

Annual summary covering the financial year 2009

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I the undersigned, Kaur Siruli, representative of Auditing Authority, duly designated by Republic of Estonia under the Structural Assistance Act for Period 2007-2013, Regulation no 111 of the Government of Estonia from 19th of April 2007¹, the decree of the Minister of Finance No 476 from 28th of October 2008² and Structural Assistance Act for Period 2004-2006 to produce the annual summary for Structural Actions and European Fisheries Fund "the Funds", hereby declare that:

1. Expenditure certified in the year 2009

1.1 for programming period 2007-2013

a) all expenditure has been declared via SFC2007 in the year 2009 by certifying authorities and is compliant with the criteria for eligibility of expenditure set out in Article 56 of Regulation (EC) No 1083/2006 and Article 55 of Regulation (EC) No 1198/2006 and has been paid by the beneficiaries during implementation of the operations selected under the operational programme in accordance with the conditions for the granting of public contributions under Article 78(1) of Regulations (EC) No 1083/2006 and No1198/2006.

I confirm that expenditure recorded in the national financial monitoring information systems agrees with the amounts as reported in SFC 2007, except for the following discrepancies:		
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Programme N/A	Amount N/A	Justification N/A
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1.2 for programming period 2000-2006

a) all expenditure included in Tables 1.2.1 and 1.2.2 below has been declared in the year 2009 by paying authorities as compliant with the objectives laid down in each relevant Commission decision approving the programme or project concerned and with the provisions of Regulation (EC) No 1260/1999 for the Structural Funds and Regulation (EC) No 1164/1994 for the Cohesion Fund respectively;

¹ Last amended with the regulation no 72 from 27.03.2008

² Last amended with the decree of the Minister of Finance No 155 from 8th of May 2009.

Table 1.2.1 – 2000-2006 Expenditure certified³ and declared to the Commission in the year 2009 for Structural Funds (non-cumulative amounts, in €)

EXCEL FORMAT

Operational programme	Total actually paid and certified eligible expenditure			
	Public		Private	(Total) Expenditure
	Community	Other public		
OP1 ERDF - 2003EE161DO001	0,00	0,00	0,00	0,00
OP1 ESF -2003EE161DO001	0,00	0,00	0,00	0,00
OP1 EAGGF -2003EE161DO001	0,00	0,00	0,00	0,00
OP1 FIFG - 2003EE161DO001	0,00	0,00	0,00	0,00
OP2 EQUAL – 2004EE050PC001	0,00	0,00	0,00	0,00
Grand total ERDF	0,00	0,00	0,00	0,00
Grand total INTERREG	N/A	N/A	N/A	N/A
Grand total ESF	0,00	0,00	0,00	0,00
Grand total EAGGF	0,00	0,00	0,00	0,00
Grand total FIFG	0,00	0,00	0,00	0,00
Grand total EQUAL	0,00	0,00	0,00	0,00
Grand Total	0,00	0,00	0,00	0,00

There was no expenditure certified and declared to the Commission in the year 2009 for the programming period 2000-2006. The final amounts will be certified and declared with the final payment application.

Table 1.2.2 – 2000-2006 Expenditure certified and declared to the Commission in the year 2009 for Cohesion Fund (non-cumulative amounts, in €)

Project	Total expenditure certified (public and private funding)
2001EE16PPE005 "Tallina prügila faas 2 – Pääsküla prügila sulgemine"	1 377 935,15
2001EE16PPE006 "Pärnu jäätmekäitlus"	1 693 943,41
2002EE16PPA009 „Tehniline abi transpordisektorile“	3 559 221,51
2002EE16PPE010 „Balti Elektriijaama tuhavälja nr 2 ja settetiigi sulgemine"	1 720 181,64
2002EE16PPE013 „Kohtla-Järve piirkonna kanalisatsioonivõrgustiku rekonstrueerimine“	3 095 403,15
2004EE16CPE002 „Viimsi veekorraldus“	3 241 880,99
2004EE16CPE005 „Läänesaarte alamvesikonna vee- ja kanalisatsioonisüsteemid“	10 354 127,28
2004EE16CPE007 „Emajõe ja Võhandu jõe valgala veemajandusprojekt“	19 320 719,05
2004EE16CPT002 "Jõhvi-Tartu-Valga maantee taastusremont"	2 495 843,34
2004EE16CPA001 "Toetus Ühtekuuluvusfondi juhtimisasutusele"	13 101,75
2004EE16CPT003 "E263 Tallinn-Tartu-Võru-Luhamaa maantee Vaida-Aruvalla teelõigu ja Puurmanni liiklussõlme ehitus"	20 854 968,31
2006EE16CPT001 "Muuga sadama idaosa laiendamine"	13 754 534,38
Grand total CF	81 481 859,96

³ Columns in the table are the same as Annex II of Commission Regulation (EC) No 438/2001.

2. Audit activity in the year 2009

The audit information included in sections 2.1 and 2.2 below is a complete and accurate summary of the audit activity and of the assessments given by the audit bodies concerned.

2.1 for programming period 2007-2013

As main information concerning the programming period has already been presented to the European Commission we have in the tables 2.1.1 and 2.1.2 referred to the following documents:

- concerning Operational Programmes CCI2007EE051PO001 (ESF), CCI2007EE161PO002 (ERDF/CF) and CCI2007EE161PO001 (ERDF/CF) we refer to [ACR](#)⁴ (<http://www.fin.ee/doc.php?104485>) and [Annual Opinion](#) 2009 (<http://www.fin.ee/doc.php?104473>) of Estonia which have been sent to the European Commission via SFC on 31st of December 2009.
- concerning Operational Programme CCI2007EE14FP0001 (EFF) we refer to ACR and Annual Opinion 2009 of Estonia which has been sent to the European Commission via SFC on 15th of February 2010.
- concerning Operational Programme CCI2007CB163P0050 (ETC) we refer to ACR⁵ and a disclaimer of the Annual Opinion 2009 of Estonia which have been sent to European Commission via SFC on 14th of December 2009

Table 2.1.1 – 2007-2013 Summary of audit opinions⁶

Operational Programme	Audit opinion (unqualified / qualified / averse/ disclaimer of opinion)	Material qualifications	Quantification of deficiencies/ irregularities	Measures taken (for systemic problems)	Error rates (from audits of operations)
„OP for human resource development“ (ESF) CCI number: 2007EE051PO001	Qualified opinion. For more details see the Annual Opinion, which was issued on 31st of December 2009 and forwarded to EC via SFC.	For main findings see section 4.2 and 5.2 in ACR of Estonia for 2009	See section 5.2 in ACR of Estonia for 2009 for audits of operations. For system audits see the last paragraph of section 4.3 in ACR .	See section 4.3 in ACR of Estonia for 2009. Additionally, the MA has issued a guidance note on the control of public procurement on 3rd of February	See section 5.2 in ACR of Estonia for 2009.
„OP for the development of living environment“ (ERDF/CF) CCI number: 2007EE161PO002					
„OP for the development of economic environment“ (ERDF/CF) CCI number: 2007EE161PO001					

⁴ „2009. a auditeerimise aastaaruanne auditeerimisperioodi 01.07.2008-30.06.2009 kohta. Auditeeriv asutus. Programmeerimisperiood 2007-2013“

⁵ „Annual Control Report & Opinion 2009 Estonia. Estonian – Latvian Programme 2007 -2013. Audit Authority“

⁶ List of all audit opinions and corresponding information from annual control reports issued as at 31 December of year 2009 under Article 62 of Regulation (EC) No 1083 and Article 61 of Regulation (EC) No 1198/2006, for the audit fieldwork year 1/7/2008 – 30/6/2009 (should cover all programmes). Where a Member State chooses to group programmes together for common systems, then this information can be provided by groups of programmes and indicated accordingly.

				2010.	
“OP for the European Fisheries Fund” CCI number 2007EE14FPO001	An unqualified opinion. For more details see the Annual Opinion, which was issued on 15th of February 2010 and forwarded to EC via SFC.	none	none	none	none
“OP (ETC) Estonia-Latvia Programme 2007-2013 Cross-border co-operation programme” (ERDF) CCI number 2007CB163P0050	An unqualified opinion for the Compliance of the Management and Control System Description issued and approved by EC/ A Disclaimer of Opinion is issued for the Annual Control Report	none	none	none	none

Table 2.1.2 – 2007-2013 Results of system audits performed from 1 July to 31 December of 2009⁷

Operational Programme	Date of audit	Bodies audited	Conclusion on system (unqualified/ qualified / adverse)	Material qualifications	Quantification of deficiencies / irregularities	Measures taken (for systemic problems)
„OP for human resource development“ (ESF) CCI number: 2007EE051PO001	See section 4.1 in ACR of Estonia for 2009	See section 4.1 in ACR of Estonia for 2009	See section 4.3 in ACR of Estonia for 2009	For main findings see section 4.2 in ACR of Estonia for 2009)	None (see section 4.3 in ACR of Estonia for 2009)	See section 4.3 in ACR of Estonia for 2009. Additionally, the MA has issued a guidance note on the control of public procurement on 3rd of February 2010.
„OP for the development of living environment“ (ERDF/CF) CCI number: 2007EE161PO002						
„OP for the development of economic environment“ (ERDF/CF) CCI number: 2007EE161PO001						
“OP for the European Fisheries Fund” CCI number 2007EE14FPO001	See sections 4.2 and 7.1 in ACR of Estonia for 2009	See sections 4.2 and 7.1 in ACR of Estonia for 2009	See sections 4.2 and 7.1 in ACR of Estonia for 2009	none	none	none
“OP (ETC) Estonia-Latvia Programme 2007-2013 Cross-border co-operation programme” (ERDF) CCI number 2007CB163P0050	10/08/09-10/10/09	Joint Technical Secretariate (delegated by	“Works well. Only minor improvements are needed” (Disclaimer of Opinion	none	none	none

⁷ For the 6 month period subsequent to that covered by the audit fieldwork year, i.e. the period 1/7/N – 31/12/N, material findings resulting from finalised audits should be provided.

		Managing Authority)	issued for the Annual Control Report)			
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2.2 for programming period 2000-2006

Table 2.2 – 2000-2006 Results of audits performed in year 2009

Operational Programme	System audits				Audits on operations	
	Date of audit ⁸	Bodies audited	Main findings and conclusions	Measures taken (for systemic problems)	Cumulative ⁹ expenditure checked as a % of cumulative expenditure declared	Error rates for year 2009 ¹⁰
CCI number: 2003EE161DO001 (ESF, ERDF, EAGGF, FIFG)						
ESF	13.05.2009	Labour Market Board (Implementing Agency) – follow-up review	<p><i>The purpose of follow-up review was to obtain sufficient information and perform the necessary actions, as provided in Article 38 1 f of Council regulation (EC) No 1260/1999, in order to compile a winding-up declaration</i></p> <p>Overall conclusion/ opinion: As a result of the follow-up review, the auditor was able to come to the conclusion that both the Labor Market Board and the Ministry of Social Affairs have managed the implementation of recommendations brought forth in the final audit reports on measure 1.3 of European Social Fund and the EQUAL initiative as well as the subsequent management of irregularities essentially in accordance with the laws and regulations concerning the management of structural assistance. Additionally five audit recommendations on the projects no 1.0301-0121, 1.0301-0116 and 1.0301-0128 were</p>	<p>The Labour Market Board has analyzed the open issues and the final decisions in these cases are being made.</p> <p>The Auditing Authority will review the implementation of the recommendation during the closure procedures in 2010.</p>	24,57%	0,27%

⁸ Date of issuing the audit report

⁹ Cumulative from the beginning of the programme period.

¹⁰ The error rates for programming period 2000 – 2006 will be specified in the closure report of the programming period

			<p>implemented as a result of the follow-up review.</p> <p>There were three cases, in which the recommendations had not been implemented and/or the decisions made had not been sufficiently backed by evidence. As a result, on the auditor's opinion the auditee has accepted an unjustified risk on the eligibility of expenses.</p>			
	22.06.2009	Foundation Innove (Implementing Agency) – follow-up review	<p><i>The purpose of follow-up review was to obtain sufficient information and perform the necessary actions, as provided in Article 38 1 f of Council regulation (EC) No 1260/1999, in order to compile a winding-up declaration</i></p> <p>Overall conclusion/ opinion: As a result of the follow-up review, the auditors have reached the conclusion that Foundation Innove has substantively applied the recommendations set in the final reports of audits carried out on the Measure 1.1 of European Social Fund and has substantively treated irregularities in accordance with the law.</p> <p>However, during the follow-up review the auditors identified five cases where the recommendations had not been applied and/or the decisions of Foundation Innove had not been sufficiently argued. In those cases, the auditors' estimation is that the auditee has accepted unreasonable risks, including the risks for the eligibility of costs.</p>	<p>Foundation Innove has analyzed the open issues and the final decisions in these cases are being made.</p> <p>The Auditing Authority will review the implementation of the recommendation during the closure procedures in 2010.</p>		
ERDF	18.05.2009 (report to the Implementing Authority) 27.05.2009 (report to the Implementing Agency)	Environmental Investment Centre (Implementing Agency) and Ministry of Economic Affairs (Implementing Authority)	<p><u>Implementing Authority</u></p> <p>Overall conclusion/ opinion: the management and control system of the Ministry of the Environment as the Implementing Authority for the National Development Plan measure 4.2 „Development of environmental infrastructure” give in all material respects reasonable assurance on the proper implementation of structural funds, but still need improvements in the area of reporting irregularities.</p> <p>Main finding: the non-compliance with the obligations of the final recipient has not been reported to auditing authority and the percept has not been submitted to the final recipient for misuse of the assistance.</p>	<p>Percept has been issued to the final beneficiary 27.03.09 and the Implementing Authority and Ministry of Finance have been notified.</p>	18,72%	0,38%

			<p><u>Implementing Agency</u></p> <p>Overall conclusion/ opinion: essential shortcomings occur in the management and control systems of Environmental Investment Centre as an implementing agency for NDP measure 4.2 „Development of environmental infrastructure” in the fields of legality checks of public procurements and executing on-the-spot checks and supervision. These areas in the management and control systems need improvements. The FCD will enlarge the audit scope and carry through additional substantial testing by the final beneficiaries during summer 2009 to assess the extent of possible misconduct in public procurements (the audit report of 02.11.2009 below). Main findings:</p> <ol style="list-style-type: none"> 1. Lack of audit trail in the check-lists of the implementing agency – no sound evidence that the implementing agency has checked the compliance of the final beneficiary’s public procurements to the Public Procurement Act. 2. Ministry of Finance has not been notified of the non-performance of the obligations of the final recipient. Percept has not been submitted to the final recipient on the issue of partly missing object. 3. The audit trail of on-the-spot checks does not include enough information on the substance and quality of the checks. 	<p>1. Implementing Agency has implemented a detailed check of public procurements in major projects for the period 2007-2013 in its procedures.</p> <p>2. Percept has been issued to the final beneficiary 27.03.09</p> <p>and the Implementing Authority and Ministry of Finance have been notified.</p> <p>The Auditing Authority will review the implementation of the recommendation during the closure procedures in 2010.</p>		
	02.11.2009	Environmental Investment Centre (Implementing Agency) and beneficiaries of selected projects	<p>Overall conclusion/ opinion: although the systems audit of Environmental Investment Centre as an implementing agency for NDP measure 4.2 „Development of environmental infrastructure” revealed problems with the audit trail to prove sufficient legality checks of public procurements (audit no I-78/2008), the substantial testing of projects in audit no I-91/2009 found no systematic significant shortcomings in the public procurements of final beneficiaries.</p> <p>No major findings.</p>	N/A		
	06.11.2009	Enterprise Estonia	<p>Overall conclusion/ opinion: the management and control systems of Enterprise Estonia as the 2nd level Implementing</p>	1.-2. - Enterprise Estonia agreed and will implement		

		(Implementing Agencies)	<p>Body for NDP measure 4.6 „Local Socio-Economic Development” are not sufficient enough in controlling the legality of the public procurements executed by the final recipients.</p> <p>Main findings:</p> <ol style="list-style-type: none"> 1. The check-lists do not give sufficient assurance that the Implementing Agency has checked the compliance of the final beneficiary’s public procurements to the Public Procurement Act. 2. The definition of the tender documents is not sufficiently specified therefore the unified approach to control tender documents is not ensured. 3. Due to insufficient supporting documents it was not possible to gain assurance on the legality of the procurement. 4. Principles of calculation of value of public procurements is not taken into account in calculating the estimated total value of public procurement 5. Type of the procurement procedure is not justified 6. The terms and conditions of the procurement contract do not confirm to the contract notice. 7. Information in the register published on the web site of the register is incorrect 8. The final beneficiary has not followed good public procurement practice ensuring the financial resources were used in the most rational and economic manner possible and conducting negotiations with regard to the tenders with at least three tenderers. 	<p>the recommendations made by auditors.</p> <p>3. Enterprise Estonia did not agree arguing that it is the role of the Public Procurement Office (PPO) to decide if the rules of the procurement have been violated; it is not possible for the IA to decide on that matter.</p> <p>4.-8. IA did not agree, arguing that according to the Structural Assistance Act for the programming period 2004-2006 IA did not have the obligation to check the legality of the public procurements and that it is the task of the Public Procurement Office.</p> <p>The Auditing Authority will review the implementation of the recommendation during the closure procedures in 2010</p>		
EAGGF	N/A – no system audits carried out in 2009				6,33%	0,023%
FIFG	N/A – no system audits carried out in 2009				15,52%	0,00%
2004EE050PC001 Community Initiative Programme EQUAL	N/A – no system audits carried out in 2009 (see also ESF)				19,02%	0,00%
CF Overall assessment	04.09.2009	Environmental Investment	Overall conclusion/ opinion: the system of ex ante control of payments for the CF projects in 2004-2006 programme period is	N/A	55%	0%

		Centre (Implementing Agency)	sufficient. The tests performed during the audit assure that the existing internal control system of EIC is capable of preventing the payments of non-eligible expenditure. No major findings.			
	17.12.2009	Ministry of Economic Affairs and Communications (Implementing Authority), Tallinn Airport Ltd (Implementing Agency)	Overall conclusion/ opinion: the management and control systems of Implementing Agency could have been more efficient at the time of the project implementation (e.g. CF project implementation procedures were not updated and some sub-chapters are not sufficiently described; on replacement no clear separation of duties between IA and beneficiary). During the management and control systems audit the auditor made few insignificant observations that do not have financial impact. No major findings.	Implementing Agency has updates the procedures for implementing CF projects, incl. replacement procedures		
	18.09.2009	Ministry of Economic Affairs and Communications (Implementing Authority), Tallinn Airport Ltd (Implementing Agency)	Overall conclusion/ opinion: the management and control systems of Implementing Agency could have been more efficient at the time of the project implementation (e.g. CF project implementation procedures were not updated and some sub-chapters are not sufficiently described; on replacement no clear separation of duties between IA and beneficiary). During the management and control systems audit the auditor made few insignificant observations that do not have financial impact, but they are related to the functioning of management and control systems. No major findings.	Implementing Agency has updates the procedures for implementing CF projects, incl. replacement procedures		
	17.12.2008	Ministry of Economic Affairs and Communications (Implementing Authority), Estonian Road Administration (Implementing Agency)	Overall conclusion/ opinion: the management and control systems of ERA (IA) and MoEAC (Implementing Authority) could have been more efficient at the time of the project implementation (e.g. no exact separation of duties between IA and beneficiary, procedures of checking and approving final report of works and final report of FM are not in compliance between ERA and MoEAC, procedures of payments and repayments are not sufficiently described). During the management and control systems audit the auditor made few insignificant observations that do not have financial impact, but all these mistakes are related to the functioning of management	During the audit ERA forwarded up-dated procedures that were signed on 10/09/2008 by General Director of ERA. Most of observations made during this audit were covered by the up-dated procedures. Implementing Authority has up-dated project files.		

			<p>and control systems. Findings:</p> <ol style="list-style-type: none"> 1. The management and control systems did not specify separation of duties between the Implementing Agency Road Administration (2nd level intermediate body) and the final beneficiary (Road Administration) 2. Procedures of checking and approving final report of works and final report of FM are not in compliance between Implementing Agency and Authority. 3. Project files in Implementing Agency do not contain copies of signed Amendments of Contracts. 			
	30.03.2009	Ministry of Economic Affairs and Communications (Implementing Authority), Estonian Road Administration (Implementing Agency)	<p>Overall conclusion/ opinion: the management and control systems of ERA (IA) and MoEAC (Implementing Authority) could have been more efficient at the time of the project implementation (e.g. no exact separation of duties between IA and beneficiary, procedures of checking and approving final report of works and final report of FM are not in compliance between ERA and MoEAC, procedures of payments and repayments are not sufficiently described). During the management and control systems audit the auditor made few insignificant observations that do not have financial impact, but all these mistakes are related to the functioning of management and control systems.</p> <p>No major findings.</p>	N/A		
	26.05.2009	Ministry of Economic Affairs and Communications (Implementing Authority), Estonian Maritime Administration (Implementing Agency)	<p>Overall conclusion/ opinion: The management and control systems of MoEAC and EMA give reasonable assurance on the proper implementation of the project and use of Community assistance. During the management and control systems audit some insignificant observations were made that do not have financial impact (Manual of the CF project implementation and Manual of Structural Fund Accounting Rules of Estonian Maritime Administration need to be up-dated).</p>	N/A		

3. Overall Analysis

Based on the results of audit activities performed in 2009 the management and control systems work but some improvements are needed. Several recommendations were made to improve the national management and control systems. The audit findings and recommendations will be followed up in 2010.

Some risk areas were detected in management and control systems of OP No CCI2007EE051PO001, OP No CCI2007EE161PO001, OP No CCI2007EE161PO002 and OP No CCI2003EE161DO001 (hereafter applies to the listed 4 OP) in relation with the management controls of public procurements (carried out by the final beneficiaries) performed by the 2nd level intermediate bodies. Identified risks refer to a systemic problem in public procurement – in most of the implementing bodies the management verification procedures were not systemic in controlling the compliance with public procurement rules, scope of the examination was different among the bodies and was with low level of detail. As a result the implementing bodies have a limited capability of detecting breaches against the public procurement rules. The findings of system audits were supported by the results on the audits of operations which detected irregularities concerning public procurements.

Some of the system audits and sample checks on expenditure of programming period 2004-2006 projects are not yet finalised, but Auditing Authority has already brought the issue to the attention of the Managing Authority and has made several recommendations to address the problem. Additionally the Auditing Authority has consulted Managing Authority, Implementing Agencies and Authorities on how to define the scope of the controls of public procurements and what to consider in implementing these controls. The issue is discussed in more detail in the ACR sections 4.3 and 5.3 and in the Annual Opinion.

The Managing Authority has addressed the recommendations made and issued further guidance to the bodies responsible for implementing the OPs. According to the agreement made on the meeting on supervision issues on 11th of December 2009 the MA expects the Implementing Agencies to implement the issued guidance and check-list during three months (by the end of April 2010).

No financial impact can be calculated based on the audits of management and control systems, however financial corrections will be made based on the results of the audits of operations which detected irregularities in public procurement rules.

As a result of the audits carried out in 2009, cases of irregularities were detected and reported to the European Commission. Cases of irregularities have been treated satisfactorily by taking into use preventive measures and by making necessary financial corrections.

4. "Overall level of assurance" statement

According to the Financial Regulation the „Overall level of assurance“ is not required within the Annual Summary. Furthermore the auditing requirements for the 2000-2006 period did not foresee this kind of overall opinion to be given. Therefore we have chosen not to give such „overall level of assurance“ statement.

However opinion regarding the use of Structural Funds in the period 2007-2013 can be found in the Opinion and the ACR referred above.

/digital signature/

Kaur Siruli
Head of Auditing Authority
Head of Financial Control Department,
Ministry of Finance of Estonia
15.02.2010