules of the Programme that would justify using it.

Risk: Using a discriminatory criteria will increase the possibility that the decisions made during the selection of operations will be appealed and that those appeals are successful.

⁴ Category 1 – Works well. No or only minor improvements needed

Category 2 - Works, but some improvements are needed

Category 3 – Works partially; substantial improvements are needed

Category 4 – Essentially does not work.

⁵ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013

⁶ Common methodology for the assessment of management and control systems in the Member States

Recommendation: The auditor recommends removing this particular criteria from the list used for the quality assessment of project ideas.

Comment by the MA:

We find it necessary to assess the financial (and non-financial) contribution and commitment of project partners to the project, therefore we do not agree with the removal of this particular indicative question. We propose to rephrase the question as follows: “Are Estonian and Latvian partners financially committed to the project?” in order to assess how financial commitment is planned between the partners.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that the rephrasing of question as proposed will solve the issue.

Finding 2.1.2. Currently, there is no criteria used to assess the principles of the promotion of equality between men and women and the principles of sustainable development. That criteria should be added (significant)

In accordance with the Regulation No 1303/2013, Article 125 section 3 and the Methodology for assessing management and control systems, Key requirement 2.1, the criteria for the appropriate selection on procedures must include the promotion of equality between men and women and the principles of sustainable development.

There is no criteria for the quality assessment of project ideas that would include those principles, although there is one for the full projects. The auditor finds that those principles should be assessed for the project ideas as well, since this is where the first selection of applications is made.

Risk: Not assessing the principles of the promotion of equality between men and women and the principles of sustainable development will create a likelihood that the score and a recommendation given to a project idea is incorrect.

Recommendation: The auditor recommends adding this particular criteria to the list used for the quality assessment of project ideas.

Comment by the MA:

As the programme’s main aim is not the promotion and mainstreaming of gender equality or sustainable development, these principles are assessed during the full application phase, when the complete information about the project, its aims and activities is provided. During the project idea phase, only core information about the project idea is asked, in order to identify whether the project idea meets the programme aims and contributes to the fulfillment of the programme indicators.

However, we agree that throughout the selection procedure, it is important to see that the horizontal principles are taken into account. Therefore, we propose to supplement the project idea form with the following confirmation “By signing the project idea form the lead partner confirms that the project idea is in line with the principles of sustainable development, equal opportunities and non-discrimination as well as equality between men and women”.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that adding the confirmation concerning horizontal issues to the project idea form will solve the issue.

Finding 2.1.3. There is a criteria that states the principle of reasonableness of budget. This principle should be clearly stated in the Programme manual (non-significant)

There is a criteria for the quality assessment of project ideas that is the following: “Is the planned budget reasonable in comparison with the planned activities?” The Programme Manual does not state that principle in clear terms.

Recommendation: The auditor recommends adding the information that the partners should strive for cost-effectiveness in the Programme Manual under the section 5.1 “Eligibility of expenditure” (see also finding 2.1.8).

Comment by the MA:

We agree with the recommendation to add a general principle that partners should strive for cost-effectiveness to the programme manual, section 5.1. “Eligibility of expenditure”.

In addition, we propose to phrase the indicative question as follows: “Does the planned budget correspond to the planned activities?”

Additional comment by the AA:

The auditor agrees with the explanation and concurs that both updating the manual and rephrasing of the question will be sufficient.

Finding 2.1.4. There are criteria that mention such principles as “added value” and “clear effect and mutual benefits”. It should be clarified that those can be immaterial as well as material (non-significant)

There are criteria for the quality assessment of project ideas that state the following: “Does the cross-border cooperation provide an added value for project partners?” and “Has the project clear effect and mutual benefits on both sides of the border?” In order for those terms to be non-discriminatory, it should be specified that the value, effect and benefits can be immaterial.

Recommendation: The auditor recommends adding a short clarification to those terms.

Comment by the MA:

We agree with the recommendation. The following footnote will be added to the indicative question “Does the cross-border cooperation provide an added value for project partners?”: “Added value can be immaterial as well as material”.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that specifying the questions with explanatory footnotes will be sufficient.

Findings and recommendations for quality assessment of full projects

Finding 2.1.5. Currently, there are criteria used that are not in accordance with the principle of non-discrimination. Those criteria should be removed (significant)

In accordance with the Regulation No 1303/2013, Article 125 section 3 and the Methodology for assessing management and control systems, Key requirement 2.1, the criteria for the appropriate selection on procedures must be non-discriminatory.

There are criteria for the quality assessment of full projects that are not in line with that principle. The criteria are the following:

- “Is the intensity of involvement of Estonian and Latvian partners in project activities balanced?”
- “Are total budgets of Estonian and Latvian partners balanced?”

The auditor finds that those criteria are discriminatory and there are no specifications in the particular rules of the Programme that would justify using them.

Risk: Using a discriminatory criteria will increase the possibility that the decisions made during the selection of operations will be appealed and that those appeals are successful.

Recommendation: The auditor recommends removing those particular criteria from the list used for the quality assessment of full projects.

Comment by the MA:

Following the consultations with the National Authorities of the programme, it is concluded that it would be difficult to evaluate to what extent the activities are carried out in cooperation. Instead, we suggest the new wording, including the aspect of quality of the cooperation: “Is the quality and intensity of cooperation inside the project partnership sufficient to reach the results of the project?” The quality of the cooperation among the partners should be assessed, as it is important to make sure the partnership is not artificial - everybody is interested and participating in the project. The clear statement on responsibilities would not cover this aspect.

In addition, it would be difficult to evaluate the financial “commitment”. Following the joint implementation principle as stated in the manual chapter 4.3., the new wording is suggested: „Does the share of the budget of Estonian and Latvian partners follow the principle of joint implementation of the project?”

Additional comment by the AA:

The auditor agrees with the explanation and concurs that the rephrasing of questions as proposed will solve the issue.

Finding 2.1.6. Currently, there are criteria used that are not in accordance with the principle of transparency. Those criteria should be removed (significant)

In accordance with the Regulation No 1303/2013, Article 125 section 3 and the Methodology for assessing management and control systems, Key requirement 2.1, the criteria for the appropriate selection on procedures must be transparent.

There are criteria for the quality assessment of full projects that are not in line with that principle. The criteria are the following:

- “Are the partners relevant and necessary for implementing the described activities and none of the obvious partners are left out of the project partnership?”
- “Is the partnership formed in the best interest of achieving the project objectives?”

The auditor finds that those criteria are non-transparent and there are no specifications in the particular rules of the Programme that would justify using them.

Risk: Using a non-transparent criteria will increase the possibility that the decisions made during the selection of operations will be appealed and that those appeals are successful.

Recommendation: The auditor recommends amending the first criteria by removing “and none of the obvious partners are left out of the project partnership” and removing the second criteria entirely from the list used for the quality assessment of full projects.

Comment by the MA:

Following the consultations with the National Authorities of the programme, the new wording is formulated: “Are the partners relevant and necessary (including knowledge and experience) for implementing the described activities?” The relevance is an important aspect, as partners could have some knowledge and experience, but they might be not responsible for concrete actions in the field. The Monitoring Committee can during the project idea stage make a condition on involvement certain partners, thus there is a need to have the grounds to reject the project, if the condition is not fulfilled.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that the merging and rephrasing of questions as proposed will solve the issue.

Finding 2.1.7. There is a criteria that states the principle of reasonableness of budget. This principle should be clearly stated in the Programme manual (non-significant)

There is a criteria for the quality assessment of full projects that is the following: “Is the project budget reasonable and cost efficient in comparison with the project objective and activities?” The Programme Manual does not state that principle in clear terms.

Recommendation: The auditor recommends adding the information that the partners should strive for cost-effectiveness in the Programme Manual under the section 5.1 “Eligibility of expenditure” (see also finding 2.1.3).

Comment by the MA: see also our comment to finding 2.1.3.

We agree with the recommendation to add a general principle that partners should strive for cost-effectiveness to the programme manual, section 5.1. “Eligibility of expenditure”.

In addition, we propose to phrase the indicative question as follows: “Does the planned budget correspond to the planned activities?”

Additional comment by the AA: see also our comment to finding 2.1.3.

The auditor agrees with the explanation and concurs that both updating the manual and rephrasing of the question will be sufficient.

Finding 2.1.8. There are criteria that mention such principles as “added value” and “clear effect and mutual benefits”. It should be clarified that those can be immaterial as well as material (non-significant)

There are criteria for the quality assessment of full projects that state the following: “Does the cross-border cooperation provide an added value for project partners?” and “Has the project clear effect and mutual benefits for project partners, target groups and programme area on both sides of the border?” In order for those terms to be non-discriminatory, it should be specified that the value, effect and benefits can be immaterial.

Recommendation: The auditor recommends adding a short clarification to those terms.

Comment by the MA: see also our comment to finding 2.1.4.

We agree with the recommendation. The following footnote will be added to the indicative question “Does the cross-border cooperation provide an added value for project partners?” Added value can be immaterial as well as material”.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that specifying the questions with explanatory footnotes will be sufficient.

Finding 2.1.9. There are a number of criteria that ask essentially the same question and/or can be answered by checking the same information. For the sake of clarity and ease of use, they should be merged (non-significant)

There are criteria for the quality assessment of full projects that ask essentially the same question and/or can be answered by checking the same information. The following criteria can thus be easily merged:

- “Are the activities adequately planned and specified? Are the outputs defined, quantified and measurable?” and “How logical and clear is the link between planned activities and proposed outputs?”
- “Are the planned coordination activities sufficient for successful project implementation?” and “Is the cooperation inside partnership sufficient to the nature of the project?”

Recommendation: The auditor recommends merging the criteria mentioned for clarity and the ease of use.

Comment II by the MA:

Following the consultations with the National Authorities of the programme, the new wording is formulated:

Regarding the bullet points: in principal, the suggested merging remains, but in slightly changed manner – “Are the activities (including project coordination and publicity measures) adequately planned (content and time-schedule) and specified?” This wording includes also the coordination activities.

The rephrased indicative question “To what extent the activities are carried out in cooperation?” is replaced with: “Is the quality and intensity of cooperation inside the project partnership sufficient to reach the results of the project?” The MA explanation is provided above under point 2.1.5.

Additional comment II by the AA:

The auditor agrees with the explanation and concurs that the merging and rephrasing of selected criteria as proposed will be sufficient.

Assessment criteria 2.2

Calls for applications are published.

The AA is of the opinion that the selection procedures and criteria are in accordance with the principles of assessment criteria 2.2.

No findings.

Assessment criteria 2.3

All applications received are recorded.

The AA is of the opinion that the selection procedures and criteria are in accordance with the principles of assessment criteria 2.3.

No findings.

Assessment criteria 2.4

All applications or projects are evaluated in accordance with the applicable criteria.

The AA is of the opinion that the selection procedures and criteria are generally in accordance with the principles of assessment criteria 2.4, but some improvements are needed.

General findings and recommendations for both project ideas and full projects

Finding 2.4.1. Any criteria used for assessment should be matched to specific sections of the application form (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

The auditor finds that in order for the evaluation to be consistent, there should be a clear understanding for the evaluators concerning which sections of the application contain the information necessary for using which evaluation criteria.

Risk: When the connection of specific sections of application form with specific criteria is not established, it is possible that the criteria are used in an inconsistent way and the results can be incorrect.

Recommendation: The auditor recommends establishing clearly as a comment to all criteria, which sections of application form should be used for evaluation for which criteria. For the sake of clarity, the auditor recommends matching no more than two sections to a criteria.

Comment by the MA:

When assessing the application, all provided information is taken into account – application form, if required – Justification of Investments document and information required in Annex 5 to the Manual. When communicating the programme rules and requirements to the applicants, the JS always encourages to follow the guidelines for filling the application in eMS and get in addition to acquainted with the quality assessment criteria in the Manual. However, often applicants still tend to provide information in a way, that the assessor needs to take into account the whole application to find the answers for indicative questions under assessment criteria.

It can be helpful however, taking into account also the external experts, to have such guidance. The JS will add a reference to each of the assessment criteria, regarding which fields in the application form serve as the main source of the information. In addition, it will be added in the programme manual section 6.2.2.1. Selection procedure of project applications, Quality assessment, that during the assessment the other fields of information will not be disregarded, and the whole application will be used for the evaluation.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that adding references to assessment criteria and to the manual as proposed will solve the issue.

Finding 2.4.2. The guidance to applicants should include the information stating which section is evaluated according to which criteria (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

The auditor finds that in order for the evaluation to be consistent, there should be a clear understanding for the evaluators concerning which sections of the application contain the information necessary for using which evaluation criteria.

Risk: When the connection of specific sections of application form with specific criteria is not established, it is possible that the information is provided by the applicants in patchy or incorrect way, which makes it difficult for the evaluators to provide the same consistency for each application or lengthens the process noticeably

Recommendation: The auditor recommends establishing clearly in the guidance for applicants, which section of application form will be evaluated by which criteria. This helps the applicants in providing clear and comparable information.

Comment by the MA:

The JS experience with assessment procedure, including involving the external experts, does not support the suggestion of such risk. However, with the notion, that also information in other sections of the application can be taken into consideration when assessing the application, the references can be included to the guidance text of the information fields in the application.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that adding references to the guidance text as proposed will solve the issue.

Findings and recommendations for quality assessment of project ideas

No findings.

Findings and recommendations for quality assessment of full projects

Finding 2.4.3. There should be clear information communicating to the applicants that regardless of the assessment scores, the application can be not accepted if the Monitoring Committee decides so (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

Currently, it is possible for an application with consistently high scores in comparison with the other applications to be not accepted if the Monitoring Committee decides so. The auditor finds that this aspect of the process should be stressed more thoroughly in the Programme Manual and in any guidance for the applicants.

Risk: When the applicants are not completely clear about the aspect of the choice of Monitoring Committee, there is a likelihood that the applicants who have received high marks in the assessment process and have not been accepted in the end will appeal the decisions.

Recommendation: The auditor recommends to communicate this aspect to applicants clearly and with different documents (such as the Programme Manual and other guidance) and communication channels (such as information via electronic channels and events to applicants).

Comment by the MA:

We agree to add a sentence to the programme manual, section 6.2.2.2 Decision making that high scoring percentage of the quality assessment does not guarantee that the project will be selected for support.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that clarifying this information in the manual as proposed will solve the issue.

Finding 2.4.4. The activities and budget should be easily understandable as divided between different partners of the project (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

Currently, the application form for full projects gives the main importance of understanding the budget and activities by partner to the section “Work packages”. That section, however does not allow the assessors to easily see how much and what for the different partners are spending. The section “Project budget” including “Partner budget” allows the assessors to see the spending by partner but this does not allow to easily see how the spending of different partners is combined into the spending of the entire project budget, including what costs the different budget lines per partner are made out of.

The auditor finds that in order for the evaluation to be consistent, there should be a clear understanding for the evaluators how the budget is combined by activity, by partner and by budget line as well as the content of said budget line, and how all this combines into the project budget and activities as a whole.

Risk: When the information is presented in a difficult way, it is possible that the results of assessment can be incorrect.

Recommendation: The auditor recommends simplifying the section “Work packages” so that it contains less descriptions of activities and more of a clear breakdown about which partner is spending how much by engaging in which activity. In addition, the auditor recommends adding to the section “Project budget” so that the information of which partner spends how much and on what things under each budget line would be readily accessible in one single table.

Comment by the MA:

We suggest not asking less information in the work packages, because next to the budget it is the core of the project providing much valuable information for understanding the project and assessing the criteria with the biggest weight of 30% - Objective, approach and activities.

Based on the experience from the previous programme, the JS is of the opinion that information about how every partner has planned budget for every activity would not add to weighing the quality of the application. The financial information is currently provided in a way that is well possible to assess, whether all the partners contribute as relevant to the cooperation and whether the activities and budget are adequately linked. The budget per activity group per given period in the work package is inserted manually, it does not come from budget lines in partners' budgets. The comprehensive understanding about the planned costs is formed based on the budgets lines, which descriptions can be improved if needed and requested by the JS during the technical eligibility and loose quality check. Only the few budget lines can be specified with sub-budget lines and descriptions of the services. This approach is in line with the simplifications introduced in this programming period in order to mitigate the administrative burden (e.g. the more precise the descriptions, the more deviations and requests for changes in activities and budgets there are in the course of the project implementation).

It should be noted, that the reason why the suggested view in the "Project budget" section of the application in electronic monitoring system (eMS) is not available, is that it was not regarded as needed by the parties involved in the development of the eMS platform. It is currently out of the capacity of the JS eMS manager to make these changes in the platform, as they are not minor developments. However, the JS will enquire from the developer of the eMS the options to introduce above recommended view of the budget to the platform.

Additional comment by the AA:

The auditor agrees with the explanation. However, the auditor would like to stress that the issue of having the information presented in a difficult to understand way is still present. If the eMS system sets certain limits to how the information can be presented, an inquiry should be made, as proposed by the MA, to find out the extent of possibilities. Once more information has been gathered, new decisions should be made in regards to the original recommendation.

Finding 2.4.5. Assessment of coordination and cooperation activities in the project is difficult based on the information asked currently (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

Currently, the application form for full projects does not have an easy way of assessing the coordination and cooperation activities between partners within the project, as asked by criteria. Some information about that is included in the information about partners and about work packages, but not in a consistent manner.

The auditor finds that in order for the evaluation to be consistent, there should be a clear understanding for the evaluators what information about the coordination and cooperation of partners should they assess and where that information is situated.

Risk: When the information is presented in a difficult way, it is possible that the results of assessment can be incorrect.

Recommendation: The auditor recommends either creating a separate section for explaining coordination and cooperation between partners or adding this section onto the information about partners. Conversely, if the assessment of this topic is not critically important, the auditor recommends removing the assessment criteria entirely.

Comment by the MA:

Cooperation activity is not a specific type of activity. This element is a part of all the activities and is assessed as such. Coordination activities are assessed in the frames of the Work Package Management.

The JS proposes the alternative wording for the indicative question under the assessment criteria “Partnership and cooperation intensity” “Is the quality and intensity of cooperation inside the project partnership sufficient to reach the results of the project?” Please see also the finding 2.1.9.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that rewording the criteria question as proposed will solve the issue.

Finding 2.4.6. Assessment of activities as compared to reporting periods in the project is difficult based on the information asked currently (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

Currently, the application form for full projects does not have an easy way of assessing the relation between the activities, budget and reporting periods, as asked by criteria. The connection between reporting periods and activities does not exist in any meaningful way.

The auditor finds that in order for the evaluation to be consistent, there should be a clear understanding for the evaluators how should they assess the relation between activities and reporting periods as well as where that information is situated.

Risk: When the information is presented in a difficult way, it is possible that the results of assessment can be incorrect.

Recommendation: The auditor recommends expanding the section of reporting periods to ensure that it includes information about activities as well as budget. Conversely, if the assessment of this topic is not critically important, the auditor recommends removing the assessment criteria entirely.

Comment by the MA:

We agree to exclude the indicative question “Is there a clear relation between the foreseen activities and budget under each reporting period” under the assessment criteria „Budget“.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that removing the criteria question as proposed will solve the issue.

Finding 2.4.7. Assessment of publicity measures during and after the project is difficult based on the information asked currently (significant)

In accordance with the Methodology for assessing management and control systems, Key requirement 2.4, all applications or projects are evaluated in accordance with the applicable criteria and the evaluation is applied consistently.

Currently, the application form for full projects does not have an easy way of assessing publicity measures during and after the project, as asked by criteria. There is a section “Dissemination and marketing of the project’s achievements after the project”, but the same information during the project’s duration is spread around the section “Work packages” in an inconsistent way.

The auditor finds that in order for the evaluation to be consistent, there should be an easy way for the evaluators to compare the publicity measures for both during and after the project.

Risk: When the information is presented in a difficult way, it is possible that the results of assessment can be incorrect.

Recommendation: The auditor recommends expanding the section of dissemination and marketing, describing both the measures during and after the project. The auditor also recommends leaving less information to work packages in order to minimize the doubling of information. Conversely, if the assessment of this topic is not critically important, the auditor recommends removing the assessment criteria entirely.

Comment by the MA:

We agree to exclude the indicative question “Are sufficient publicity measures planned to promote the project achievements during and after the project” under the assessment criteria „Objective, approach and activities“. The partners need to follow the publicity guidelines, and the publicity activities during the project are integral part of the other activities. The publicity measures for ensuring the sustainability of the project achievements will be assessed under the assessment criteria „Durability of project achievements“.

Additional comment by the AA:

The auditor agrees with the explanation and concurs that removing the criteria question as proposed will solve the issue.

Assessment criteria 2.5

Decisions taken on the acceptance or rejection of applications or projects should be taken by an appropriately authorized person in the responsible designated body, results notified in writing in an agreement or decision (or comparable document) to the candidate and the reasons for acceptance or rejection clearly set out. The appeal procedure and related decisions should be published.

The AA is of the opinion that the selection procedures and criteria are in accordance with the principles of assessment criteria 2.5.

No findings.

ANNEX 1 – Summary opinion of the auditee’s MCS

Key requirement	Category 1	Category 2	Category 3	Category 4
Key requirement 2: Appropriate selection of operations		X		
Summary opinion of the auditee’s MCS		X		