

Abstract

Dno: 254/54/01

THE IMPLEMENTATION OF EU FINANCING IN STRUCTURAL FUND PROJECTS DURING THE PROGRAMME PERIOD 1995-1999

This audit concerned financing from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).

The audit focused on the following main questions:

1. The amount of expenditure from the state budget on behalf of the EU during the programme period 1995-1999 and the corresponding accumulation of revenue from structural funds.
2. Aid monitoring systems and their effectiveness.
3. The effectiveness of the obtaining of revenue from structural funds.

A total of FIM 9,471.05 billion was paid from the state budget on behalf of the EU up to 30 June 2001. Revenue from structural funds totalled FIM 9,160.1 million. Payments were made on average before revenue was received. This practice resulted in interest expenses for the state. Since the EU's share of financing was about €1.7 billion, it is essential for the interest period to be as short as possible and for revenue to be received without unnecessary delay. The final amount of expenditure on behalf of the EU will be clear when the state's year-end accounts for 2001 have been completed and revenue from structural funds when the Commission has approved reports on final payment applications, which must be submitted by 30 June 2002. Receiving final payments requires a sufficient amount of qualifying expenditure and full compliance with aid conditions.

When Finland joined the EU at the beginning of the programme period, the monitoring systems needed in administering aid were not ready. These were developed and improved throughout the programme period. Trust was placed in the compatibility and effectiveness of systems without sufficient preparatory measures and checks. These factors were partly responsible for observed problems and deficiencies.

A substantial part of information on ERDF projects has been outside the Fimos monitoring system. This has complicated the reporting of payment information to the Ministry of the Interior and delayed the sending of the ministry's payment applications to the commission. The State Audit Office considers it important to develop the monitoring system so that payment applications can be sent to the Commission as soon as agreed conditions have been met.

The payment information in the project monitoring of the Ministry of the Interior and the Ministry of Labour differ by about FIM 480 million from the corresponding information in the state's accounts. Payment information has been lower in project monitoring than in account. The payment applications sent to the Commission are based on monitoring information. The State Audit Office has called for this discrepancy to be investigated in order to ensure that all expenditure qualifying for aid has been included in payment applications.

With regard to the ERDF and ESF programmes, the monitoring of the use of funds has been fragmented and left up to authorities granting aid. The conformity of information in the monitoring system and accounts must be constantly verifiable. Tallies have not been made on a regular basis, however. There has been no clear overall responsibility for monitoring, which in the opinion of the State Audit Office belongs to the Ministry of the Interior or the Ministry of Labour.

Some of the social benefits for students and other labour-market aids in ESF programmes were not recorded in the ESF project management system during the whole programme period and were therefore paid entirely from national funds. This will be visible in the final account sent to the Commission as an under-implementation of ESF financing. Thus Finland will not receive all the ESF financing to which it was entitled during the programme period. The amount of the loss cannot be calculated exactly. In the opinion of the State Audit Office, the problems observed in paying and monitoring social benefits for students and other labour-market aids should be eliminated so that ESF aid granted to Finland during the programme period 2000-2006 can be utilized in full.

In connection with the ESF clearing project a payment application for project costs which were found to be missing from the management system had not been sent to the Commission by the time of the audit. The receipt of payment is not sure.

Delays have appeared in the obtaining of revenue at both the national and Union level.

The most common reason at the national level has been the start of projects later than planned. Consequently it has not been possible to present the necessary qualifying expenditure to the Commission on schedule.

Payment applications have not always been sent to the Commission as soon as conditions have been met. This has been due to deficiencies in monitoring systems and to the fact that sufficient resources have not been available for preparing and drafting payment applications. For practical reasons multiple payments have also been combined in a single application. In order to minimize revenue delays and resulting interest expenditure, in the opinion of the State Audit Office the basic principle should be that a payment application is made for each payment as soon as conditions have been met.

With regard to EAGGF financing the Commission's payment periods have often been quite long. Of 62 payments for different measures, in 20 cases it took over 100 days to receive payment (136 days on average). The normal payment period is 60 days. The value of this revenue was about 205.7 million ecus/euros. The delay in payment was due to the following reasons, among others: lack of payment funds, slow approval of financing plan, personnel changes, disagreements concerning the calculation of aid and the freezing of payment as a result of Commission inspections. Since this involves significant revenue for the Finnish state, the State Audit Office does not consider it appropriate for the Commission's payments to be delayed by months for technical reasons related to the EU's budget or for other administrative reasons.

Determining the correctness of EAGGF revenue was difficult. This was due to the combining of multiple payments in the same application as well as constant changes in financing plans. Funds were also transferred between different programmes. In addition the Commission has divided payments because of a lack of available funds.

Owing to the unclear marking of revenue receipts it was not possible to connect all ESF revenues to programmes with certainty. The correctness of revenues could not be determined on the basis of receipts. The transparency of revenues should be improved by appending to receipt materials the cover sheet of the payment request sent to the Commission or a corresponding document indicating the amount of revenue.