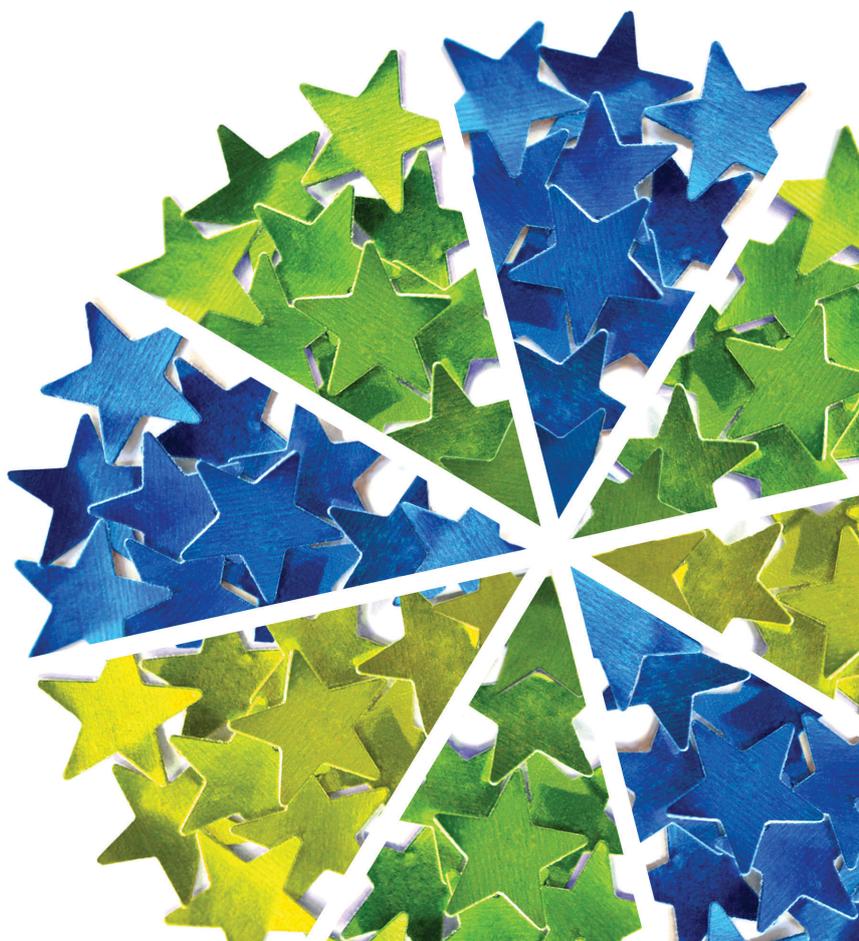




EU Structural and Investment Funds  
2014–2020 and beyond

*Deloitte's insights*





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# Welcome



European Structural and Investment Funds (ESI Funds) play a key role in reducing regional disparities in terms of income, wealth and opportunities by stimulating economic and social development in the EU.

As the next programming period of Cohesion Policy Programmes starts in 2014, a number of significant changes will be introduced. These include:

- Simplification and harmonisation of rules with other Common Strategic Framework (CSF) Funds;
- An increased focus on results;
- More focus on e-Cohesion and administrative burden reduction;
- Increased use of Financial Instruments; and
- Ex-ante conditionalities (for example, Smart Specialisation Strategies).

The EU and its Member States need to demonstrate that the funds are used in an effective and timely manner, identify steps for improved coordination to deliver an integrated approach for the delivery of Programmes and ensure that EU investments are targeted to realise Europe's long-term goals for growth and jobs.

Deloitte has been providing services to the European Commission and other EU Institutions for more than quarter of a century. We also have dedicated ESI Funds teams in all 28 Member States that work closely with Managing, Certifying and Audit Authorities, intermediate bodies, grant beneficiaries and other stakeholders.

We believe that our proven technical skills and vast experience, combined with our extensive geographic coverage puts us in an ideal position to provide the European Commission, European Investment Bank and national stakeholders involved in the design, delivery and control of ESI Funds programmes, with the services necessary to fully realise their objectives.

Please feel free to contact any of the core team members listed in this document with any ideas, issues or questions you may have.

We look forward to working with you.

**Richard Doherty**  
**Lead Client Service Partner, European Institutions**

# Deloitte services

## European Union

For more information about Deloitte's services for European institutions, please visit:  
[http://www.deloitte.com/view/en\\_BE/be/industries/publicsector/european-institutions](http://www.deloitte.com/view/en_BE/be/industries/publicsector/european-institutions)

### **Deloitte is one of the world's largest professional services firms**

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients in multiple industries. With a global connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. With approximately 200,000 professionals and global annual revenues of about €24 billion, Deloitte is committed to becoming the standard of excellence for the professional services industry.

### **Deloitte has vast experience of delivering projects for and with the European Union**

Deloitte has been providing services to the European Commission and other EU Institutions for more than a quarter of a century. With dedicated teams in all 28 EU Member States and in candidate countries, Deloitte can support clients in the following areas:

- Strategy and policy;
- Project and Programme Management Assistance;
- Audit, internal controls and risk management services;
- Performance improvement, organisation and process change;
- Technology advice and implementation; and
- Financial management services.

### **Deloitte's comprehensive services for ESI Funds**

ESI Funds constitute one of the EU's most important policies and areas of expenditure. Deloitte works closely with EU institutions, Member States' national authorities and fund beneficiaries in order to ensure the proper and efficient use of Structural Funds to deliver real improvements for citizens.

Deloitte offers a multidisciplinary approach for the management and administration of ESI Funds at EU, Member State and sub-Member State level. Across the EU, Deloitte provides a wide range of strategic advisory, implementation, project management and audit and control services to Managing, Certifying and Audit Authorities and project beneficiaries. As a consequence, Deloitte can deliver our proven best practice methodologies and services across the EU, helping national authorities to develop, implement and monitor ESI Funds activities as well as providing advice on grants to the public sector and corporate entities.



# Deloitte services

## Strategic Advisory Services for Operational Programmes

### Market challenges

The main goal for the 2014-2020 funding period is **smart, sustainable and inclusive growth** which will reinforce the EU's growth strategy **Europe 2020**<sup>1</sup>. Efficient translation of this goal into Operational Programmes and Partnership Agreements can be challenging. *Ex-post* evaluations of the current 2007-2013 financial perspective and *ex-ante* evaluations for the 2014-2020 programming period provide valuable insights to enhance future programmes.

The development and implementation of the 2014-2020 programmes will create its own unique challenges for national authorities and beneficiaries. The **Common Strategic Framework (CSF)** sets out the regulatory framework for the delivery of future ESI Fund programmes in Member States. The CSF provides the strategic direction of the programming process:

- To achieve an **integrated development approach**;
- To use the Common Strategic Framework funds of ERDF, ESF, Cohesion Fund, EAFRD and EMFF, under shared management in a **coordinated manner** with other Union instruments and policies;
- To **reduce administrative** costs and burdens;
- To align with the objectives and headline targets of **Europe 2020**; and
- To take full account of **key territorial challenges and local and sub-regional approaches**, in particular through Community-Led Local Development (CLLD).

### How can our expertise help you to make the difference?

At an EU level, we provide the European Institutions involved in the development of the ESI Funds policy with a wide range of services including preparatory studies, administrative simplification projects, impact assessments, ex-post and ex-ante evaluations and the development of new concepts that will affect the development and implementation of ESI Funds for the 2014-2020 programming period.

Deloitte contributes as a professional services provider to the elaboration and delivery of ESI Funds' policy, sharing Europe-wide expertise from which our clients at national level can benefit.

At the national and regional levels, we have an excellent track record in advising administrations and Managing Authorities on **choosing the right operational objectives and priorities for their ESI Funds programmes** to reap the full benefits from EU funding in order to drive the socio-economic development of their regions and countries.

<sup>1</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

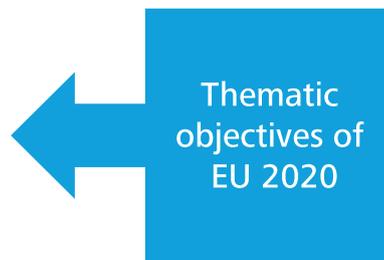


Deloitte offers a wide range of professional services in areas related to programme design, advice on Operational Programme development and the evaluation thereof. We provide analysis, strategic insights and policy solutions to decision makers in government and European Commission in the following policy areas:

- Research and development;
- ICT access and use;
- Competitiveness of SMEs;
- Low carbon economy;
- Climate change adaptation;
- Environment and resource efficiency;
- Sustainable transport;
- Employment and labour mobility;
- Social inclusion;
- Education, skills and lifelong learning; and
- Efficient public administration.

As well as providing a wide range of services to mainstream ESI Funds, we have also carried out work in the field of **Territorial Cooperation**, the Cohesion policy initiative which aims to stimulate interregional and transnational cooperation in the European Union.

We are experienced in **ex ante, interim and ex-post evaluation of operational programmes and development plans**, and thereby provide recommendations to administrations on the modification, redesign and implementation of their programmes. Deloitte has also been involved in carrying out ex-ante assessments for the use of Financial Instruments for the 2014-2020 programming period.



EU Cohesion Policy for 2014-2020 has a strong focus on research and development. **Smart Specialisation** is **ex-ante conditionality** for the new programming period. We have designed a Smart Specialisation Strategy methodology to assist regions to develop their innovative potential, ensure that their strategies are in line with regional needs and support regional competitiveness to help achieve improved economic growth. Representatives of DG Regio expressed a positive opinion regarding Deloitte methodology.



## Examples of Deloitte's expertise in Strategic Advisory Services for Operational Programmes

EU Cohesion Policy for 2014–2020 has a strong focus on research and development. Smart Specialisation is an ex-ante conditionality for the new programming period. Every Member State is obliged to design national and/or regional strategies that highlight its innovative potential. Deloitte Poland was selected to develop a Smart Specialisation Strategy for the Lodzkie region. Representatives of DG Regio expressed a positive opinion regarding Deloitte methodology.

For the 2014–2020 programming period, the European Commission requires Member States to carry out ex-ante evaluations to improve the quality and design of each programme funded by ERDF, ESF and Cohesion Funds. Deloitte UK supported the Scottish Government in carrying out tasks related to the ex-ante assessment of Financial Instruments in its 2014–2020 ERDF and ESF Operational Programmes. Services provided included:

- The analysis of market failure and investment needs;
- Appraisal of options for the delivery of interventions; and
- Assessment of the value added by Financial Instruments on their consistency and the assessment of lessons learnt from other Programmes.

Deloitte France is supporting several authorities with the following preparations for the 2014–2020 programming period:

- The strategic territorial analysis for the Pays de la Loire and Provence Alpes Côte d'Azur regions; and
- Assistance to the national coordination for the future partnership contract 2014–2020 for DATAR (Inter-ministerial delegation for spatial planning and regional attractiveness).

Deloitte Hungary has won the contract to conduct the Strategic Environmental Assessments (SEAs) for all 2014–2020 Operational Programmes in Hungary.

Our team will carry out the SEAs and make recommendations for any changes to the programmes as appropriate. The objective of the SEA is to describe, identify and assess the likely significant effects on the environment of implementing the programmes. This will be incorporated into the preparation of the programmes to help provide information to assess the environmental challenges and considerations for the programmes.

Deloitte Slovakia supported the national Ministry of Economy to prepare the Competitiveness and Economic Growth Sectoral Operational Programme for the period 2007–2013. Deloitte advised on selecting the most appropriate policy objectives and priorities for the Operational Programme. This ensured that the socio-economic needs were addressed in the region. Activities undertaken included:

- The assessment of the economic development conditions in Slovakia including macro and socio-economic analysis;
- Defining Operational Programme priorities for investment;
- Setting indicators to accomplish specific and operational priorities preparation of the financial plan of the operational programme;
- Preparation of the management system of the Operational Programme; and
- Proposal of using technical assistance for the needs of operational programme, to assess the compliance of operational programme with related legislation of EU.

Deloitte France was appointed by the region of Bourgogne to conduct an ex-ante evaluation of the operational programme ERDF 2007–2013 (“Regional Competitiveness and Employment”). The evaluation helped the Managing Authority to build a coherent programme and ensured that the programme was strongly oriented towards contributing to the Union’s strategy for economic growth.

Deloitte Slovakia provided a wide range of services for the management and implementation of the Operational Programme ‘Transportation 2007–2013’. These included:

- Programme and project cycle management;
- Analysis of strategic documents;
- Evaluation and monitoring;
- ITMS (information technology monitoring system) and work duty management;
- Organisational audit; and
- Evaluation of project preparation levels and methodological guidance on the application of national and EU regulations and rules in the area of financial management.

Deloitte carried out an assessment of the Public Procurement System in Romania on behalf of DG Regio. This project aimed to improve the cooperation, collaboration and work practices between Romanian stakeholders involved in public sector procurement. This project will assist the European Commission and Romanian national authorities to make the necessary changes that will result in increased absorption rates of ESI Funds for the future programming periods.

Deloitte Romania undertook the interim evaluation of the Increasing Economic Competitiveness Operational Programme on behalf of the Ministry of Economy, Trade and Business Environment. The aim of the project was to analyse the Operational Programme’s implementation in terms of efficiency and effectiveness.

Our team carried out the following review activities:

- Evaluation of implementation of recommendations from previous programme evaluations and communication plans;
- Programme performance;
- Integration of cross-cutting themes;
- Programme Implementation and management; and
- Analysis of Priority Measures Plan for accelerating expenditure of EU funds and provisions for increasing absorption levels.

Deloitte Spain provided advisory services for the JESSICA fund manager in Andalucía. This included conducting an eligibility study in the area of sustainable urban development.

# Deloitte services

## Implementation and administration of Operational Programmes

### Market challenges

The Member States have indicated that the complexity of managing overlapping programming periods and lack of administrative capacity in both Managing Authorities and beneficiaries are major obstacles to the efficient and effective implementation of ESI Funds' programmes. Lack of timely and appropriate use of the funds may lead to penalties and, crucially, a future loss of funds for economic and social development.

For the 2014-2020 period, there are a number of important changes to the design and implementation criteria of Operational Programmes. Member States will focus activity on a **limited number of thematic areas** that will contribute to economic and social development. **Partnership Agreements** and **Operational Programmes** should be consistent when setting indicative allocations per thematic objective.

**Ex-ante conditionalities** for the 2014-2020 programming period are directly linked to factors that determine the effectiveness of ESI Funds. Ex-ante conditionalities seek to ensure that the necessary preconditions for investments to flourish are in place. Four types of preconditions can be identified: (i) regulatory, (ii) strategic, (iii) infrastructural-planning and (iv) institutional.

**E-Cohesion and administrative burden reduction** criteria are part of the **simplification process** and **streamlined delivery** system for the 2014-2020 programming period. Member States should ensure that all exchange of data between Managing, Certifying and Audit Authorities, Intermediate Bodies and project beneficiaries be carried out solely by means of electronic data exchange systems.

The detailed management of programmes that receive support from the ESI Funds is the responsibility of the Member States. For the new programming period, **Managing, Certifying and Audit Authorities** will have new functions and responsibilities.

There will be more flexibility in the establishment of programmes and systems, for example in the merging of the functions of Managing and Certifying Authorities.

### How can our expertise help you to make the difference?

#### Programming services

Deloitte's broad range of services addresses the needs of Managing Authorities, Intermediate Bodies and other organisations delivering programmes and projects funded by ESI Funds. At both national and regional level, **we support project design and selection**, as well as **organisational and financial management of ESI Funds** for Managing Authorities by helping them to strengthen their planning process development, reporting and control systems.

The successful implementation of ESI Funds Operational Programmes and the increased absorption rate of EU funds are largely dependent on the effectiveness of Member States' administrative systems as well as the ability of beneficiaries to access funds and implement projects successfully.

Deloitte can offer the following services:

- Overall review of the implementation and expenditure of Operational Programmes;
- Verification of coherence between policy goals and investment and setting out how the funds can help achieve the EU's policy objectives;
- Financial control of Structural Funds and on-the-spot verifications;
- Advice on compliance requirements such as State aid and public procurement;
- Business process review and streamlining of administrative processes and procedures;
- Feasibility study development;
- Review of the project pipeline and development of new project concepts;
- Identification of other avenues of project co-finance;
- Project management skills including financial management;
- Building staff capacity to manage programmes and projects more effectively; and
- Design and development of Management Information Systems.

We are familiar with the European Commission's **IT monitoring system architecture**. Recently, we helped DG REGIO to establish "clearing houses" of information at the regional level. This optimised the process and streamlined the information flow between national authorities, final beneficiaries and the Commission.

### **Financial Instruments**

As well as providing ESI Funds expertise to the EU, national authorities and project beneficiaries, Deloitte also provides professional services to the European Investment Bank (EIB) in the use of **Financial Instruments** for urban development. Deloitte is one of the EIB's preferred suppliers for the implementation of the **JESSICA initiative** (Joint European Support for Sustainable Investment in City Areas), which provides non-grant funding for integrated, sustainable urban-renewal projects. The EIB uses a range of sophisticated financial tools including equity investments, loans and guarantees, which provide national authorities and project beneficiaries with new opportunities in the use of ESI Funds.

JESSICA uses existing Structural Funds and makes repayable investments, in the form of equity, loans or guarantees, into projects. Investments are made through Urban Development Funds (UDFs) which are a key component of the JESSICA structure. These are financial engineering mechanisms that invest the loans, equity or guarantees into regeneration projects. UDFs must be legal entities in their own right, typically formed through public-public or public-private partnerships to manage JESSICA funds in a region on behalf of a Managing Authority. Managing Authorities must decide if they wish to adopt Financial Instruments and how much of their existing Structural Funds monies to divert into special support instruments.

JESSICA targets those projects that do not meet the requirements of commercial funders – e.g. projects for which returns are either unpredictable or expected within too long a time frame.

Our work on JESSICA includes completed evaluation studies in Bulgaria, Cyprus, Poland, Portugal, Romania, Spain and UK. We are now engaged in projects to provide detailed technical and implementation support for the EIB and Managing Authorities across Europe.

### **Applying for ESI Funds—Grant application and after care**

Individual recipients of ESI Funds face a complicated process when preparing funding requests. Applications are complex because requirements are defined by numerous rules at EU and national level. Internal methodologies and procedures must also be taken into account. Deloitte's experts across Europe provide advice on ESI Funds grants to public sector and corporate entities. We assist these clients during each stage of the process, starting with the identification of the costs that could be eligible for funding through to the last audit stage for the proper use of granted support. We also provide assistance in ensuring that beneficiaries put in place robust controls and management information systems to comply with grant conditions and regulations.

ESI Funds are available to both the public and private sectors. Deloitte assists clients in the process of selecting the most suitable sources of funding, incorporating ESI Funds in the project design and making a convincing application for the funds.

We offer a comprehensive service covering every stage of the project planning cycle.

### **Preparatory stage**

Our work with clients usually starts with an assessment of eligibility for funding for planned investment on the basis of **detailed analysis of the project**, both from a subjective (beneficiary) and objective (scope of investment, schedule, budget etc.) point of view. It also delivers an assessment of project **compliance with the selection criteria** for the particular grant scheme. We provide advice on how projects can satisfy Europe 2020 targets, comply with State aid, public procurement and publicity requirements, as well as ensuring projects incorporate the horizontal principles of equality between men and women, prevention of discrimination and promotion of sustainable development into the planning phase.

### **Application stage**

Deloitte assists clients to prepare **application documentation** (including **business plans, feasibility studies, cost-benefit analysis** and other required documents) to comply with the national and EU law.

Deloitte also assists companies in the process of **preparing technical documents** to comply with EU rules (e.g. State aid confirmation and notification procedure).

### Implementation stage

Deloitte assists clients to produce proper reporting to relevant authorities and payments claims for EU grants. Our professionals provide advice to beneficiaries to ensure that they are compliant with national and EU rules and regulations. Deloitte also helps clients to prepare for the control and evaluation process of the public bodies (Ministries, Agencies, Fiscal Offices, EC and the European Court of Auditors) by undertaking specific **project audits** and **implementing proper procedures** to monitor the implementation of their projects. Deloitte can also assist clients in the design and delivery of bespoke IT systems to capture and report progress against project targets.

### Monitoring

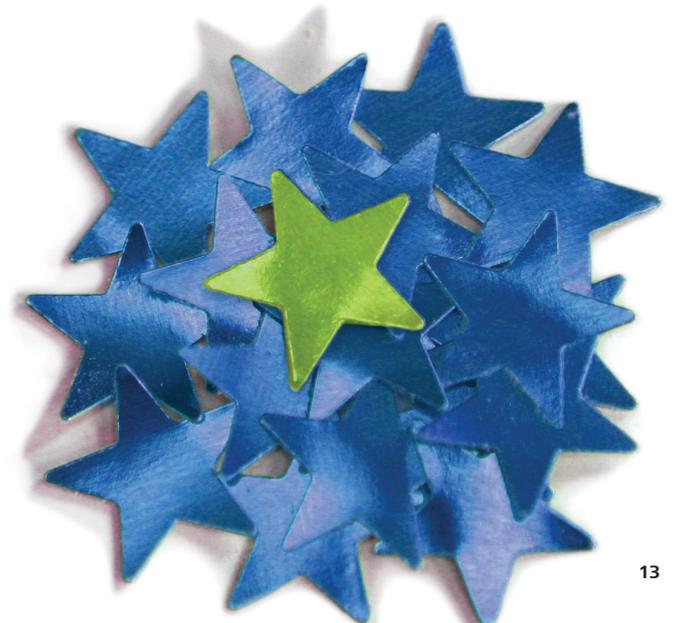
Deloitte can assist clients with a wide range of monitoring requirements to ensure that Structural and Cohesion funding is spent effectively and in accordance with its defined purpose to deliver results that can be checked against agreed criteria. This includes providing development and capacity building training for the financial and physical monitoring of projects and preparation for **on-the-spot verifications and audits**.

### Evaluation

Deloitte can offer services in the three main stages of the evaluation process; **before (ex ante), during (on-going), and after (ex post) of programmes and projects** to contribute to improving their effectiveness and efficiency and providing information about the impacts of Cohesion Policy.

### Project closure

Deloitte assists clients to ensure that **practical and financial completion of projects** comply with Commission regulations, and that all final claims, reports and documentation are submitted correctly to the relevant institutions.



## Deloitte's expertise in the implementation and administration of Operational Programmes

Deloitte Germany has extensive experience in supporting clients to carry out cost-benefit analysis for a wide range of Structural Funds investments, including the Saxony Ministry for Higher Education, Research and the Arts. Services provided include:

- Analysis of the socio-economic context; financial analysis; and
- Quantification of employment and fiscal effects and Risk Analysis.

Deloitte Hungary supported the development of an infrastructure project and its implementation for the Environmental Programme, providing public procurement assistance and a review of feasibility studies.

Deloitte Belgium worked on the E-Cohesion Policy project for DG Regio in partnership with DG Employment, DG Agriculture and Rural Development, DG Maritime Affairs and Fisheries and DG Informatics. This project analysed methods to reduce the administrative burden (AB) related to Cohesion and Rural Development policies; in particular those administrative burdens encountered by current and potential beneficiaries of these policies.

Deloitte provided assistance to Managing and Certifying Authorities with the design and implementation of an administration and control system for full-cycle project management in Denmark.

Deloitte worked with a client that had multiple structural projects and made sure that the future administrative procedures complied with both EU regulations and national requirements. We also contributed to the optimisation of the administrative procedures to make them more efficient.

Furthermore, we partly rewrote the descriptions of administrative procedures into practical work instructions, designed an Excel model for budgeting and controlling, and prepared an interactive model including process diagrams, focusing on existing established internal controls. This work was consolidated in a reference manual for the employees of the Managing and Certifying Authorities to ensure that the programme was executed in line with the regulations.

Deloitte Slovakia provides different services for benefit of the Managing Authorities:

- Advisory services to the Slovak Ministry of Labour and Social Affairs on the update of the internal procedural manual of the Managing Authority for ESF for the programming period 2004–2006; and
- Technical assistance to the Ministry of Economy with the preparation of a reference manual for the 2007–2013 Competitiveness and Economic Development Operational Programme.

Deloitte provided long-term support services to the Managing Authority of the South Netherlands Operational Programme, under the Regional Competitiveness and Employment objective. This programme involves Community support for the South Netherlands region within the framework of the 'Regional Competitiveness and Employment' objective. Deloitte's services included:

- The secondment of Financial Advisors;
- On the spot verification, and
- The design and implementation of the system for project accounting.

The secondment of Financial Advisors included the involvement of our specialists during all phases of the project (i.e. application phase, execution phase and the final phase/conclusion of the project cost statements). Furthermore, our Financial Advisors acted as a contact for final beneficiaries, the Certifying Authority and Audit Authority. Deloitte also delivered training to final beneficiaries on effective project accounting and how to comply with national and EU rules.

In the UK, Deloitte drafted the technical guidance manual for the establishment of Urban Development Funds under the European Investment Bank's JESSICA initiative.

Deloitte Slovakia provided a wide range of services to the Ministry of Transport to ensure the effective implementation of the Operational Programme for Transport. Given the scale of the programme, a comprehensive restructuring of existing administrative structures, procedures and methodology for administration of EU funds was required. Our team carried out the following tasks:

- Project management office;
- Programme evaluation;
- Feasibility study review;
- Legal and procurement services;
- Development of education and training plan;
- OPT evaluation system development;
- Impact study;
- Organisational audit;
- Legal audit;
- Analysis of documents of the Managing Authority, the Ministry of Transport, on the basis of EU regulations, guidelines and other strategic documents;
- Evaluation of project preparation and pipelines; and
- Preparation and review of existing Cost Benefit Analysis.

## Deloitte's experience in grant applications and after care

Deloitte Croatia currently provides a wide range of services to the University of Zagreb to help support its strategic assessments, preparation of pre-feasibility studies and other documentation to apply for EU Funds.

Our team assists the University of Zagreb to develop a Project Implementation Unit (PIU) for EU funded projects, prepare project plans, develop guidelines, prepare applications for EU funding, including Cost Benefit Analyses, socio-economic analyses and environmental impact assessments.

We are delivering a series of training workshops to ensure knowledge transfer and develop established office management programmes and accompanying documentation.

Deloitte Austria provided grant application and aftercare support to the Austrian Public Employment Service (AMS), a leading provider of labour-market related services, for their Flexibility Consulting for Companies (FBB) initiative, whose aim is to prevent the negative consequences of high employment fluctuation and job loss by implementing flexible employment market policy interventions.

The initiative is financed by the Austrian public employment service (AMS) which offers support to companies with more than 50 employees regarding the management of organisational changes. The project is part-financed by the European Social Fund.

Deloitte Poland provided grant application support and aftercare services to the European Shared Service Centre. The project related to the implementation of a smart modern logistics centre providing internal storage and an intelligent logistics system.

Our team's services included:

- Preparation of application for grants;
- Financial settlement of projects;
- Preparation of request for confirmation of assistance for major projects; and
- State Aid advice.

The project also involved the creation of a Research and Development unit, which works in collaboration with other scientific units within the centre.

Deloitte Czech Republic provided grant and aftercare services for the reconstruction of a power plant for the Ministry of the Environment. Our grant team developed the grant application for funding the project, which will lead to significantly decreased pollution levels. We also undertook various administrative tasks for the client to ensure compliance with national and EU rules.

Deloitte Hungary provided full scale grant application advisory services for the Renewed European Centre for Higher Education for Music for the Liszt Ferenc Music Academy in Budapest. These services included a Cost Benefit Analysis, a feasibility study and the development of the application guidance toolkit.

Deloitte Portugal provided a wide range of grant application advisory services to a multinational group focused on the design, development and deployment of systems and services for the Defence, Security and Transportation markets.

The group sought funding to develop systems to enable the automatic and continuous calculation of forecasted multimodal transportation schedules, from their location at any given moment and comprising several types of external factors, such as road or railway traffic.

Deloitte assisted the company throughout all the stages of the project, including its structuring, incentives procurement, preparation of the application and after care services.

Deloitte Romania carried out the elaboration of a grant application including all necessary supporting documentation for an e-government project on behalf of the National Trade Register Office (NTC). The project provided online services (e-government) offered by client for the business community.

# Deloitte services

## Audit and Control Services

### Market challenges

One of the main changes in the management and administration of ESI Funds since the 1990s is the increased focus of the criteria on effective financial management, control and audit. This has resulted in an increased volume of rules and guidelines and the introduction of more complex systems of 'checks and balances' aimed at verifying expenditure. This has also resulted in an increase in the number of staff involved in this work, both at an EU and Member State level.

The main challenges for those involved in spending ESI Funds and those tasked with verifying their expenditure are as follows:

- High levels of financial irregularities;
- Increasing level of administrative burden of financial control and audit;
- Quality of checks carried out;
- Misunderstandings among beneficiaries on eligible expenditure and activity;
- Lack of effective financial management and control systems; and
- Proportionality of procedures in terms of administrative burden and cost.

### How can our expertise help you to make the difference?

Deloitte **provides consistent, independent and proven methodologies** to assist EU Institutions and national authorities in **ensuring that funds are used for their intended purpose by recipients**. Deloitte's vast experience of the public sector, Structural Funds and EU Funds in general, across both EU Member States and pre-accession countries, is the basis of our extensive expertise and knowledge.

Deloitte performs **systems audits and audits of operations** for the European Regional Development Fund (ERDF) as well as for the European Social Fund (ESF). These audits are required by the EU Regulations and may be delegated by the relevant audit authority of a Member State or region.

**Systems audits** assess the proper implementation of the management and control system. These audits mainly involve the examination of the different authorities, such as the Certifying and Managing Authorities, as well as relevant intermediate bodies and infrastructure, for example, computer systems that produce accounting, monitoring and financial reporting. Internal controls and function tests determine whether the requirements of the Council and Commission Regulations are being fulfilled.

The results of assessments carried out by Deloitte are presented in a clear and transparent evaluation for each individual audited system in a detailed report. **Audits of operations** are performed mainly at the beneficiaries' sites.

Audit and Assurance services include:

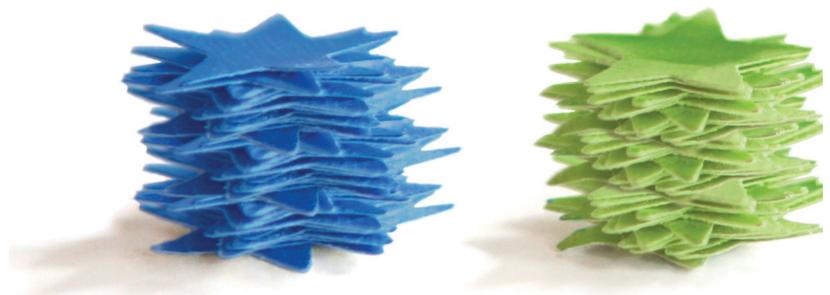
- **Audit & assessment** of design effectiveness of **management and control systems (prior to implementation)**;
- **Audit & assessment** of operational effectiveness of **management and control systems (post implementation)**;
- **Audit of third party service providers** – contractual compliance, service level assurance;
- **Audit & assessment** of Financial Instruments – financial management and financial control, eligibility requirements;
- **Audit & assessment of IT applications** and general IT control environments;
- **Post-expenditure audits**; and
- **Fraud detection**, testing and investigation.

Evaluation and Assessment Services include:

- **Evaluation of beneficiary fund applications** for eligibility and appropriateness;
- **Evaluation of Operational Programme** effectiveness and efficiency against pre-defined indicators; and
- Assessment of eligibility and appropriateness of claims by beneficiaries for disbursements (**1st level control**).

Advisory Services include:

- **Training in auditing techniques** to audit authorities and internal auditors;
- Design and development of **audit programmes** to assist audit authorities;
- **Risk identification and assessment**, development and implementation of mitigation plans;
- **IT and computer assisted audit techniques**; and
- **Fraud protection programmes**, detection testing, red flag identification, design and implementation of whistle-blower hotlines.



## Deloitte's expertise and experience in Audit and Control services

Deloitte provides assistance for the Audit Authority of the Federal State of Berlin to deliver its audit strategy, especially to carry out more than 200 on-the-spot checks every year.

Deloitte provides support to the Audit Authority by offering a wide range of services including:

- Assistance in the preparation of the annual control report;
- System audits and audits of operations (including follow-up controls), which aim to verify the effective functioning of the management and control systems; and
- Assistance in the communication with the EC; and support in the preparation of the audit manual.

Deloitte provides services to the Ministry of Finance - Audit Authority of the Czech Republic by offering the following types of services:

- System audits and audits of operations, including the review of IT systems;
- Quality assessment review according to the Institute of Internal Auditors' Standards;
- Methodical services, i.e. support for the design and creation of methodical procedures and policies;
- Ad hoc legal services related to the field of activity of the Audit Authority; and
- Ad hoc trainings based on requirements of the Audit Authority.

Deloitte Italy provided technical assistance for the following programmes co-financed by Structural Funds:

- Interreg IIIB Cadses 2000-2006: Deloitte Italy was appointed by the Italian Ministry for Infrastructure to perform the Second Level Control Service for the Programme, under the supervision of its Financial Control Group ("FCG"), in accordance with EU regulations. Deloitte Italy led the coordination of an audit team that included practitioners from Germany, Austria, Poland, Czech Republic, Greece, Slovenia, Slovakia, Hungary;
- Interreg III A (Italy-Albania): Deloitte Italy was appointed to perform the Second Level Control Service for the Programme in accordance with EC regulations; and
- Interreg III A (Greece-Italy): Deloitte Italy has been appointed to perform the Second Level Control Service for the projects realised on Italian territory useful in preparation of the Winding up declaration of the Programme.

Deloitte Denmark assists the National Audit Authority with the verification of control and administrative systems for the administration of Structural Fund programmes.

As part of this task, Deloitte assisted in a review of the IT system that maintains the handling of applications, appropriation and expenditure monitoring, documentation of performed controls and acts as a basis for disbursements and reporting. The assignment included the assessment of the IT system's compliance with EU and national regulatory reporting requirements, as well as an assessment of the general IT controls and controls in user systems.

Deloitte Italy supports the Audit Authority of the Puglia Region to deliver a wide range of audit services, which include:

- Managing communications with other authorities;
- Assistance in the communication and meetings with the EC;
- Assistance in performing the system audit;
- Assistance in sampling operations to be checked;
- Preparing and updating periodically adequate checklists;
- Evaluation of errors detected during the audit;
- Organisation of coordination meetings with the Managing Authority to present and discuss results of audits and define the error rate;
- Support for the preparation/updating of the audit manual;
- Support for the definition/updating of the audit strategy;
- Assistance in analysing the annual declaration of expenditures produced by the Managing Authority; and
- Assistance in the preparation of the annual control report.

Deloitte Bulgaria supported the Bulgarian Ministry of Finance with audit methodologies and to undertake performance of system and transaction audits for a two-year period. Deloitte also provided on the job training and updated its working manuals. Deloitte was engaged in system and transaction audits for two operational programmes, Environment and Administrative capacity

Deloitte Slovakia supports the Audit Authority with:

- The compliance audit of the management and control system for the Operational Programme INTERACT II 2007-2013 for the Slovak Ministry of Finance; and
- Training and advisory services in the area of governmental audit of EU funds.

Deloitte Romania carried out the audit of the “Expansion and rehabilitation of water and used water infrastructure in Alba County” project. The project was financed by the Sectoral Operational Programme Environment.

Deloitte Czech Republic worked for the Ministry of Industry and Trade on an administrative burden project. Deloitte provided recommendations on how to enhance the quality and efficiency of selected internal processes, improve the quality of services provided to customers and reduce the administrative burden related to the execution of selected internal processes.

Deloitte Spain provided tax and legal services on behalf of the Region of Galicia’s Instituto Gallego de Promocion Economica. These services included advising and assisting small and medium enterprises in developing protocols and family succession planning.

Deloitte Germany performed ERDF follow-up-audits to System Audits for the federal state of Brandenburg. Deloitte carried out the assessment of the remedial measures proposed for the findings of previous System Audits based on international audit standards, third party opinions and in accordance with the relevant national and EU procedures, regulations and recommendations.

For more information on our services, please contact the relevant Deloitte team members on the following pages.

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