



EUROSAI TRAINING EVENT

PUBLIC AIDS AND SUBSIDIES

PRAGUE, 6-8 November 2006

SURVEY - Auditing of Public Aids and Subsidies

The questionnaire for our Seminar accompanying survey was prepared in co-operation between the Czech SAO, SIGMA and some external experts. It has been sent to all EUROSAI member SAIs; the original request term was postponed from 15th September to the beginning of October. In order to prevent any concerns about misusing of data, we promised to present non-public data only in the framework of total results.

We appreciate a lot participation of all answering colleagues. We received 19 valid responses from

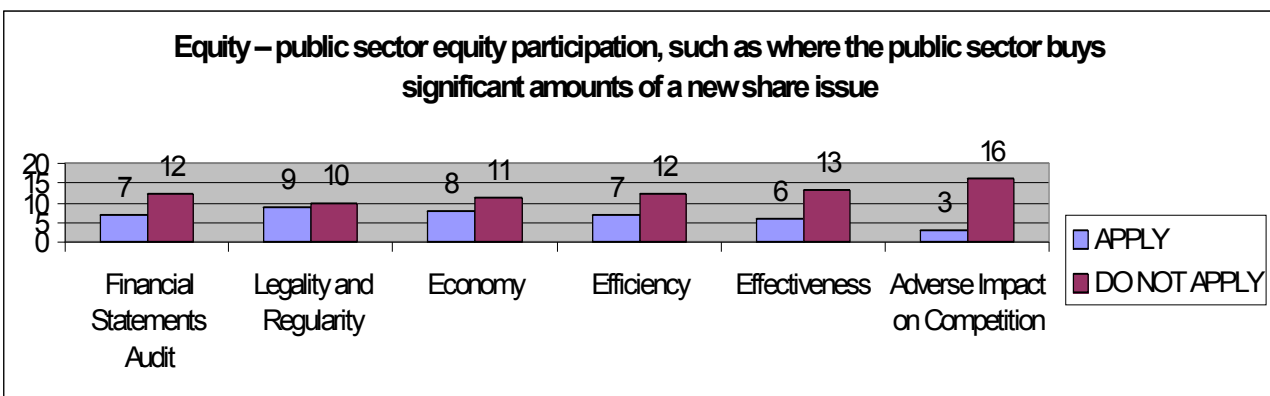
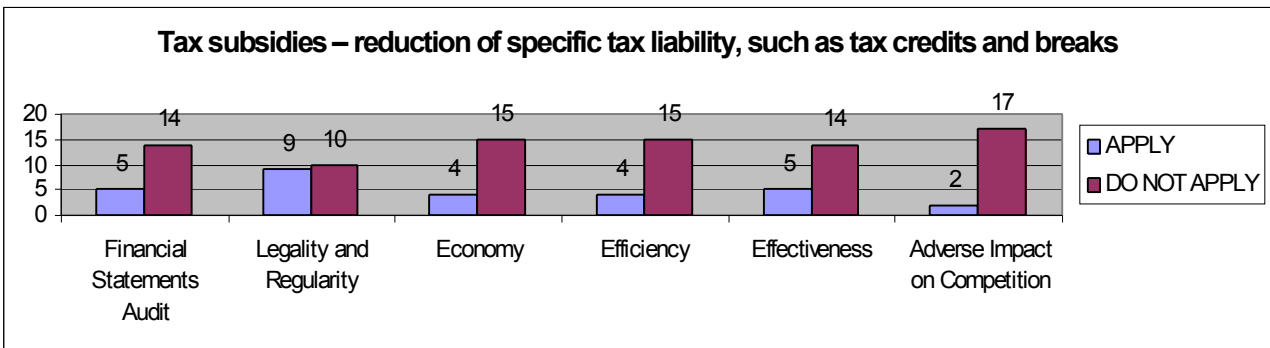
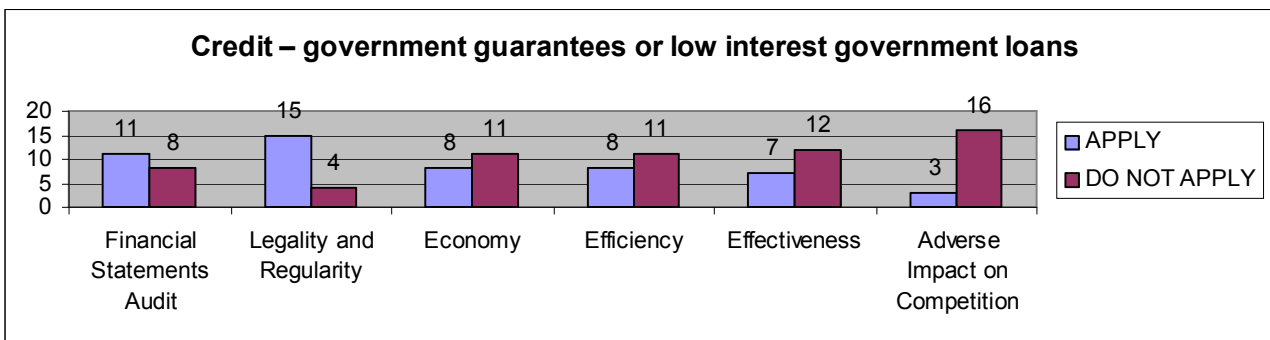
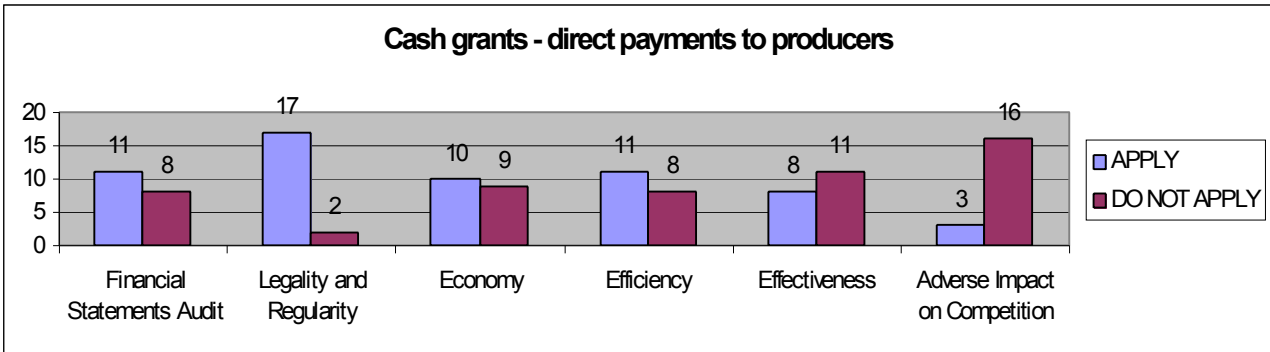
ALBANIA	CYPRUS	HUNGARY	SLOVAKIA
AUSTRIA	CZECHIA	LATVIA	SLOVENIA
BELGIUM	DENMARK	LUXEMBOURG	SWITZERLAND
BULGARIA	ESTONIA	MALTA	TURKEY
CROATIA	EUROPEAN UNION	MOLDOVA	

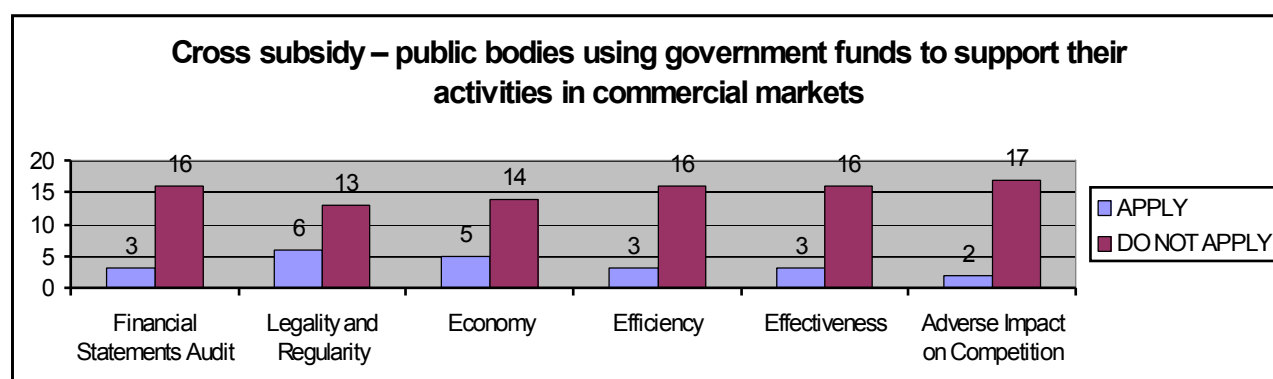
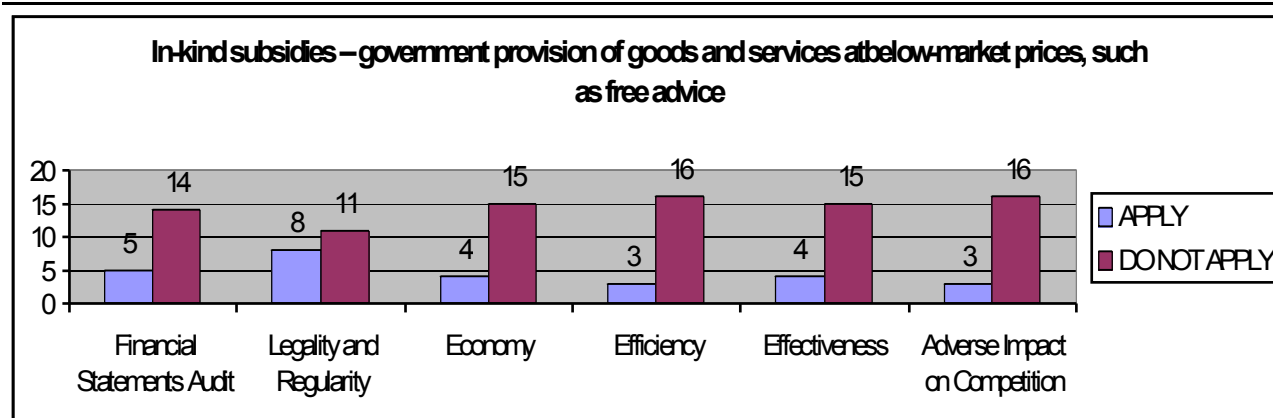
They do not cover all EUROSAI members but they comprise a valuable sample of various SAIs from countries with different history, tradition and conditions. We believe that you will find this summary interesting. Still once - thanks for your cooperation!

*On behalf of our preparatory group Václav Peřich
(e-mail: vaclav.perich@nku.cz, phone: +420 233 045 502)*

I. General Public Aids and Subsidies

Types of public subsidy which are audited by SAIs; columns show how many SAIs use and do not use specific audit criteria.





Types of public subsidies were taken from a report by the Office of Fair Trading UK, November 2004

II. Examples of audit experience

ALBANIA

Budget Annual Report can be found at our web-page: www.klsh.org.al

AUSTRIA

http://www.rechnungshof.gv.at/Berichte/Bund/Bund_2005_13/Bund_2005_13.pdf
http://www.rechnungshof.gv.at/Berichte/Kaernten/K_rnten_2006_03/K_rnten_2006_03.pdf

BELGIUM

Cash grants

Support to economic expansion, research and development support, support to training, export support, BEA (budget for economic consultancy)

Credit loans

Guaranteed loans, subordinated loans, start-up loan for self employed

Tax grants

Winwinloan', deduction for recruitments,

Equity

Shareholding in "Participatiemaatschappij" (PMV – Participating enterprise), the "Vlaamse Participatiemaatschappij" (VPM - Flemish Participating enterprise) and the Limburgse Reconvertiemaatschappij (LRM - Limburg Reconversion company)

In-kind subsidies

Training for entrepreneurs (c. training by the "Vlaams Instituut voor Zelfstandig Ondernemen" - Flemish Institute for self employed entrepreneurship)

Subsidization of general social assistance

Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2006/2006_14_Sub_Welzijnswerk.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2006/2006_14_SUB_WELZIJSWERK_ABSTRACT.PDF

Subject area: social assistance

Sector: Flemish Community

Funding for music societies

Full report in Dutch is available at: http://www.rekenhof.be/docs/Reports/2006/2006_04_Muziek.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2006/2006_04_MUZIEK_ABSTRACT.PDF

Subject area: subsidies for music societies

Sector: Flemish Community

Cross subsidy

Cooperation between public and private sectors

Procurement

EXECUTION OF ECONOMIC COMPENSATIONS ASSOCIATED WITH THE PURCHASE OF SPECIFIC MILITARY EQUIPMENT

Full report is available in French at:

http://www.rekenhof.be/docs/Reports/2005/2005_07_Compensations_Economiques.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2005/2005_07_ECONOMISCHE_COMPENSATIES_ABSTRACT.PDF

Subject area: military purchases

Sector: Belgian Federal Government

BUS LINE SERVICES : COST PRICE AND CONTRACT AWARD TO OPERATORS

Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2005/2005_03_Onderzoek_%20geregeld_vervoer.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2005/2005_03_ONDERZOEK_GEREGELD_VERVOER_ABSTRACT.PDF

Subject area: generic goods and services

Sector: Flemish public transport company VVM-De Lijn of the Flemish Region

CONSTRUCTION OF THE « DEURGANCKDOCK » (ANTWERP CONTAINER TERMINAL COMPLEX)

Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2005/2005_16_Deurganckdok.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2005/2005_16_DEURGANCKDOK_ABSTRACT.PDF

Subject area: generic goods and services, public works

Sector: Flemish Region, infrastructure

CONTRACT MARKETING AND PROMOTION EXPENDITURE

Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2003/augustus_2003_toerisme_vlaanderen.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2003/AUGUSTUS_2003_TOERISME_VLAANDEREN_ABSTRACT.PDF

Subject area: services

Sector: Flemish public institution "Toerisme Vlaanderen" of the Flemish Region

Sectorial scientific research performed by Flemish higher education

Full report in Dutch is available at

http://www.rekenhof.be/docs/Reports/2006/2006_19_SectWetOnderzoek.pdf

A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2006/2006_19_SECTWETONDERZOEK_ABSTRACT.PDF

Subject area: Flemish higher education institutes

Sector: Flemish Community

Final payment on some large-scale public works contracts

Full report is available in French, pages 33-35 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/157e_12e_c_obs_r_w.pdf

Full title in French: Les décomptes dans certains marchés publics de travaux

A copy of its abstract in English is not available on its website.

Subject area: large-scale public works

Sector: Walloon Region

The audit on which the report « the invoiced amounts of certain public works contracts » is based revealed that departments failed to consult as required with the price bureau (“bureau des prix”). The purpose of this consultation is to check whether the prices required for additional works by contractors are not inflated (« above market price »). The price bureau has not yet been consulted. The price agreed by the department concerned might then be too high.

Roads, motorways and waterways maintenance leases

Full report is available in French, pages 80-83 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/160e_15e_c_obs_r_w.pdf

Full title in French: Baux d'entretien des routes, autoroutes et voies hydrauliques.

A copy of its abstract in English is not available on its website.

Subject area: public works maintenance

Sector: Walloon Region

The audit highlighted the discrepancy of prices and, in certain cases, the price paid is rather high. The analysis inferred that the price level varied with the degree of competition, which is different according to the areas concerned. However, by and large, it is difficult to claim that the price level is higher than the market price, since, in some way, the market determines the price.

BULGARIA

No experience in the field of Public Aids and PPP. Personal experience in carrying out of financial management audits and certification audits of the annual reports of the first level budget spenders and in performance audits of pre-accession aid projects. Website of BNAO is www.bulnao.government.bg.

CROATIA

www.revizija.hr

CYPRUS

www.audit.gov.cy

CZECHIA

www.nku.cz/pages/en/pressrel-2006.htm

DENMARK

All areas - for further information see www.rigsrevisionen.dk - access the English part of the site, under publications and summaries.

ESTONIA

Some latest examples:

Implementation of public procurement in the Ministry of Foreign Affairs (published in 2006)

Land improvement grants (published in 2005)

Procurement of maintenance services (published in 2005)

Utilisation of resources allocated to the project on student boarding houses (published in 2005)

Administration of payment of appropriations for school meals (published in 2004)

Use of government support for bus services (published in 2004)

Effectiveness of business support in creating jobs in the regions (published in 2004).

All audit reports are published on our website www.riigikontroll.ee, short summaries in English).

EUROPEAN UNION

ECA audit reports may be found on its website (eca.europa.eu). The Annual Report concerns mainly legality and regularity (Statement of Assurance) for the whole EU budget. Special Reports focus on economy, efficiency and effectiveness in specific areas of the budget. Issues concerning public procurement arise regularly in the legality and regularity audit of Structural Funds (notably the European Regional Development Fund).

HUNGARY

For example:

Comparative analysis of the different financial solutions of motorway investment (not published yet)

Audit of realisation and functioning of the Palace of Arts (not published yet)

Annual reports about audit on the execution of the budget of Republic of Hungary

(www.asz.gov.hu)

Audit of the operation of the system developed for corporate income tax collection

(www.asz.gov.hu)

LATVIA

The State Audit Office of the Republic of Latvia conducts financial statement audits where as a part of audit programmes is to get assurance that public procurement of goods and services are performed in accordance with national legislation. <http://www.lrvk.gov.lv>

LUXEMBOURG

See chapter 5 of this report:

http://www.cour-des-comptes.lu/rapports/rapports_generaux/rapport_gen_2004.pdf

MALTA

Audits featuring in mid-year report of 2005:

1. European Agricultural and Guarantee Fund - Paying Agency
2. European Agricultural and Guarantee Fund - Integrated Administration and Control System

Audit featured in mid-year report of 2004:

3. Social Security Department - Old Age Pensions within the European Union Scenario (for period 1 May-31 Dec 04)

Vide also www.nao.gov.mt**MOLDOVA**www.ccrm.md**SLOVAKIA**www.sao.gov.sk**SLOVENIA**

Audit of the Operations of the State

Audit of Business Operations of Municipalities

Audit of the Regularity of operations of Commercial Services Providers (only in Slovene)

www.rs.rs.si/rsrcs.nsfAvailable in English in Annual Report (www.rs-rs.si)**SWITZERLAND**www.efk.admin.ch**TURKEY**www.sayistay.gov.tr

III. Level of funding

Please, complete as much as possible the table below:

Level of resources:	Are subsidies in the SAI audit mandate*?	Approximate annual value in million of €:	Number of providing bodies:	Number of beneficiaries:
EU funds	in 13 of 19 SAIs	118 000 at 8 SAIs	70 at 5 SAIs	150 000 at 4 SAIs
Central government	in 15 of 19 SAIs	56 394 at 8 SAIs	143 at 6 SAIs	-
Central agencies	in 13 of 19 SAIs	-	-	-
Regional governments or agencies	in 9 of 19 SAIs	-	-	-
Local governments or agencies	in 12 of 19 SAIs	-	-	-

IV. Public Private Partnership or Private Finance Initiative

a) Do you have any national 'Public Private Partnership' or 'Private Finance Initiative' experience? If yes, could you give some specific examples including costs in million of €?

Nine SAIs indicated some experience with this type of projects but only six of them also some financial data (total amount of € 1.752 million)

b) Have you audited any PPP / PFI projects? If yes, could you give some examples?

Most of projects indicated under a) above were commenced only recently, thus the relevant SAIs has not finished their audits yet (e.g. in AUSTRIA, HUNGARY etc.)

Some examples we received from Belgium and Switzerland:

The North wastewater treatment plant in Brussels. Award and funding of the concession contract.

Full report in French is available at:

http://www.rekenhof.be/docs/Reports/2003/oct_2003_station_depuration_nord.pdf

Subject area: generic goods and services, public works

Sector: Brussels Regional Government, the North wastewater treatment plant in Brussels

Examples of an audit regarding SOFICO are:

Full title in French: L'exécution de ses missions par la Sofico

Full report is available in French, pages 61-66 at:

http://rekenhof/docs/Reports/AnnualReports/158e_13e_c_obs_r_w.pdf

Subject area: infrastructure Sector: Walloon Region

Full title in French: Le contentieux de la Société wallonne de financement complémentaire des infrastructures (Sofico)

Full report is available in French, pages 64-73 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/161e_16e_c_obs_r_w.pdf.pdf

Subject area: infrastructure Sector: Walloon Region

BILLAG – Swiss collection for Radio and TV fees

SOFI – Swiss Organisation for Facilitating Investments

c) What do you consider the main areas of risk and audit concern are for your PPP / PFI activities?

BELGIUM

Main areas of risk for the Flemish Community:

Lack of proper business case. Lack of risk management (during project procurement and management of the contract). Lack of transparency of the contractual structure of the PPP deal. Identify who bears risk. Lack of interest in protecting the state's interest.

For wastewater treatment plant :

Is the PPP appropriate delivery mechanism? The respect of initial risk allocation and risk migration procedures. Continuity and effectiveness of Authority's control on the project.

For SOFICO: The main risks are the absence of control of the costs of work and the operating costs and the supervening of accidents of any nature on complex and dangerous works (road tunnels, hydraulic elevators and suspended channel).

EUROPEAN UNION

It is possible that ECA will audit PPP/PFI activities in the near future. Main areas of risk are the complex nature of the project financing and the lack of a complete legal framework.

LATVIA

"The main risks for implementing the PPP for the public sector are: reduced control level of state institutions, possible increase of costs, possible reduction of the quality and effectiveness level of the service, resistance of the society. There is also accessibility risk – the risk that the implementer of the project, supplying the service to the final consumer, does not provide with the amount of the service and service security level stipulated in the agreement.

The main risks for implementing the PPP for the private sector are: building risk – the risk that the building isn't finished on time, in the appropriate quality and according to budget, including the delivery delays, non-compliance with the conditions of the agreement and extra costs and requisition risk – the risk that the actual request of the service is less than planned before.

HUNGARY

Lack of experience in preparing and performing of PPP activity; there are no auditing and investigating methods in our country; lack of economical examination before projects; short preparing period .

SWITZERLAND

Observing the achievement of the performance contract. Too high administrative costs (expenses, wages).

V. Grants and Subsidies from EU Funds

a) Numbers in columns [Received] and [Audited] indicate, how many SAs of 18 stated positive answers.

Area of Policy	Group of programs or projects	Received	Audited
Agriculture			
	Common Agricultural Policy (CAP)	11	8
	Rural development and accompanying measures	11	9
Structural operations			
	Structural Funds	10	10
	Cohesion Fund	7	7
Internal policies			
	Research and technological development	11	7
	Training, youth and social operations	9	5
	Consumers, internal market, industry and networks	5	4
External action			
	Previous pre-accession (PHARE)	7	7
	Western Balkans	1	2
	TACIS	2	1

b) Do you have any recent audit experience on EU funds; please, give title and date of the audit (and web reference if applicable)?

AUSTRIA

The Austrian Court of Audit accompanies the audits on EU-funds performed by the European Court of Audit, but has no reports on its own.

BELGIUM

Reports on EU funds: Please note that the scope of the audit powers of the Belgian Court of Audit is not as extensive as that of the European Court of Auditors. The Belgian Court doesn't have the power to audit EU expenditure at all levels of the final beneficiary.

- The restoration of derelict industrial sites in the Walloon Region (September 2002) A copy of its full report in French is available on its website: http://www.rekenhof.be/docs/Reports/2002/sept_2002_saed_sir_rw.pdf
No abstract in English is available.

- The decree on innovation and IWT-Vlaanderen [Flemish institute for the promotion of scientific and technological research in the industry] (July 2003) A copy of its abstract in English is available on its website: http://www.rekenhof.be/DOCS/REPORTS/2003/JULY_2003_IWT_VLAANDEREN_ABSTRACT.PDF

- Investment premiums in the Walloon Region. The concept of 'employment' and 'firm creation/ expansion' (February 2004) A copy of its abstract in English is available on its website: http://www.rekenhof.be/DOCS/REPORTS/2004/MARCH_2004_INVESTMENT_PREMIUM_S_ABSTRACT.PDF
- Funding in the European context of the Flemish municipal water treatment network (January 2005) A copy of its abstract in English is available on its website: http://www.rekenhof.be/DOCS/REPORTS/2005/2005_01_GEWESTELIJKE_SUBSIDIERING_GEMEENTELIJKE_WATERZUIVERINGSINFRASTRUCTUUR_ABSTRACT.PDF

- Explanatory note on the ESA-methodology (May 2005) A copy of its abstract in English is available on its website: http://www.rekenhof.be/DOCS/REPORTS/2005/2005_13_ESR_METHODOLOGIE_ABSTRACT.PDF

- Two types of aid in the agricultural sector - Co-financing of investments and aid for setting up young farmers in the Walloon Region (June 2005) A copy of its abstract in English is available on its website: http://www.rekenhof.be/DOCS/REPORTS/2005/2005_21_SECTEUR_AGRICOLE_ABSTRACT.PDF

- The European Union and the Flemish Community: an explanatory study (December 2005) A copy of its abstract in English is available on its website:

http://www.rekenhof.be/DOCS/REPORTS/2006/2006_03_EU_ABSTRACT.PDF

BULGARIA

Performance audit of ISPA Measure N 2003 BG 16 P PA 004 "Technical Assistance for Institutional Strengthening and Preparation of ISPA and Cohesion Fond Projects in the Water and Solid Waste Sector in Bulgaria.

CYPRUS

We address structural/cohesion Funds issues in the context of our normal audit procedures. The certification for agricultural Funds is performed by a private firm of auditors and we have performed additional financial and compliance audits. Our audit has not been finished yet.

DENMARK

Audit of grants from EU regional and social funds in Denmark - December 05 and April 06.

Audit of aids under CAP in Denmark - September 05 and June 06.

Audit of aids under FIG in Denmark May 06.

However none of them may be seen on our website.

ESTONIA

Results of PHARE projects aimed at economic development (published in 2004)

HASCO project of the European Commission in the rural municipality of Sonda (published in 2006)

European Social Fund, Measure 1.3: Inclusive Labour Market (will be published in 2006)

All audit reports are published on our website www.riigikontroll.ee, short summaries in English).

EUROPEAN UNION

See part II - www.eca.europa.eu

LATVIA

1. Legality of Implementation and Administration of the European Community Initiative INTERREG Program (December 14, 2005)

2. Compliance of the administrative, technical and financial management of the European Union Cohesion Fund projects with requirements of legislation (March 8, 2006)

3. Management of European Social Fund at the Ministry of Education and Science and Professional Education and Development Agency (April 27, 2006)

4. Assessment of the evaluation and approval system of the European Union structural funds (ERDF, EAGGF and FIG) (July 25, 2006)

(http://www.lrvk.gov.lv/upload/report_FM.doc)

MALTA

Some already mentioned in II. Agriculture Support Scheme Account - July 2004 www.nao.gov.mt

SLOVAKIA

We have carried out a lot of audits and we identified between 01.01. 2004 - 31.08. 2006 1276 findings and issued 1026 recommendations.

SLOVENIA

Audit on Efficiency of the Implementation System for EU Social Fund in Respect to Measure 2.4.

– Support to Entrepreneurship and Adaptability in the Year 2004 and 2005 (issued: July 2006)

Work in progress:

Audit on Institutional absorption capacity and performance of the European Regional Development Fund in relation to Measure 1.1 "Promoting Development of Innovative Environment" in years 2004 and 2005

Audit on Establishment, functioning and effectiveness of the monitoring, reporting and evaluation system of the Government of Republic of Slovenia in relation to all transfers from the EU budget to the Republic of Slovenia in the years 2004 and 2005

c) Does your SAI provide a summary report on EU funds or even EU trends?**BELGIUM**

Abstracts in English are provided for reports on EU funds; The restoration of derelict industrial sites in the Walloon Region.

ESTONIA

It has been regularly done by the Ministry of Finance, but in 2006 Estonian National Audit Office will also provide its own report for the parliament.

LATVIA

The Annual Report of the State Audit Office of Latvia 2005 contains a section "Audits of the European Union Funds".

SLOVAKIA

According to law we elaborate summary report of EU funds on EU level and on Office level.

SLOVENIA

Court of Audit is the member of Working Group on National SAI reports on EU financial management and will issue EU trend report next year.

VI. METHODOLOGY

Only four SAIs mentioned or quoted their methodological tools focused to auditing of public subsidies.

ALBANIA	Financial Audit Manual, a separate chapter for the Audit of Subsidies
DENMARK	Access our website www.rigsrevisionen.dk - and chose the English version - chose "About us" and here you will find our product catalogue
EUROPEAN UNION	Specific audit questionnaires/checklists.
SWITZERLAND	Two language versions of the Subsidy Audit Checklist (26 pages) [Swiss colleagues have sent both versions to the organizers.]

APPENDIX

1) Does your country have a special PPP executive unit (specialized in issues regarding the often complex PPP contracts)?

BELGIUM, CZECHIA, LATVIA and MALTA indicated existence of a specialized PPP unit.

2) Does your country have a special PPP law (in addition to regular procurement legislation)?

BELGIUM, CZECHIA and MALTA indicated existence of a specialized PPP law.

3) What is the scope of PPPs in your country?

Insufficient data.

4) Are PPPs registered on budget or off budget (On budget meaning that PPPs are recorded in the budget in the same way as traditional investments)?

AUSTRIA and BELGIUM indicated some OFF-BUDGET PPP projects.

5) In what areas does your country pursue PPP projects?

Insufficient data

If possible, rank the order with 1 being the most common area, 2 second most common etc.

Transportation	Health	Correction facilities	Education	Water and sewage	Other
ALBANIA AUSTRIA BELGIUM CZECHIA HUNGARY 1		HUNGARY 3	LATVIA MALTA 1 ALBANIA BELGIUM HUNGARY 2	ALBANIA AUSTRIA CZECHIA 2 BELGIUM 3	LATVIA MALTA 2 CZECHIA 3