

MINISTERSTWO
ROZWOJU REGIONALNEGO

DEPARTAMENT ZARZĄDZANIA
EUROPEJSKIM FUNDUSZEM SPOŁECZNYM
DZF-X-82245(1) LG/12

Warszawa, 02.08.2012

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Dolnośląski Wojewódzki Urząd Pracy
w Wałbrzychu

Wpł. 2012 -08- 09
Wysł.

L.dz. 6843

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12831

Szanowni Państwo,

W załączeniu przekazuję otrzymaną w dniu 9 lipca br. ostateczną angielską wersję raportu Komisji Europejskiej (KE) z audytu systemu zarządzania i kontroli przeprowadzonego w ramach Programu Operacyjnego Kapitał Ludzki (PO KL) w dniach 24 – 28 października 2012 r. (A-Rep numer 2011-1376) wraz ze stanowiskiem Instytucji Zarządzającej (IZ) PO KL z 20 kwietnia br. przekazanym do KE w odpowiedzi na wstępną wersję ww. raportu.

Pragnę nadmienić, iż angielska wersja raportu została przesłana w celach informacyjnych, zaś strona polska jest zobowiązana do przedstawienia KE informacji potwierdzających wdrożenie rekomendacji wynikających z ustaleń audytu w terminie miesiąca od daty otrzymania polskiej wersji dokumentu.

Zwracam się z prośbą o przekazanie do IZ PO KL w terminie **do 17 sierpnia br.** Państwa stanowiska w odniesieniu do zagadnień przedstawionych w ostatecznej wersji sprawozdania audytowego KE.

Pragnę podkreślić, iż przedmiotowy dokument ma charakter wewnętrzny i jest przeznaczony wyłącznie do informacji jednostek audytowanych, w związku z czym nie powinien być upubliczniony.

Z poważaniem

Z-CA DYREKTORA DEPARTAMENTU

Anna Mickiewicz

Załączniki: (2)

Do wiadomości:

Pani Mirosława Kwiatek, Dyrektor, Departament EFS, Urząd Marszałkowski Województwa Dolnośląskiego

Pan Dominik Patora, Dyrektor, Departament ds. POKL, Urząd Marszałkowski Województwa Łódzkiego

Pan Sylwester Zając, Dyrektor, Departament Instytucji Certyfikującej, Ministerstwo Rozwoju Regionalnego



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Figure 1: A line graph showing the relationship between the number of hours spent studying and the score on a test. The x-axis represents hours (0 to 10) and the y-axis represents score (0 to 100). The data points are (0, 0), (2, 20), (4, 40), (6, 60), (8, 80), and (10, 100). A straight line is drawn through these points, indicating a positive linear relationship.

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EUROPEAN COMMISSION
Employment, Social Affairs and Inclusion DG

Audit, Control
The Director

ARES 04.07.2012

N° 810849

Brussels,
EMPL/H3/

Mr Paweł CHORAŹY
Departament Zarządzania Europejskim
Funduszem Społecznym
Ministerstwo Rozwoju Regionalnego
ul. Wspólna 2/4
PL - 00-926 Warsaw

2012-07-09

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Subject: ESF Audit Mission from 24-28/10/2011 – Human Capital Operational Programme, CCI no. 2007PL051PO001

Ref: A-Rep number 2011-1376 (to be used in all correspondence)

Dear Mr Choraży,

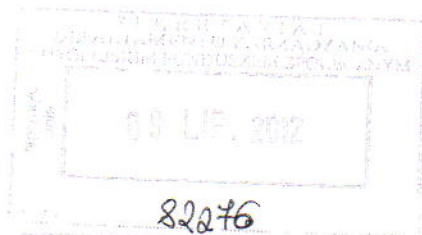
Please find enclosed the final report of the above mentioned mission, containing your comments made within the timeframe of the contradictory procedure as well as the analysis performed by the EC.

I would like to bring to your attention that the Commission's audit is now finalised and that the monitoring of the implementation of recommendations continues until all recommendations are implemented.

All correspondence related to this audit report should be addressed to me with a copy to Mr Aurelio Cecilio, head of the geographical unit involved.

Should you require any further information, please do not hesitate to take up contact with the auditor in charge of the mission.

Yours sincerely,



Francisco MERCHÁN CANTOS

Contact: Ms Magdalena Herbots, tel.: (32-2) 2986145, Magdalena.Herbots@ec.europa.eu

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.
<http://www.ec.europa.eu>

\\S-Empl-Dfs\H3-unite\5.3.1.11 Audits\@PL\2007-2013\Operational programs\@AREP 2011 1376\3. Reporting\Final report\120702
Ares928436 - cover letter final report.doc

Copies:

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Mr Aurelio CECILIO, DG EMPL/ F/4,
Ms Aida VARNAITE, DG EMPL/H/2

Encl.:

1. Protection of Personal data by DG Employment Policy Audit Units at the European Commission.
2. Final report – English version.

ANNEX: Protection of Personal data by DG Employment Policy Audit Units at the European Commission.

The main purpose of the audit on organisations or bodies carried out in the public interest by DG Employment is to provide assurance on the regularity and legality of Community co-financing, as well as to assure the adequacy of management and control systems in place.

However, information collected during an audit may sometimes also contain personal data relating to an identified or identifiable natural person (data subject) ¹ and such information may be stored and processed by the Directorate General for Employment.

In this respect, we would like to draw your attention to: "*Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data*" which sets out the key issues involved as well as individual rights as data subject.

The data subject may, upon request, obtain the communication of his personal data and rectify any inaccurate or incomplete personal data. As regards the processing of such data, the data subject has the right of recourse at any time to the European Data protection Supervisor.

¹ "personal data" shall mean any information relating to an identified or identifiable natural person hereinafter referred to as "data subject"; an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his or her physical, physiological, mental, economic, cultural or social identity



EUROPEAN COMMISSION
Employment, Social Affairs and Inclusion DG

Audit, Control
Shared Management II

Limited¹

Final Systems Audit² report for
2007PL051PO001 OP Human Capital
A-Rep N° 2011-1376³

Authorities subject to audit: Dolnośląski Wojewódzki Urząd Pracy in Wałbrzych,
Wojewódzki Urząd Pracy in Łódź

Country: Poland

Regions: Dolnośląskie, Łódzkie

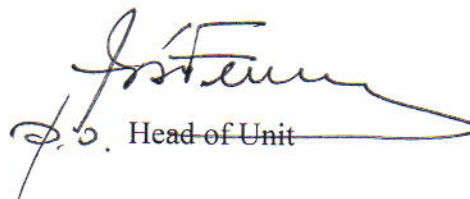
Period subject to audit: 1/1/2011 – 28/10/2011

Dates of the audit field work: 24-28/10/2011

Auditors: Magdalena Herbots, Barbara Hermanowicz

Report written on: 2/7/2012

Signature


J. S. Head of Unit

¹ Only for use within the European Union institutions, other offices and agencies established by virtue or on the basis of the Treaties, EU Member States and public administrations. Distribution on need to know basis. Not for publication.

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

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

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1. EXECUTIVE SUMMARY

1.1. Introduction

In accordance with its work plan for 2011 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 H/3, DG EMPL⁴ conducted a systems audit on the Operational Programme 2007PL051PO001 (hereafter – OP HC). Between 24/10/2011 and 28/10/2011, the ESF auditors examined the design, efficiency and effectiveness of the MCS existing during the duration of OP HC from 1/1/2011 to 28/10/2011 and implemented by the Department for the ESF Management in the Ministry of Regional Development of Poland (hereafter - the auditee).

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: None

1.3. Findings

1.3.1. Management control⁵

The management control findings are summarised below:

Finding n°	Management control issue	Reply MA/CA/AA	Conclusion EC auditors
1	KR 2 Adequate procedures for the selection of operations The value for money analysis is not applied with the required consistency ensuring that only items necessary for the project implementation at comparable and justified rates are budgeted.	Disagree	Open
2	KR 3 Adequate information and strategy to provide guidance to beneficiaries The documentation lacks clear indication of the specific requirement set by the Managing Authority.	Disagree/not applicable	Closed

⁴ DG Employment, Social Affairs and Inclusion, Directorate H: Audit, Control, Unit H/3: ESF Audits

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

1.3.2. Findings concerning specific matters

None

1.3.3. Financial findings

None

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 with minor observations:

The ESF auditors reviewed the systems in place 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 28/10/2011 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 for the following minor deficiencies which affect key element of the systems:**

- Key requirement 2: during the selection process, the value for money analysis is not applied with required consistency.

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

Category 2. Works, but some improvements are needed.⁶

The assessment, per key requirement, is as follows:

Managing Authority/Intermediary Body	Works well	Works, but some improvements needed	Works partially. Substantive improvements are needed	Essentially does not work
Clear definition, allocation and separation of functions between and within the managing authority/intermediate bodies	x			
Procedures for the selection of operations adequate		x		
Adequate information and an adequate strategy to provide guidance to beneficiaries	x			

⁶ 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.

This systems audit represents the assessment and evaluation of the design of the OP HC' 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.

3. SUBSEQUENT EVENTS

On 21 May 2012 (Ares 601189), the Polish authorities submitted their comments on the draft audit report. In particular, the Polish authorities did not accept the key audit finding related to the selection of operations.

The additional information provided in relation to the recommendation on adequate guidelines to beneficiaries has been analysed and accepted by the Commission services and the recommendation is closed.

After the analysis of the reply and the actions taken by the Member State, the Commission auditors keep the level of assurance at:

Category 2: Works, but some improvements are needed.

The assessment, per key requirement, is as follows:

Managing Authority/Intermediary Body	Works well	Works, but some improvements needed	Works partially. Substantive improvements are needed	Essentially does not work
Clear definition, allocation and separation of functions between and within the managing authority/intermediate bodies	x			
Procedures for the selection of operations adequate		x		
Adequate information and an adequate strategy to provide guidance to beneficiaries	x			

This systems audit represents the assessment and evaluation of the design of the HC OP' MCS at a specific point in time. Hence, this systems audit does not provide assurance for the future periods in view of the risk of weakening of the internal controls influenced by changes in conditions, or possible deterioration of the degree of compliance with legal requirements or procedures.

The further implementation of the remaining open recommendation will be subject to the follow up.

4. THE ENGAGEMENT CONTEXT

4.1. Legal Basis

The legal base for the audit is Articles 72(2) and 73(2) & (3) of Council Regulation (EC) No. 1083/2006.

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

Article 73(2) *"In determining its own audit strategy, the Commission shall identify those operational programmes for which the opinion on the compliance of systems under Article 71(2) is without reservations, or where reservations have been withdrawn following corrective measures, where the audit strategy of the audit authority is satisfactory and where reasonable assurance has been obtained that the management and control systems function effectively on the basis of the results of audits by the Commission and the Member State"*.

Article 73(3) *"For those programmes, the Commission may conclude that it can rely principally on the opinion referred to in Article 62(1)(d)(ii) with regard to the effective functioning of the systems and that it will carry out its own on-the-spot audits only if there is evidence to suggest shortcomings in the system affecting expenditure certified to the Commission in a year for which an opinion under Article 62(1)(d)(ii) has been provided which contains no reservation in respect of such shortcomings. Where the Commission reaches such a conclusion, it shall inform the Member State concerned accordingly. Where there is evidence to suggest shortcomings, it may require the Member State to carry out audits in accordance with Article 72(3) or it may carry out its own audits under Article 72(2)"*.

4.2. Audit scope

In line with the annual audit work programme and audit strategy for the ESF, the present audit aims at:

- following-up the implementation of recommendations issued in the DG EMPL audit A-rep 2010-1179 in relation to the selection process of call for proposals projects;
- obtaining an assurance on the functioning of the systems by assessing the reliance that can be placed on the audit work of the audit authority.

On the 28 and 29/11/2011 the MA informed that for projects selected according to the modified MA guidelines that are in force as from 1/1/2011, no expenditure has been certified to the Commission. Due to this fact, the scope of the audit has been restricted both regarding the bodies, regions, key requirements and the duration of the audit. No on-the-spot visits at the beneficiaries were carried out. The selection process of systemic project has not been covered by this audit.

The mission duration was one week.

Bodies covered: IB level 2 in Łódzkie region – Wojewódzki Urząd Pracy in Łódź and IB level 2 in Dolnośląskie region – Dolnośląski Wojewódzki Urząd Pracy in Wałbrzych. A meeting at the Managing Authority took place. The auditors reviewed the selection procedure for the call for proposal projects.

The audit covered key requirements nos. 1-3 at the above mentioned IBs level 2. A sample of call for applications and applications has been reviewed.

Limitation of scope: key requirements nos. 4-7 were not covered by the audit.

The time period covered by the audit: from 1/1/2011 till the end of the audit work.

Population concerned by the audit:

IB 2 Wojewódzki Urząd Pracy w Łodzi							
No.	Priority	No. of call	Type of call	Start date	End date	No. of applications	No. of co-financed applications
1	6.1/6.1.1	I/POKL/VI/IN/2011	open	09-05-2011	n/a	24	1
2	6.1/6.1.2	I/POKL/6.1.2/2011	open	31-01-2011	n/a	44	44
3	6.3	I/POKL/6.3/2011	open	21-04-2011	07-09-2011	161	33
4	7.2/7.2.1	I/POKL/VII/IN/2011	open	09-05-2011	n/a	21	4
5		I/POKL/7.2.1/2011	closed	05-08-2011	16-09-2011	78	no data available
6	7.2/7.2.2	I/POKL/7.2.2/2011	closed	31-03-2011	31-05-2011	7	5
7	7.3	I/POKL/7.3/2011	open	06-04-2011	26-09-2011	177	30

IB2 Dolnośląski Wojewódzki Urząd Pracy							
No.	Measure	No. of call	Type of call	Start Date	End date	No. of applications	No. of co-financed applications
1	6.1.1	I/6.1.1/A/11	closed	31.03.2011	09.05.2011	59	5
		II/6.1.1/C/11	closed	18.04.2010	23.05.2011	24	1
2	6.1.2	I/6.1.2/A/11	open	20.05.2011	24.06.2011 suspension 31.12.2011	10	10
3	6.2	I/6.2/A/11	closed	07.02.2011	24.03.2011	77	8
		II/6.2/C/11	closed	10.06.2011	18.07.2011	26	1
4	6.3	I/6.3/A/11	open	20.01.2011	24.02.2011 suspension	57	12

					24.06.2011 suspension		
					31.12.2011		
5	IN	I/VI/INN/11	closed	27.06.2011	05.09.2011	14	in progress
6	PN	III/6.1.1/PN/11	closed	30.06.2011	22.09.2011	4	in progress
7	7.2.1	I/7.2.1/A/11	closed	20.01.2011	14.03.2011	67	8
		II/7.2.1/C/11	closed	07.02.2011	28.03/2011	21	2
		III/7.2.1/E/11	closed	07.02.2011	28.03/2011	15	1
8	7.2.2	I/7.2.2/A/11	open	08.04.2011	23.05.2011	13	1
					31.12.2011		
9	7.3	I/7.3/A/11	open	20.01.2011	12.05.2011	180	36
					31.12.2011		
10	IN	I/VII/INN/11	closed	27.06.2011	16.09.2011	21	in progress
11	PN	IV/7.2.1/PN/11	closed	30.06.2011	16.09.2011	4	in progress
12	8.1	II/8.1.1/A/11	closed	31.03.2011	20.05.2011	233	44
13		III/8.1.1/C/11	closed	30.05.2011	12.07.2011	330	in progress
14		I/8.1.1/E/11	open	18.02.2011	25.03.2011 suspension	50	10
	31.12.2011						
15	8.1.2	I/8.1.2/A/11	closed	28.03.2011	09.05.2011 suspension	32	5
					31.12.2011		
16	8.1.3	I/8.1.3/A/11	open	20.05.2011	04.07.2011 suspension	7	2
					31.12.2011		
17	IN	I/VIII/INN/11	closed	20.06.2011	30.09.2011	18	in progress

Calls for applications selected for review:

- IB 2 Wojewódzki Urząd Pracy in Łódź: 1/POKL/6.1.2/2011; 1/POKL/6.3/2011; 1/POKL/VII/IN/2011; 1/POKL/7.2.2/2011.
- IB2 Dolnośląski Wojewódzki Urząd Pracy in Wałbrzych: I/6.1.1/A/11; I/6.1.2/A/11; I/6.2/A/11; I/7.3/A/11; II/8.1.1/A/11.

From the above mentioned call for applications, a sample of applications has been reviewed.

At the time of the audit, the selection process based on the modified MA's guidelines (in force as from 1/1/2011) was at the initial stage. In most of the cases, for the selected Applicants, the co-financing agreements were not finalised. Moreover, for the calls listed in the point 3.2, no expenditure had been declared to the Commission. Therefore no on-the-spot visits to the beneficiaries have been conducted.

4.3. Audit objectives

The audit objectives were to:

3.3.1 Determine the degree of the effectiveness of the MCS relevant to each authority's activities;

3.3.2 Identify the 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;
- the European and national legislations are complied with;

3.3.3 Assess the adequacy of the internal controls in place on the auditee's activities and;

3.3.4 Review whether the relationship between the OP HC's objectives and the internal controls implemented by the auditee ensure that the risks associated with delivery of the OP HC'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.

4.4. 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 HC 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 HC's execution or implementation.

A letter, announcing this audit, was sent to the Member State on 30/8/2011 (Ares (2011)92156).

The audit was planned in conformity with the audit planning requirements identified in the Structural Funds Audit Manual and 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 and other relevant information, an agenda was drawn up and sent to the Member State.

Detailed discussion, in particular, an appraisal of progress to date on the implementation of the MCS with a review of a sample of call for applications, took place with the managers and other key staff members from the Intermediary Bodies level 2 and the Managing Authority.

5. DETAILED FINDINGS AND RECOMMENDATIONS

5.1. Management and control findings:

The management and control findings are as follows:

Finding n°: 1	Key element 2: Adequate procedures for the selection of operations		
	Objective: 3.3.1		
Responsible Authority	body: Managing	Volume of funding affected by the finding: € 63,185,530	
<p>Description of the finding:</p> <p>During the review of the appraisal process of the applications received in response to the calls for applications nos. II/8.1.1/A/11 and I/6.2/A/11 in DWUP, the audit team identified that the value for money analysis was not applied by the members of the evaluation committee with the required consistency and depth ensuring that only items necessary for the project implementation at comparable and justified rates were budgeted. The examples of issues not taken up by the evaluation committees are summarised below.</p> <p>(1) Lack of consistency in applications evaluation</p> <p>Call I/6.2/A/11: application no. WND-POKL.06.02.00-02-025/11 and no. WND-POKL.06.02.00-02-015/11</p> <p>In case of similar projects (in terms of activities, target groups and number of ultimate recipients), significant variations in rates were accepted by the IB2.</p> <p>For example, the recruitment/promotion costs budgeted in one application (WND-POKL.06.02.00-02-025/11) is PLN 3,397 per person, while for another one (WND-POKL.06.02.00-02-015/11) they amount to PLN 680 per person, thus an 80% difference. A similar issue is for the hourly rate budgeted for an employment agent (<i>doraca zawodowy</i>); the rate is respectively PLN 200 and PLN 110 (45% difference) and the recruitment committee PLN 50,000 and PLN 3,150 (94% difference).</p> <p>Moreover, for both applications, the significant limitation of project team tasks (i.e. to mainly monitor and report after the distribution of grants is completed) was not reflected in the application.</p> <p>A similar issue has been established for the call II/8.1.1/A/11. The remuneration budgeted for the projects staff in applications nos. 076 and 061 varied by 136 % for the project leader (lines no. 20 in both applications) and by approximately 49 % for other staff (line 22 in the application 061 and line 21 in the application 076).</p>			

(2) Project duration

Call II/8.1.1/A/11, application no. 061

The project duration is 23 months while the Applicant plans to organise 136 training days (i.e. approximately seven months of training). Moreover, certain training can take place on the same day. Therefore, there is no justification for the project duration requested by the Applicant. Overestimated project duration increases the management costs and might adversely affect project's objective – in this case – enhancement of competitiveness potential of companies that received training.

The similar issue has been spotted in the same call for the application no. 114.

(3) Lack of justification for the cost budgeted or/and the rate

Call II/8.1.1/A/11, application no. 061

- Legal service: according to the application, the cost has been assessed based on current costs of the Applicant. As no background information has been provided, it is impossible to assess whether the cost is justified. The same applies to office materials, postal and telecommunication costs. A similar issue has been spotted in the same call for the application no. 073. For the call I/6.2/A/11 (application WND-POKL.06.02.00-02-025/11), information on how the rate has been calculated has not been provided.
- Training rooms: inflated costs in comparison with the wide range of training rooms (of acceptable standard, suitable for the groups' size) available on the market. A similar issue has been spotted in the same call for the application no. 073 and in the call I/6.2/A/11 for the application WND-POKL.06.02.00-02-025/11 (lines 1, 5, 12 and 13).
- Training on equal treatment of men and women: according to the application, at the beginning of each training, the trainer specialised in a given technical topic will briefly present the issue of equal treatment. Moreover, the participants will be given a script. The audit team has not been provided with evidence that the evaluators analysed the efficiency and the added value of the training provided the way it was proposed by the Applicant. Moreover, no information has been provided concerning the way in which the Applicant ensures that the trainer, in the field of for example electronics, has the necessary qualifications to train on the subject of equal treatment. In the application, there is no information on the length of the training or the rate paid to the trainer. Although 548 persons are to be trained, 705 scripts are budgeted. A similar issue has been spotted in the same call for the application no. 073.

(4) Appraisal process of applications

Call II/8.1.1/A/11, application no. 061

- As there was an important difference in appraisal between two members of the evaluation committee, the opinion of the third evaluator has been requested. The audit team established that evaluator no. 1 provided its opinion on 30/8/2011, evaluator no. 2 on 17/7/2011 and the third evaluator on 5/8/2011 thus before the

evaluator no. 1. Moreover, although the evaluator no. 2 noted, in point IV, that the some budget lines are doubtful and unjustified, no negotiations were suggested.

Call II/8.1.1/A/11, application no. 094

- Line no. 59 general language training: there is an inconsistency between the number of groups (10 groups*120 hours), the rate per hour budgeted (PLN 80) and the total cost budgeted (PLN 192,000);
- Lines nos. 44, 46, 49, 51 and 53 basic IT training: the price exceeds prices of similar courses on the market by approx. 20% (not including the price budgeted for placement test);
- Lines nos. 74 and 75 creation of the internet page and its update: as the whole training programme is aimed at employees from one already selected company, all communication related to the project might be done by email or published on the intranet site of the company.

Call II/8.1.1/A/11, application no. 073

- The recruitment of 50 ultimate recipients is budgeted for 5 months: no justification for the budgeted cost of recruitment meetings in line 3; no analysis proving that radio advertisements are the most suitable communication channel for the recruitment of ultimate recipients;
- Elaboration of projects identification system: no justification that the cost is indispensable for the project implementation;
- Costs of rent and charges budgeted twice: in line 28 and in indirect costs.

Risks: Inefficient use of ESF resources

Recommendation:

According to the Art 60 (a) and (b) of the Council Regulation (EC) No. 1083/2006, the Managing Authority is responsible for implementing the programme in accordance with the principle of sound financial management and, in particular, for the compliance with national and Community rules during selection of operations process and management verifications. Moreover, according to the national eligibility rules (point 3.1.1 a, b) in force as from 1/1/2011, the expenditure is eligible if, among others, is indispensable for project implementation, rational and efficient, i.e. not inflated in comparison with market rates and compliant with the sound financial management principle (best ratio between resources employed and results achieved).

As the eligibility of expenditure is assessed both at the selection and at the implementation stage during the management verifications, the Managing Authority is requested to ensure that a consistently applied value for money analysis is performed by all bodies involved in this process.

The audit team considers that it is imperative that the Managing Authority establishes guidelines and objective criteria, in a form of maximum allowable rates or salaries, in order to ensure that sound financial management is ensured throughout the selection and implementation process. The audit team understands that regional differences exist. In order to address these differences, the audit team recommends using the Eurostat data (or other reliable statistical data) in order to facilitate the process of determining

maximum levels.

For the projects applications indicated in the finding, the Commission request to be provided with evidence of the analysis made as indicated in the point 3.1.1 (a and b) of the national eligibility rules.

Deadline for implementation of recommendation: one month upon the receipt of the report in the national language

Nature of the recommendation: Urgent⁷

Comments from the responsible body (auditee):

Summary of the MA position presented in the letter of 21/5/2012 (Ares 601189)

1. The MA emphasises that for the Polish side, the key issue is to ensure a consistency in the cost-effectiveness analysis performed by all institutions participating in the project selection process and the management controls. However, the implementation by the MA of the mechanism harmonizing the rates for work and services provided within projects is extremely labour-intensive and is a long-term activity. The introduction of standardized rates for services depends on the development of uniform definitions of services provided within projects, which, given their extremely diverse nature, is a task that requires proper timing. This also applies to the introduction of uniform rates for remuneration which depends among others on the nature of the position, the experience or the complexity of the tasks performed.

From the beginning of the financial perspective, the MA seeks to implement the above mentioned solutions. In 2009, when the EC introduced the simplified cost options for the ESF, the MA took up the challenge to define a wide range of unit costs. The attempt was to value in a fair, equitable and market-related way and to standardize the cost of training, counselling, internships, apprenticeships, care for dependents, different types of studies, participation in pre-school classes and extracurricular activities, and participation in Centre for Social Integration and Social Inclusion Club. These actions have not shown the desired result. This was not only due to the problems with estimating prices at a reasonable, equitable and verifiable level, but also to the adoption of a uniform definition of services. The HC OP is composed of 10 priorities, 35 measures, translated in 58 sub-measures implemented at both central and regional levels. Detailed description of the HC OP foresees the possibility of implementing up to about 300 types of operations. The specificity of projects implemented under the HC OP assumes tailored support to individual needs of target groups. Therefore, the services offered are characterized by remarkable diversity in terms of content and price. As indicated above, the introduction of uniform rates for services depends on the establishment of uniform definitions of services offered under the projects. This, given their diversity, is a long term task. The same applies to the uniform rates of remuneration as their amount depends on many factors.

At present, the only applicable unit costs are those for language and computer training.

⁷ See annex 1

The MA will seek to introduce further unit costs. However, due to the very diverse nature of assistance offered in projects, it is not possible to implement full cost standardization for the HC OP within the timeframe suggested by the EC.

With regard to the EC suggestion regarding the use of Eurostat data (or other statistical data) as a source that takes into consideration regional differences and facilitates setting maximum rates at the national level, the MA would like to draw attention to the individual nature of support within each project, regardless regional differences. The price does not depend only on the territorial factor. Price is a derivative of many variables, and is influenced by both the region where the project will be implemented, the experience of the staff, type and size of the target group, type of support and a number of other factors that will affect the price either indirectly or directly. Moreover, the market price depends on the relationship between supply and demand, varies in time, location and characteristics of a good or a range of services. The State and institutions implementing the HC OP cannot have a direct impact on it and cannot set it arbitrary.

It is the scope of the service that mainly determines its price. The above has been addressed by the MA in the application form and guidelines. The Applicants have to present detailed description of tasks, including the training (venue, schedule, staff involved, description of the curriculum or training materials etc.).

According to the guidelines on eligibility, the expenditure should not be excessive in comparison with the market rates, and should comply with the sound financial management principle. This is one of the fundamental and most important rules on eligibility, thoroughly analysed not only at the stage of project selection, but also during the verification of payment claims and controls carried out. As from 1/1/2012, in case of a doubt, the Applicant might be requested to document the estimates presented in the application. Moreover, all issues raised by the evaluators have to be taken up during the negotiations with the Applicant.

Please be informed that in order to ensure the application of the sound financial management principle, the Polish side is developing recommendations for all institutions involved in the programme implementation. In this document, particular attention will be paid to issues concerning the cost-effectiveness of projects.

2. The position of the MA towards the allegation that the value for money analysis is not applied by the members of the evaluation committee with the required consistency and depth ensuring that only items necessary for the project implementation at comparable and justified rates are budgeted:

2.1 Lack of consistency in applications' evaluation

For both applications (015 and 025), the evaluators indicated that the expenditure budgeted is necessary to achieve projects' goals. The evaluators also pointed out that those expenses are reasonable, but in relation to the amounts, the project no. 025 is within the upper limits of price ranges in force in the Lower Silesia region. Therefore, one of the evaluators decreased considerably the number of points given. This, in the opinion of the MA, confirms that the evaluators verified individual expenditure.

- Differences in the costs of recruitment / promotion: The MA provides information on the specificity of projects under measure 6.2, which also affects the cost-effectiveness of individual activities, in particular the recruitment and

promotion. The specificity of these projects shows a great analogy to the call for proposals procedure. As in the case of call for proposal projects the purpose is to support those wishing to set up their own business. The grants are given only to persons whose recruitment forms and business plans received the highest number of points in the evaluation carried out by the Beneficiary. Projects under sub-measure 6.2 are very popular among potential recipients. It is common that a few hundred people apply for projects offering the possibility of awarding 40-50 grants for start-ups. Every application is assessed. The scope of information included in the form is set by the MA in the guidelines.

Project 025: the Applicant assumed that 250 people would submit forms. Next, 60 would be shortlisted and individually assessed by a job adviser. Finally, 40 persons would be recruited. Therefore, the recruitment and promotion of the project involved a target group of 250 people (not only 40 ultimate recipients). Given the above, it must be assumed that the cost of recruitment/promotion per participant is PLN 543. It is comparable with the project 015 (PLN 390).

- Selection committees: The committees analysed by the DG EMPL auditors had a different way of operating which had an impact on the cost of the activity. The Applicant assumed that the committee would have to review 250 applications ($250 \times 1 \text{ h} \times \text{PLN } 200 = 50,000$). In case of project 015, the Applicant assumed that the committee would have to review 100 applications and the basic unit of measure is a day per committee member ($3 \text{ members} \times 3 \text{ days} \times 350 \text{ PLN} = 3,150$). Knowing the specificity of projects under measure 6.2, as well as based on the information provided in the applications, the IB2 concluded that both Applicants' estimates are correct. It should be noted that at this stage, the information is of indicative character and the actual implementation which translates to financial issues is always verified by the IB/IB2. For the project 025 the actual cost of the works of the recruitment committee was PLN 26,642. For the project 015, due to much higher interest than planned, the resources budgeted for the committee were insufficient.
- Employment agent: When an expenditure exceeds PLN 20,000, the Applicant shall make a comparison of three offers to confirm the price. The Applicant (project 025) followed the procedure. Taking into account the possible high interest to ultimate recipients and the type of support was adopted to the needs of participants, the hired employment agent had to be a person with appropriate qualifications and experience.
- The MA does not agree that the significant limitation of project team tasks (i.e. to mainly monitor and report after the distribution of grants is completed) was not reflected in the applications nos. 025 and 015.

Application 025: project leader (full time contract); assistant to the project leader and office employee (till June 2012 full time contract, onward half time contract); accountant (till June 2012 60h/month, onwards 30/h month). The above shows that the Applicant planned to reduce staffs' working time. Furthermore, as described in section 3.3 of the application, the Applicant has planned a 12 months monitoring period (four monitoring visits at each company after the receipt of a grant). At the same time, the additional support was conditional upon positive reports verification, fulfilment of tax obligations and paying insurance fees. Therefore, according to the MA, in that

application, the tasks are correctly planned and the monitoring activities are adjusted to the stage of project implementation.

Application 015: project leader and coordinator (1/4 full time equivalent each); team member responsible for recruitment (employed for two months). The time commitment of the project staff has been estimated at a very low level, while guaranteeing the proper execution of tasks assigned to them. Further limitation would have adversely affect the project execution. A monitoring has been ensured (one visit per company). The reporting obligations are set in the co-financing agreement, so they may not be restricted or adjusted by the Applicant. The payment claim is submitted at least once every three months and includes financial data and progress report. The distribution of start-up grants does not mean that other activities will not be carried out (e.g. additional financial support, monitoring). Therefore, even after the distribution of grants, the Beneficiary has to prepare payment claims.

- Call no. II/8.1.1/A/11 (projects 076 and 061: differences in staff remuneration).

The EC's opinion is ungrounded as it does not take into consideration the differences between applications.

Application 076: two years training project; 402 persons from one company to be trained; a project team is composed of two persons (leader and accountant). The scope of responsibility of the project leader, the complexity of tasks assigned to this post and a very demanding ultimate recipient (VOLVO) fully justify the remuneration set in the project budget.

Application 061: two years project, 548 ultimate recipients from five companies. A project team is composed of three persons (leader, assistant, and accountant).

Project 076 (monthly in PLN)	Project 061(monthly in PLN)
Leader: 8,800	Leader: 4,900 Assistant: 3,700 (Total: 8,600)
Accountant: 4,900	Accountant: 3,700

As in case of the project 076, the leader performs most of the tasks assigned to the assistant in project 061, it has to be concluded that there is no significant difference between the rates applied in both projects. In case of both projects, the project management costs are within the limits set by the national guidelines.

2.2. Project duration

Application 114: not selected.

Project 061: The target group for this project are companies. The Applicant prepared the project in cooperation with companies that would receive the support in order to evaluate the possibility to send employees on training without disrupting production plans of enterprises or reducing their production capacity. All training is to be organised during the working hours. Based on the consultations a detailed timetable has been elaborated.

2.3 Lack of justification for the cost budgeted or/and the rate

Within the project, the expenditure are settled on real costs basis thus at the project

implementation stage the Beneficiaries are obliged to fully document the expenditure incurred. At the same time, during the on the spot checks the IB/IB2 verifies the accurateness of the settlement of indirect costs.

- Project 061: Following the explanatory inquiries carried out by the IB2, rates have been reduced. Legal services from PLN 400 to 270/h; stationary from PLN 550 to 400/month; postal services from PLN 450 to 250 PLN/month; telecommunication costs from PLN 500/month to PLN 0;
- Project 073: the price of legal services (PLN 150/h) has been set up after the review of three offers; stationary (PLN 350/month) has been estimated based on the experience from previous projects.
- Project 025: legal services (PLN 185/h); stationary (PLN 1,000/month) and postal services (PLN 500) have been estimated based on applications from previous projects.
- Training rooms: the assessment should always be done taking into consideration the type of support provided within the project. The training facilities are to be adapted to the size of the group and the technical conditions necessary for carrying out the training. According to the MA, the use of terms like "acceptable standard" is not accurate, does not give the basis to indicate the extent to which the implementation of training in the premises proposed by Applicants is cost-ineffective.
- Project 061: The project application has been amended and now the subcontracted provider of the training is responsible for ensuring a training room for each course;
- Project 073: The price (PLN 80/h) has been estimated based on the comparison of three offers;
- Project 025: the Applicant planned to carry out three 6 hours meetings. The amount budgeted was an estimation. The actual prices have been established at the project implementation stage. The expenditure incurred has been lower than planned;
- Line 6 of the budget (job counselling), line 10 (group counselling) and line 12 (individual counselling): the rate budgeted is the lowest one (see annex 7).
- Training on equal treatment of men and women
- Project 073: the Applicant planned to subcontract training on equal treatment for project team and trainers. The target group was from the building sector, a "typically male" industry. The training would have a positive impact on the project implementation, in particular, would enable trainers to respond on the manifestations of discriminatory behaviour, provide explanations and build egalitarian attitudes. Moreover, the Applicant had no experience in the implementation of ESF projects, which is an additional argument for carrying out the training.
- Project 061: The trainers who will later train the ultimate recipients first are to be

trained by the Applicant's employee specialised in gender mainstreaming. This solution did not generate any costs for the project. According to the Applicant, the training on equal treatment for ultimate recipients that is to be given during the actual training course will last no longer than one hour. According to the MA, the training would help to raise awareness on equality and positively affect the application of the rules in the workplace. The number of scripts will be diminished and adjusted to the actual number of ultimate recipients.

2.4 Applications' appraisal process

- Project 061: Evaluator no. 1 assessed the application on 18/7/2011. However, due to the technical mistakes, that did not affect the overall assessment, s/he was asked to revise the assessment form (annex 9). That has been done on 30/8/2011. The revision has been carried out in line with the procedures and deadlines set out in the MA guidelines. The fact that there were no negotiations with the Applicant was an omission of an incidental character. As from 1/1/2012 the MA modified the guidelines indicating that all issues taken up by evaluators had to be negotiated with the Applicant. The Lower Silesia IB2 declared having carried out additional training for evaluators. Moreover, the MA would like to stress that the rationality and cost effectiveness of expenses will be subject to comprehensive scrutiny during the payment claim reviews and on-the-spot verifications.
- Project 094:
 - Language training: its cost (PLN 192,000) is incorrect due to a typing error. The application has been amended and the correct value (PLN 96,000) is budgeted. For the IT training the IB2 consulted five training companies and the review shows that prices proposed by Applicant are not inflated. Moreover, please be informed that the rate is in line with the unit cost applied as from 1/1/2012;
 - Internet page: the company for which training is intended has no internet page. The internet page created for the project would be used among others to publish information for potential suppliers. Moreover, the use of intranet or corporate e-mail would restrict ultimate recipients' access to the information concerning the project, the use of training materials or contact with persons providing training as, most of them do not have the after-hours access. The project website is also a tool to disseminate information about the possibility of receiving financial support from the ESF, which contributed to building a positive image of the ESF in Poland.
- Project 073
 - Recruitment meetings: its purpose, in addition to presenting condition for participation, are also to familiarize the participants with the idea of renewable energy, present training offer and the benefits of using the renewable energy in the current business operations. Applicant's experience shows that renewable energy attracts little interest among the potential target group. Given the above, the Applicant planned to conduct four meetings in order to raise awareness about the benefits of renewable energy technology, and thus attract the required number of ultimate recipients. During the meetings, potential ultimate recipients

are acquainted with the issue of equal opportunities between women and men. The budget indicates that the unit cost of a recruitment meeting is PLN 400 and includes catering, renting a room and printing of materials on equal opportunities between women and men;

- Radio advertisements: The choice has been made based on the past experience of the Applicant. In the previous project, the Applicant monitored through surveys, the effectiveness of promotional activities (80% of ultimate recipients learnt about the project through radio adverts);
- Project identification system: the Applicant provided to the MA additional information on the content of the project identification system (document templates, badges, information boards, invitation templates etc.). According to the MA, this is done in order to fulfil one of the main duties of a beneficiary, i.e. obligation to provide information about the assistance received from the ESF;
- Rent: the two budget items were related to two different office premises. After the verification one of them was considered ineligible (annex no. 12).

Analysis of the reply by the Commission:

1. In its reply, the MA stated that due to diverse nature of ESF operation it is impossible to implement a full standardisation of costs in the timeframe suggested by the EC. The MA did propose neither updated schedule nor an alternative solution in order to address the risks described in the draft audit report.

The MA mentioned that it is elaborating additional guidelines for IB/IB2 where particular attention will be paid to the cost-effectiveness of projects. The MA did not indicate at what stage are the works on this document. Moreover, it is not clear what would be its added value and impact taking into consideration that all stages of the selection process are already described in detail in the MA guidelines in force.

The MA stated that as the HC OP covers a wide range of operations implemented on the whole territory of the country it is unfeasible to elaborate specifications and acceptable rates for all services and posts (salaries) that might occur in the ESF operations.

However building on the experience gained in the previous and current financial perspective it is possible to establish the list of typical services, posts (including, among others, project team members and experts like layers, psychologists, employment agents, etc.) as well as commodities for the ESF projects. This solution is already adopted by certain institutions involved in the HC OP implementation. As indicated in the Audit Authority system audit report of December 2011 some institutions involved in the implementation of the HC OP undertook action to elaborate rates for the most common positions in projects. Such a good practice has been implemented for example in IB2 Regional Labour Office in Cracow (see point 3.3.6.1.1 of the AA report). Also during the audit, the DG EMPL auditors have been provided with an example of maximum project team remuneration rates set for a specific call. In this context, the Commission services appreciate also the efforts undertaken by the MA in order to set up unit costs for IT and language training.

Such initiatives are to be considered as good practices in order to counter the lack of consistency in budget assessment. Otherwise, as indicated in the DG EMPL report and confirmed by the MA reply, various rates are accepted for the same or comparable tasks even within one call for proposals. Example of such a practice are the following:

- Member of a recruitment committee: hourly rate varies from PLN 44 to PLN 200 (point 2.1 bullet one);
- Employment agent (*doradca zawodowy*): hourly rate varies from PLN 44 to PLN 200 (point 2.1 bullet two);
- Lawyer: hourly rate varies from PLN 150 to PLN 400 (point 2.3 bullet one).

Moreover, the remuneration of the project leader in case of comparable projects differs by approx. 50% (point 2.1, bullet four).

Another issue is the size of the project team. Examples of lack of guidelines that led to inconsistencies in applications' evaluation are applications 015 and 025 (0.5 and 2 full time equivalents required to carry out comparable tasks - see point 2.1, bullet three).

Taking into consideration the above, **the Commission services uphold the recommendation**. Therefore the recommendation remains **open**.

Our conclusion is supported by the analysis of the individual issues taken up in the finding, which are presented in the point 2 below. They are based on the additional information and evidence provided by the Member State in relation to the calls for proposals enumerated in the finding. The Member State did not provide sufficient evidence to argue that the procedures applied at the stage of selection of operations ensured the adherence to the principle of sound financial management. Therefore in most cases the DG EMPL auditors upholds its position that the value for money analysis was not applied with required consistency and depth by the members of the evaluation committees and that corrective measures need to be implemented.

Issues observed by the evaluation committees' members should be compared to an adequate regional, national or local benchmark. Based on the results of the committee's work, the IB/IB2 should establish a well-reasoned negotiation position with the Applicant. Therefore the reinforcement of qualifications of appraisal committees' members and recognition of results of their work should be always present in the operational activities of the institutions implementing the programme.

2. Please find below the analysis of individual issues taken up in the finding.

2.1 Lack of consistency in applications evaluations

In the MA reply, it is indicated that the costs of project 025 are within the upper limits of the Lower Silesia's rates. This is in contradiction with the MA statement that it is impossible to set up rates. The MA is requested to provide clarification in this point.

Applications 025 and 015 (call I/6.2/A/11)

- Recruitment: The DG EMPL analysed the information provided and upholds its position. From the arguments provided by the MA, it has to be concluded that the IB2 accepted for the same type of work (recruitment committee) very different hourly rates (project 015: PLN 44; project 025: PLN 200). We understand that the number of hours depends on the specific assumptions made by each Applicant. The issue raised in the report did not concern the number of hours budgeted but the rate accepted by the IB2 for the same type of work. The argument raised by the MA that in the project 025 the recruitment committee had to present *a high professional level* and be *qualified* cannot be considered valid, as the same applies to the project 015. The DG EMPL auditors were not provided with evidence justifying a 78% difference in rate paid for the same work in two comparable projects. Moreover, even taking into consideration the

arguments that the recruitment has been budgeted in the project 025 for 250 ultimate recipients and in project 015 for 100 ultimate recipients the recalculation gives 45% difference in the cost per recruitment of an ultimate recipient (PLN 250 in project 015 and PLN 455 in project 025).

- Employment agent: The MA reply confirmed that the rate for performing the same job varied by 45% in both projects. Both project are the same in terms of content and target group, thus there is no difference in requirements and profile of employment agents to be hired;
- Project team's tasks after the disbursement of grants: The DG EMPL auditors analysed the information provided and accept it (for project 025). Nevertheless, taking into consideration that the scope of both project is the same (number of counselling and training hours, grants, number and profile of ultimate recipients), it is unclear why, as presented in the MA reply, the project team working time differs significantly (project 015: 0.5 full time equivalent + one civil law contract for 2 months; project 025: 3.25 full time equivalent (later 2.2 full time equivalent)).

Applications 076 and 061 (II/8.1.1/A/11)

- Remuneration of project leader and other staff: The DG EMPL auditors analysed the information provided and uphold their position. The scope of responsibilities of the project leader in both projects is comparable, thus their remuneration should also be comparable. In this case, there is almost 50% difference between the rates. Another issue is the size of project team members. If as shown in the project 076 two persons are enough to carry out all the tasks, the need for the third one (project 061) has to be justified.

2.2 Project duration: The DG EMPL analysed the information provided and accept it.

2.3 Lack of justification for the cost budgeted or/and rates (calls II/8.1/A/11 and I/6.2/A/11).

The DG EMPL auditors analysed the information provided and partially accept it (for training rooms and training on equal treatment of men and women in project 073). The position is upheld as for:

- Lawyer: from the arguments provided by the MA it has to be concluded that the IB2 accepted for the same type of work very different hourly rates (project 061 PLN 400; project 025: PLN 185; project 073: PLN 150);
- Stationary: the MA did not provide evidence justifying the difference in amounts budgeted for a comparable projects (e.g. project 025: PLN 1,000; project 073: PLN 350);
- Equal treatment of men and women (project 061): additional information provided by the MA was neither included in the project application nor requested during the negotiation phase;
- Project 061: the fact that the IB2 reviewed and reduced the rates budgeted shows that they were insufficiently justified (lawyer, stationary, postal and telecommunication services).

2.4 Appraisal process of applications (call II/8.1.1/A/11)

The DG EMPL auditors analysed the information provided and partially accept it (project 061: dates of the assessment made by the evaluation committee members;

project 094: cost of IT training; project 073: radio advertisements, rent and project identification system). The position is upheld as for:

- Project 061. In the view of the results of the DG EMPL and the ECA audits, the MA argument of an isolated incident, concerning the lack of negotiations with the Applicant although the evaluators raised doubts about certain elements of the project, cannot be accepted.
- Project 094:
 - Internet page: contrary to the MA statement, the ultimate recipient has its own webpage (<http://www.hamiltonsundstrand.dev.un.pl/wroclaw/pl>). In this case, the use of the ultimate recipient webpage would have the same effect and would not generate additional cost;
 - Language training: the explanation of the MA that it is an arithmetical mistake (was PLN 192,000 instead of PLN 96,000) is accepted.
- Project 073:
 - No information has been provided by the MA as for the reasons why the recruitment of 50 ultimate recipients is budgeted for 5 months;
 - Recruitment meetings: explanation not accepted as in the project application there is no information on the content of those meetings and its cost is estimated on PLN 800 each, and not as indicated in the MA's reply PLN 400.

Finding n°: 2	Key element 3: Adequate information and strategy to provide guidelines to beneficiaries	
	Objective: 3.3.1	
Responsible body: IB 2 DWUP and IB2 WUP Łódź		Volume of funding affected by the finding: PLN 4,970,878; approx € 1,242,719
<p>Description of the finding:</p> <p>Calls within the measure 6.1.2 (support for regional and local labour offices).</p> <p>During the review of the calls documentation, the audit team established that the documentation lacks clear indication of the specific requirement set by the Managing Authority. The requirement concerns the obligation of the Beneficiaries to periodically monitor and report the net increase (at the end of the financial perspective) in the level of employment of career counsellors (<i>pośrednicy pracy</i>) and employment agents (<i>doradcy zawodowi</i>).</p>		
Risks: Beneficiaries not fully aware of this specific condition and related obligations.		
<p>Recommendation:</p> <p>The IB2 should inform the Beneficiaries about the obligation of monitoring and reporting on the employment levels.</p> <p>For all future calls, the IB2 should ensure an appropriate distribution of information on all obligations set by the MA.</p>		
Deadline for implementation of recommendation: one month upon the receipt of the report in the national language		Nature of the recommendation: Urgent ⁸
<p>Comments from the responsible body (auditee):</p> <p>Summary of the MA position presented in the letter of 21/5/2012 (Ares 601189)</p> <p>For both audited IB 2, the allocation for the sub-measure 6.1.2 is exhausted, thus no further calls will be organised. According to the explanations given by the above mentioned institutions, the beneficiaries were informed about the need to maintain a net increase in the level of employment. This indicator is regularly monitored by the IB2. The labour offices are well aware about the necessity to verify the net increase in employment.</p> <p>According to the MA, the base for the calculation of the net increase is the employment</p>		

⁸ See annex 1

rate is 1/1/2008. Assessment of the net growth in employment is made for the entire period 2008-2015 (not on a yearly basis). Therefore, a temporary decrease is possible. At the same time, the drop below the reference level should be temporary and due to legitimate reasons beyond the control of the beneficiary. The ESF funds may not finance the current operation of the labour office but lead to the increase in availability of employment agents and counsellors above the level provided by national funding.

Analysis of the reply by the Commission:

The Commission services analysed and accepted the information provided. Therefore, the recommendation is **closed**.

5.2. Financial findings

None

5.3. Other compliance findings

None

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.