



Audit experiences regarding EU funds

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Control chain, role of Audit Authority

European Court of Auditors

European Commission

3rd level control (closure): **AA**

2nd level control (system audits and audits on operations):

Audit Authority

1st level control: **MA, IB**

internal controls (of the organisation)



Directorate General for Audit of European Funds

- Central budgetary organisation;
- Independent in its professional functions;
- Within the chapter of the Ministry for National Economy;
- Performs (centralised) audit authority tasks in respect of ERDF, ESF and the CF for the 2007-2013 programming period;
- Performs audit tasks for other EU and international funds (Solidarity and Management of Migration Flows, ETC, IPA, Swiss Contribution, Norwegian and EEA Financial Mechanism etc.)



DGAEF (cont.)

- Tasks: compliance assessment, strategy, planning, audit, reporting
- System audits (executed at authorities) and audits on operations (executed at beneficiaries)
- Audits on operations:
 1. Physical
 2. Financial
 3. Legal (incl. PP)



Importance of Public Procurement

- According to different calculations, 60-70% of European funds is spent through PP
- 60-70% of irregularities is connected to PP
- Hungarian answer: centralised, ex ante control of procedures above threshold



Audit difficulties

- Documents available (?)
- Interpretation of rules
- Time factor (which state of the legislation was guiding – no retroeffective effect) – EX-POST audit after years in many cases

Audit: 2013.

Declaring costs to EU: 2012.

Implementation: 2011.

Public procurement: 2010.



Most problematic areas

1. *Selection of type of procedure* (most open&transparent)
2. *Selection criteria* (no unjustified limitation; special attention in case of 1 tenderer!)
3. *Evaluation criteria* (relevant, proportional)
4. *Exclusions* (justified?)
5. *Suitability of the winning tenderer* (compared to exclusions)
6. *Contract modifications*



Types of procedures

- Negotiation without notice: in justified cases, unforeseeable cases (legislation is not, but decision of authority can be; whether usually is, except when regulated – *one-off decision of an authority?*)
- In-house procurement: if sold within a few months – should have known
- Negotiation procedure is not justified if the details of the task remain unchanged afterwards



„Artificial unification”

- Pro’s and contra’s (reasons must be objective, not only lazyness of contracting authority)
- Type of the task (building – grass), areas of work, separability
- Correlates to references (can be limitation of competition)



Selection criteria

- unjustified limitation of competition
- tailor-made for somebody?
- reference should indicate the portion of the tenderer
- equivalent certificates should be accepted (mutual recognition)
- EU-funded reference works (*construction?*, *project management?*, *PR?*)



Evaluation criteria

- Number of premises in other counties – irrelevant
- ISO certificate: selection criteria
- Criteria may be subjective but its evaluation must be based on objective categories in advance (e.g. evaluation of strategy, methodology)
- Weighing must be reasonable (price should dominate – but not always)
- Maximum limit should be set in certain cases



Cases

- Invalid because the organigram didn't contain names: bad decision if names are listed in other part of the offer
- Forgetting to cross out empty pages: reparation should have been offered, cheapest was rejected



Sanctions

1. Difference between cheapest (if valid?) and the winner
2. COCOF 07/0037/03 Guidance Note
 - how much and why
 - above and below community threshold



Part I (above threshold)

- No publicity: 100%
- Limited publicity: 25%
- Unjustified amendments: 25-100%
- Unlawful selection or award criteria: 5-100%

Part II (below threshold)

- No competition: 25%
- Unlawful selection or award criteria: 5-10%
- Breach of equal treatment: 5-10%



Recommendations

- Basically unchanged legislation
- Training and remuneration for officers
- Common database (cases, judgements, audits)
- Centralised control system
- Periodic conciliations with audit authority, COM, national authorities



Thank you for your attention!