Case study
EEA and Norway grants

In a nutshell

- Background
- The projects
- The key players
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Background

EEA Grants

The EEA Grants are jointly financed by Iceland, Liechtenstein and Norway and provide funding for social and economic development projects in 15 European countries. Norway contributes around 95% of the total funding.

Over the five-year period 2004-2009 the Financial Mechanisms made available to beneficiary states €1.17 billion in total, supporting projects in priority sectors such as protection of the environment, conservation of the European cultural heritage, health and childcare and development of human resources.

The projects in CY (PP2004-2009)

- **Individual projects**
  - CY0011 "Revitalizing the buffer zone: An Educational Centre and Home for Cooperation"
  - CY0012 “Preparation of an integrated management plan for the Pafos forest “
  - CY0013 “Cyprus Archaeological Digitization Program –CADiP”
  - CY0014 “Restoration of Salamiou Village old school building for use as regional center for environmental protection”
  - CY0015 “A zero CO2 emissions electricity generation prototype”
- **Block grant (Aid scheme)**
  - CY0017 “Management of the fund for Non Governmental Organizations”

The key players

- National Focal Point (NFP)
- Paying Authority
- Public Procurement Directorate (PPD)
- Steering Committee
- Project Promoters
- NGO Fund Intermediary
- End Recipients

The key players

- **National Focal Point (NFP)**
  - The Planning Bureau fulfilled the tasks of the National Focal Point (NFP). The NFP had the overall responsibility for the management and coordination of the Financial Mechanisms' activities in the Republic of Cyprus
- **Responsibilities**
  - call for, identify, and select proposals to be forwarded to the Financial Mechanism Office (FMO)
  - coordinate implementation and monitoring of projects, programmes and other specific forms of grant assistance
  - ensure regular reporting to the FMO on the implementation of projects financed by the Financial Mechanisms, as well as immediate reporting on any irregularities
  - ensure payments to promoters/intermediaries of the amounts due through normal national budget procedures
  - organise annual meetings with the Financial Mechanism Committee
  - ensure information and publicity about available funds and inform the general public about projects implemented under the Financial Mechanisms
  - ensure that project promoters are fully committed and equipped to successfully implement individual projects, programmes and other specific forms of grant assistance
  - ensure storing of all documents connected with projects realised within the Financial Mechanisms

The key players

- **Paying Authority**
  - The Treasury of the Republic of Cyprus was designated as the Paying Authority, managing all operations related to financial transactions. The Treasury was entrusted with the task of developing, implementing and maintaining the procedures concerning financial management and control
- **Responsibilities**
  - open a bank account with the Central Bank of the Republic of Cyprus for the transfer of funds from the Financial Mechanisms to the Republic of Cyprus
  - check payment claims and certify to the Financial Mechanisms their authenticity and correctness
  - request the transfer of funds from the Financial Mechanisms to the designated bank account on the basis of relevant documentation summarising information on actual expenditures incurred during project implementation or, if appropriate, submit requests for advance payments
  - ensure reimbursement of unused or unduly paid funds to the Financial Mechanisms
  - keep accounts on all financial transactions realised in the designated bank account

The key players

- **Public Procurement Directorate (PPD)**
  - The Treasury (Public Procurement Directorate) was the competent authority for public procurement and performed ex ante controls in order to ensure the compliance with the Public Procurement Law

The key players

- **Steering Committee(SC)**
  - A Steering Committee was set up to act as an advisory body to the NFP in the identification, development and selection of proposals.
- **Responsibilities**
  - assess eligibility of project proposals in line with the priority areas
  - rank eligible project proposals in line with criteria approved by the Monitoring Committee
  - make recommendations to the NFP on which projects should be forwarded to the FMO

The key players

- **Project Promoters (PP)**
  - They represent the beneficiaries of the EEA funds for individual Projects. They are the implementation bodies in charge for tendering, contracting, making the payments to contractors and for the technical implementation of Projects.
  - All public or private sector bodies and non governmental organisations (NGOs) were eligible to be project promoters.

The key players

- **NGO Fund Intermediary**
  - The NGO Fund Intermediary, was a private sector body responsible to the National Focal Point and the Financial Mechanism Committee for the implementation and management of the NGO Fund.
- **Responsibilities**
  - the organisation of call(s) for proposals in respect of NGO projects,
  - the setting up of an independent selection committee
  - the conclusion of implementation agreements with end-recipients
  - ensuring reporting from end-recipients and reporting to the National Focal Point
  - the assurance of publicity and communication activities
  - the management of the funds
  - the collection and review of project completion reports
  - the archiving of all relevant documents.

The key players

- **End Recipients**

  They represent the final beneficiaries of the EEA funds under the NGO Fund. End recipients shall implemented NGO projects funded by the NGO Fund in accordance with the implementation agreements to be concluded between them and the NGO Fund Intermediary. Grants under the NGO Fund were provided solely for NGO Projects of a non-profit character.

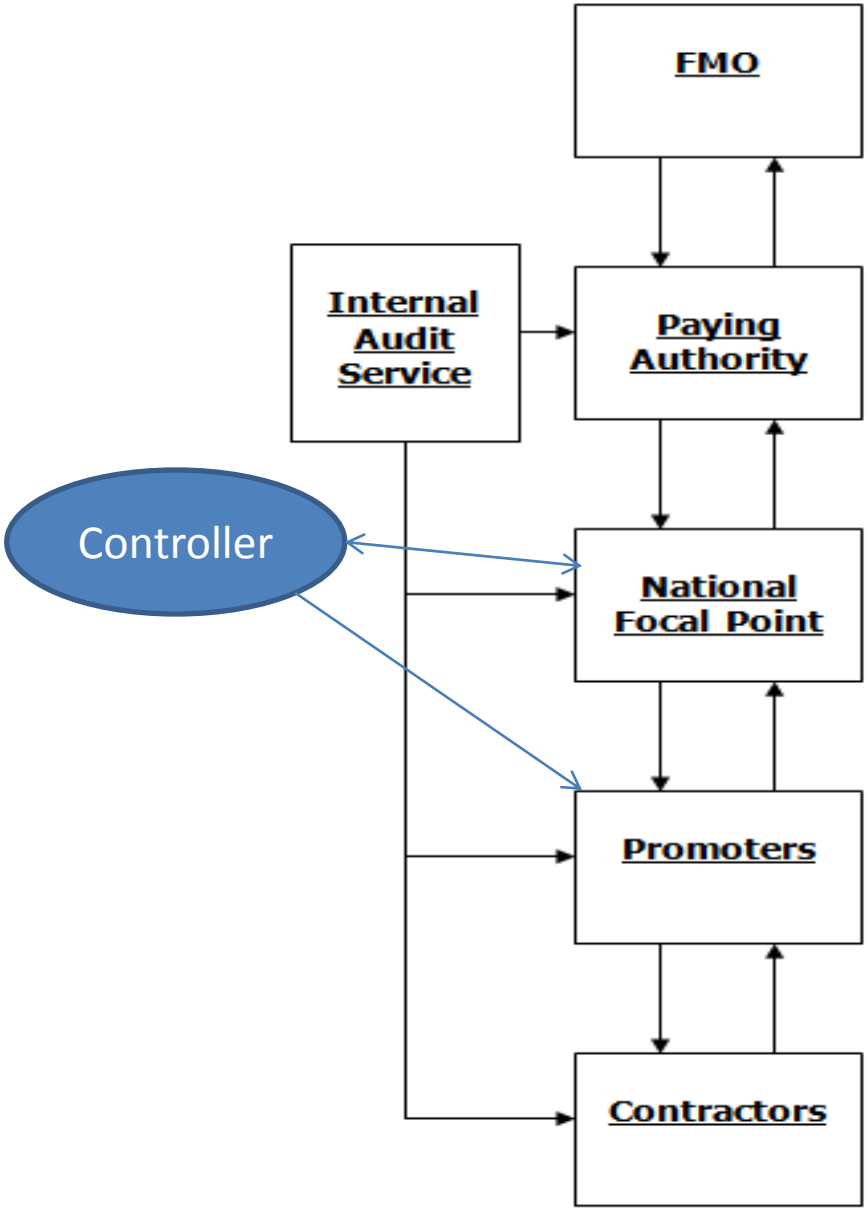
The key players

Independent Audit Firm

- The NFP contracted an independent audit firm, to verify payment claims and submit its report to the NFP

ie. to act as an independent controller

Flowchart on Financial Management and Control Arrangements for EEA and Norwegian Mechanisms (for projects implemented with public procurement procedures)



The arrangements for NGO Fund grants were similar to the previous flowchart but an Intermediary was involved instead of a promoter and the Final Recipients of the Grant instead of contractors.

Our role

- **Action 1**
  - For the preparation of the report, we conducted on the spot verification checks for payment applications submitted by project promoters(PP) to verify the accuracy of payment requests and to certify to the NFP the authenticity, accuracy, regularity and legality.
  - We considered the issue of co-financing in cash. During the verifications, our staff examined, evaluated and reported to the Payment Authority (PA) whether:

Our role

- The situation of eligible expenses / costs submitted by Project Promoter was in full agreement with the supporting documents.
- The supporting documents have been examined and were authentic, correct and accurate
- A verifiable accounting system was used which is consistent with proper accounting principles and methods.
- The costs submitted fell into the eligible costs as defined in the Financing agreements of the projects and detailed provisions for the Eligibility of costs
- That the costs submitted were part of the implementation of the Project in accordance with the financing agreement.
- That there was satisfactory Audit Trail.
- The amount of financing cash declared in the previous PIRs has been paid and whether the amount stated in the PIR for this period will be paid.

Our role

Action 2 – for projects

We certified that the description of the progress of activities and indicators of the Project was accurate. For this purpose our industry specialists performed field visits, for verification of the project indicators as described in the PIR and report any deviation of the actual physical progress of the project compared to the implementation work program as defined in the approved PIP.

Our role

Action 3 – NGO FUND-Grants

We performed all of the above actions in regards to the PIRs and PCR submitted by the NGO Fund Intermediary. We performed on the spot visits on specific projects carried out by non-governmental organizations as ultimate beneficiaries based on the results of **a risk assessment procedure**.

The selection of the projects was performed after the evaluation and awarding of the projects by the NGO Fund Intermediary.

Our role

Action 4

We will consider the PCR and verify to the NFP that the co-financing in cash reported in the last PIR, was paid.

Action 5

Upon completion of the project CY0011, we will conduct a Final Financial Audit and submit a report of the results to the NFP.

On the spot verification questionnaire

- **Objective**
  - Whether authorities' accounting records correspond with supporting documents held by the PP or final recipient?
- **Sub-questions**
  - Has the project promoter (PP) or final recipient been correctly identified?
  - Are the amounts paid accurately recorded in the accounting system?
  - Are the amounts paid by the PP or final recipient correctly reflected in payment claims?
  - Have the PP/Intermediary and final recipients established systems to ensure the completeness and accuracy of all payment claims?

On the spot verification questionnaire

- **Objective**
  - Whether the nature and timing of the relevant expenditure comply with EEA and –Norwegian Financial Mechanisms and national provisions and correspond to the approved specifications of the operation and the work actually executed?
- **Sub-questions**
  - Have the PP and Intermediary respected framework provisions ?
  - Have the PP and Intermediary established procedures to ensure that the progress of funded activities is monitored regularly and that this information is verified to ensure that it is accurate?
  - Have the PP and Intermediary established satisfactory reporting procedures to ensure that Member State authorities and the Commission receive regular and accurate information on the progress of actions?
  - Can the PP and Intermediary and final recipient document the link between the declared expenditure, the approved specifications and the work actually executed
  - Is the timing of expenditure in accordance with the grant agreement?

On the spot verification questionnaire

- **Objective**
  - Whether the use or intended use of the operation is consistent with the use described in the application for EEA and Norway Grants co-financing
- **Sub-questions**
  - Have the PP and final recipient used or intend to use the operation in accordance with the provisions of the grant letter /agreement?

On the spot verification questionnaire

- **Objective**
  - Whether the appropriate national co-financing has in fact been made available
- **Sub-questions**
  - Has the PP/final recipient received the national co-financing as set out in the application and the grant letter ?

On the spot verification questionnaire

- **Objective**
  - Whether the PP/ Intermediary/final recipient has complied with EEA and Norwegian Financial Mechanisms Guidelines (Community rules and policies) including on publicity, information, award of public contracts, equality of opportunities, and protection of the environment?
- **Sub-questions**
  - Has the PP/final recipient (where relevant) been informed of the rules governing the award of public contracts as established by Beneficiary (Member) State authorities?
  - Has the PP/ final recipient (where relevant) established arrangements to ensure that calls for tender are publicised as widely as possible?
  - Are there systems to ensure that the tender comply with relevant provisions
  - Are there systems to ensure that all tenders received are evaluated, and the decision to award the contract are made on a sound basis?
  - Has there been enough publicity and information about actions?

Lessons learnt

- **Most project promoters ICS requires improvement**
  - Independent Controllers should assist the project promoter develop the control environment
- **Testing of internal control is crucial towards the effectiveness of verification checks**
  - Manual and automated controls
- **Project delays**
  - Careful evaluation of project progress is required from early stages

Q&A