



Ministry of Agriculture and Rural  
Development of the Slovak Republic

Evaluation of the performance of  
the Intermediary Body under the  
Managing Authority for the  
Operational Programme Bratislava  
Region  
Evaluation Report - Summary

KPMG Slovensko spol. s r.o.  
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Investícia do vašej budúcnosti



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# 1 Introduction

This document is a summary of the evaluation report (hereinafter referred to as "Report") which is the output under the contract no. 713/2011-900/MPRVSR concluded between the Ministry of Agriculture and Rural Development of the Slovak Republic in its capacity as the Managing Authority (hereinafter referred to as "MA") for the Operational Programme Bratislava Region (hereinafter referred to as "OPBR") and KPMG Slovensko spol. s.r.o. (hereinafter referred to as "KPMG") dated 19 Apr. 2011 with the following subject:

- evaluation of the performance of the Intermediary body under the Managing Authority for the OPBR (hereinafter referred to as "IB"), conducted under the Authorisation by delegation of the competences of the MA to the IB (hereinafter referred to as "Authorisation"),
- assessment of support provided by the MA to the IB to facilitate conducting of the delegated competences.

The main evaluation questions:

- Is there an appropriate system for implementing of the competences delegated from the MA to the IB? Is the process (system) for the implementation of delegated competences by the IB efficient? What are the deficiencies and the risks associated with the designed system for implementing the delegated competences? Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of the competences delegated to the IB?
- Does the MA provide all necessary support carry-out to perform the duties and tasks of the IB arising from the Authorisation and relevant managing documents? Is the cooperation between the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?
- Are the administrative capacities of the IB utilised efficiently?
- Does the IB proceed within implementation in compliance with relevant documents (e.g. the Management System of Structural Funds and Cohesion Fund 2007 – 2013, Guidelines of the MA, Internal manual of the IB, etc.)?
- Have the financial resources been spent efficiently and transparently?

The Report is divided into five main sections:

- Introduction
- Definition of activities resulting from the competences of the MA delegated to the IB
- Review of the execution of delegated competences by the IB
- Findings and recommendations resulting from the review of execution of delegated competences
- Conclusion

## 2 Definition of activities resulting from the competences of the MA delegated to the IB

The competences delegated to the IB, as determined by the Authorisation, are defined in this section. The MA authorised the IB to:

- receive and register the grant applications,
- control the formal correctness of the grant applications,
- cooperate within assessment and selection of the grant applications,
- ensure compliance with the requirements for information and publicity,
- control the payment requests of beneficiaries in accordance with Article 60 of Regulation [EC] number 1083/2006 ("General Regulation") and Article 13 of Regulation (EC) number 1828/2006,
- submit, review and approve the payments requests of beneficiaries and make the declaration of verification,
- ensure and maintain accounting records of every operation in computerised form,
- ensure data collection on implementation necessary for the financial management, monitoring, checks, audits and evaluations,
- ensure that beneficiaries and all other entities participating in the programme implementation keep a separate accounting system or suitable code identification of accounts for transactions linked to the operations,
- ensure the procedures ensuring that all the documents concerning expenditures and required audits needed to provide the correct audit trail are kept in compliance with the requirements of General Regulation,
- carry out monitoring of the projects during their implementation by monitoring the project activities using physical and financial indicators of project results and during five years after their completion by monitoring the actually achieved values of project result and output indicators for individual project activities,
- archive all documents related to expenditures and control of EC aid until at least 31 Dec. 2018.

## **3 Review of the execution of delegated competences by the IB**

### **3.1 Methodology**

In order to review the performance of the IB, two checklists were prepared structured per the delegated competences, as specified in section of the Report "Definition of activities resulting from the competences of the MA delegated to the IB". Questions were extended to cover the whole range of activities reviewed and specific sub-questions were added focusing on areas of cooperation risky from the aspect of the main evaluation questions.

The first checklist was used to collect information from the MA on particular activities under review. We requested supporting documentation to the information obtained on areas where these activities were not carried-out by the IB up to the MA expectations. We reviewed this information and discussed it with the IB. The second checklist was used to collect information from the IB on the level of support provided by the MA to the IB to exercise the delegated competences. It had the same structure as the first checklist but sub-questions specific to the IB were added concerning areas where a risk of lacking support by the MA was perceived to exist in relation to the main evaluation questions.

The information gained by the review is presented in section "Overview of the information gained by the review". For activities where we came to the conclusion that there is a space for improving the support by the MA we defined the findings and recommendations in section of the Report "The findings and recommendations resulting from the review of execution of the delegated competences". In addition to these findings and recommendations we also presented representations of the IB to which we did not give our recommendations due to the scope of our assignment, however, we considered including them for important from the point of view of completeness of this Report.

To assess the significance of the findings we used the following criteria:

- finding with a high significance: a circumstance which represents or could lead to immediate incurring of ineligible expenditures and requires an immediate action,
- finding with a medium significance: a circumstance which constitutes a deficiency in the management and control system of the operational programme and which should be removed within a reasonable timeframe,
- finding with a low importance: a circumstance which does not endanger the management and control system of the operational programme.

### **3.2 Overview of the information gained by the review**

We show the gained information first for the area of cooperation of the MA with the IB and next broken down by the competences delegated per the Authorisation. The information in this section describes facts noted and discussed in the process of information gathering and it does not constitute findings and conclusions of the evaluator, e.g. on mutual and possibly dissonant representations of the MA and of the IB on certain issues.

Evaluation of the information gained is provided in section of the Report "The findings and recommendations resulting from the review of execution of delegated competences" in the form of findings and recommendations and in section of the Report "Conclusion" in the form of answers to the evaluation questions.

Information obtained from the review of cooperation between the MA and the IB is divided into the following areas:

- administrative capacities of the IB,
- methodical support,
- control over of delegated competences,
- compliance with managing documents,
- coordination within the preparation and updating of managing documents.

Information obtained from the review of execution of the delegated competences is divided into areas determined by the Authorisation.

### **3.3 Analysis of the efficiency of the implementation**

In this section, we analysed efficiency of the spent financial resources using data on the OPBR implementation progress. The source data for the analysis were provided by the MA. We searched for answers to the following questions:

- What is the progress in implementation of the measures?
- What is the comparison of performance of centralised and decentralised measures?
- Are the administrative capacities used efficiently?

The key methods of our analysis were ratio and comparative analysis. We assessed the progress in implementing the measures of the OPBR by ratio analysis of the following sub-processes of implementation: applications for grants submission, applications for grants approval, concluding grant contracts and financial implementation of projects. In order to compare the performance of centralised and decentralised measures we used indicators previously applied in assessing the progress in implementing the measures of the OPBR.

We analysed efficiency of use of the administrative capacities by using the data on staff numbers broken down to individual positions and on the number of grant applications and grant contracts. The starting point of analysis was to compare the number of documents processed by the responsible managers within the centralised and decentralised measures.

### **3.4 Alternative set-ups of the MA – IB relationship**

The alternative institutional set-ups of MA - IB relationship are described in the Report from the aspect of:

- the partnership principle,
- efficiency versus effectiveness of delegation,
- alternatives to the extent of delegation,
- the level of reliance on the IB,
- liability for ineligible expenditures,
- alternatives to the institutional status of the IB.

The theoretical alternatives of the institutional set-up of IB in conditions of Slovakia can be described as follows:

- IB within another central state administration body (ministry),
- IB within state administration organisation where MA (ministry) is the founder,
- IB within another public administration organisation, particularly regional self-government,
- IB within the public corporations sector (within the meaning of statistical methodology ESA95, e.g. public enterprises and companies controlled by the state),
- IB within the private corporation sector,
- IB within the non-profit organisation sector.

This section also summarises the advantages and disadvantages of alternative institutional set-ups of the IB.



## 4 Findings and recommendations resulting from the review of execution of delegated competences

- **Optimisation strategy of cooperation between the MA and the IB**

We recommend taking the following considerations in looking for an optimal relationship MA – IB:

- assessment of the extent of delegated competences,
- assessment of the level of reliance on the IB,
- assessment of the extent of liability for ineligible expenditures,
- assessment of the institutional set-up of the IB.

- **Extension of formalisation of cooperation between the MA and the IB**

The current relationship of the MA and the IB is characterised by relatively low level of the reliance on the IB. On condition that the MA will be interested in increasing the reliance on the IB to utilise better the administrative capacity of the IB, we consider for appropriate to formalise the relationship between the MA and the IB in the following areas:

- performance monitoring,
- sample-based control of delegated competences.

- **Carrying-out mathematical check of payment requests also by the IB**

In relation to the desire of some IBs to carry-out a check of mathematical correctness of payment requests, we recommend that the MA explicitly allows the IBs to carry-out this check by them, while the control of mathematical correctness performed by the Department of financial control of EU programmes will not be affected. The IB would then have to define this process in its internal manual. The issue of undesirable of duplicity can be solved for example in the way that time of the IB spent while checking the mathematical correctness would not be refunded within the technical assistance.

- **On-the-spot checks**

Due to the MA reservations about on-the-spot check performance by the IB where the IB does not seek possibilities to make up for delays, and the IB on the other hand does not understand to negative stand of the MA to extending deadlines for completing project activities, we recommend to work out the methodical guideline of the Office for the Public Tendering (ÚVO) no. 263-5000/2011 of 19 Apr. 2011 for assessing the change requests by beneficiaries related to extension of construction work deadlines, or delivery dates of goods and services, with objective to define the rules enabling

- assess a request for change in project activity deadlines as justified or not,
- to determine allowable deadline extension for justified request.

## 5 Conclusion

This section of the Report provides answers to main evaluation questions based on our review:

*1. Is there an appropriate system secured for the implementing of the delegated competences delegated from of the MA to by the IB? Is the process (system) for the implementation of delegated competences by the IB efficient? What are the deficiencies and the risks associated with the designed system for implementing the delegated competences? Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of the competences delegated to the IB based on the results and recommendations of the review?*

*1.1 Is there an appropriate system secured for the implementing of the delegated competences delegated from of the MA to by the IB?*

Appropriateness of an implementation system is assessed from the effectiveness point of view (reaching the objectives) and the efficiency point of view (ways of reaching of objectives). Since the definition of the evaluation questions included the efficiency to the sub-question 1.2, we understand the sub-question 1.1 as the one on the effectiveness of the implementation system.

The current implementation system of the delegated competences is in our opinion appropriate, (i.e. sufficiently effective) to implement the decentralised measures. Our opinion is based on assessing

- partnership principle applicability,
- extent of delegation,
- level of reliance on the IB,
- liability for ineligible expenditures,
- alternatives of institutional set-up of the IB.

In case where the MA is interested in increasing the level of reliance on the IB, we hold for necessary to formalise the relationship between the MA and the IB in the areas of:

- a) performance monitoring,
- b) sample-based control of delegated competences.

### *a) Performance monitoring*

Our analysis of the efficiency of use of the administrative capacities of the IB measured by the number of documents processed by one employee confirmed lower efficiency of the decentralised measures implementation, compared to the centralised measures implementation. As well, due to administrative and substantive errors of the IBs, as observed by the MA, we consider performance monitoring, and thus established trend in performance, for a material basis for constructive communication in solving the relationship MA – IB.

### *b) Sample-based control of delegated competences*

According to the Authorisation, the MA can check appropriateness and sufficiency of the IB personnel. In section of the Report "Overview of gained information from review" we identified a lower level of the IB

employees trainings in the area of financial control and non-availability of a construction engineer for checking the formal correctness of grant applications, grant application evaluations and on-the-spot checks. In this connection, if the MA concludes that there is a need to raise the skill level of the IB employees or to ensure availability of construction engineer, we consider for appropriate to require this from the IB.

*1.2 Is the process (system) for the implementation of delegated competences by the IB efficient?*

Our efficiency analysis of IB's administrative capacities utilisation, measured by number of processed documents by one employee, revealed apparently lower efficiency of the decentralised measures implementation compared to the centralised measures. Based on our opinion, lower efficiency cannot be explained just by different character of projects. Reasons for the inefficiency can be:

1. a need to RO - IB coordination within the routine implementation process,
2. need to carry out control of delegated competencies,
3. lower efficiency of the IB functioning, assuming the same efficiency level of the MA operation both for centralised and decentralised measures, except for the above stated coordination between the MA and the IB. We recommend analysing this possible reason further by using results of IB's performance monitoring.

Opportunities for improving the efficiency and preserving the implementation system effectiveness within current programming period are presented in sub-question 1.4.

When contemplating the organisational set-up for the next programming period, the question of justification of the incremental cost incurred due to the IB existence can be asked. Establishing the IB and its operation automatically results in cost that are fixed for the IB, but from macroeconomic view, and also from operational programme view, those costs are incremental. Establishing the IB thus automatically replays to a certain inefficiency, however, that was accepted in advance within the operational programme. The question remains, to what extent is the incremental cost incurred by the IB existence compensated by higher effectiveness of implementation, e.g. higher comfort for beneficiaries. Since the MA and the IB are located in the same town within the eligible area, the IB establishment does not lead to a better accessibility of implementation body by beneficiaries. In this connection, the MA points out that in the previous programming period the programme SPD2 was implemented without using any IB and the IB existence for such a small operational programme as Operational Programme Bratislava Region is not necessary. Based on the MA estimation, withdrawing the delegated competencies from the IB would not result in additional fixed costs for the MA and a number of new managers would be lower than current number of managers in the IB. It cannot be omitted while performing the cost and benefit analysis of the IB existence that efficiency of IB utilisation is rising with extended level of delegation and reliance on the IB (see sub-question 1.4). However, justification of the IB existence could be challenged at the current level of delegation and reliance on the IB.

The IB should be heard to give reasons for its existence, and develop a document to compare costs and benefits of own existence. The MA, as it is fully accountable for effective and efficient implementation of operational programme, should be free to choose such organizational provision of implementation of operational programme that will be, according to the MA's opinion, optimal from efficiency and effectiveness point of view, assuming all relevant circumstances.

The IB should be given an opportunity to reason for its existence by elaborating a document to comparing costs and benefits of its own existence. The MA, as being fully accountable for effective and efficient

implementation of the operational programme, should be free to choose such an organisational set-up for the operational programme implementation that will be, according to the MA's opinion, optimal from efficiency and effectiveness point of view having regard to all relevant circumstances.

*1.3 What are the deficiencies and the risks associated with the designed system for implementing the delegated competences?*

We identified the following potential risks:

- organizational subordination of the IB to chairman of Bratislava self-governing region. This risk was accepted in the OPBR in advance, plus the IB does not implement projects where Bratislava self-governing region is the beneficiary,
- closer ties between the IB and beneficiaries in the region than is in the case of the MA. MA finds this risk significant. It can materialise e.g. by lower effectiveness of spot checks. This risk should be treated by sufficient sample-based controls of delegated competences,
- risk of lower quality of grant application evaluations and on-the-spot checks for construction projects, as there is no construction engineer available in the IB.

In respect of the system design, we defined a recommendation where the Document no. 263-5000/2011, dated 19 Apr. 2011 issued by the Office for Public Procurement on assessing change applications by beneficiaries to extend the construction period, or goods and services delivery period was not elaborated further with aim to define rules, according to which it would be possible to

- assess a change application to extend project activities deadline for justified or unjustified,
- determine an acceptable extension period for a justified request.

*1.4 Is it necessary, based on the results and recommendations of the review, to carry-out any changes in the implementation system or in the scope of the competences delegated to the IB?*

Based on our review we did not identify a need for immediate changes in the implementation system or in the extent of delegated competencies. In a reasonable time we recommend to implement the recommendation on assessing the change applications by beneficiaries to extend the construction period, or goods and services delivery period (sub-question 1.3) as well as a deficiency related to the system operation efficiency (sub-question 2.2).

From the strategic point of view it is appropriate to assess also the question of changing the extent of delegation, IB's liability for decentralised measures, and institutional position of the IB, together with the option of implementing without the IB. From efficiency point of view, the larger part of the implementation process is delegated and controlled by sample-based control, the lower the need for coordination, because the MA is less involved in partial activities and more focused on reaching the goals. The extent of delegation and the way of controlling the delegated competencies depends on MA's attitude towards identified risks (see sub-question 1.3). Due to those risks the MA does not consider for appropriate to proceed in rising the independence of the IB.

*2. Does the MA provide all necessary support carry-outto perform the duties and tasks of the IB arising from the Authorisation and relevant managing documents? Is the cooperation between the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?*

*2.1 Does the MA provide all necessary support carry-outto perform the duties and tasks of the IB arising from the Authorisation and relevant managing documents?*

Based on our review we consider the level of support provided by the MA to the IB for satisfactory.

*2.2 Is the cooperation between the MA and the IB sufficient? What are the possibilities for improving cooperation between the MA and the IB?*

We consider the cooperation of the MA and the IB for sufficient. The area of efficient system operation includes the previously mentioned potentially lower effectiveness of spot checks, that should be treated by the MA by preserving sufficient level of the own on-the-spot check or by sufficient attendance of MA's employees in spot checks carried-out by the IB.

*3. Are the administrative capacities of the IB utilised efficiently?*

As already stated in sub-question 1.2, our efficiency analysis of IB's administrative capacities utilisation, measured by number of processed documents by one employee, revealed apparently lower efficiency of the decentralised measures implementation compared to the centralised measures. For the IB's activities, the ratio of documents per manager in decentralised and centralised measures lies between 20% to 39%. Based on our opinion, lower efficiency cannot be explained just by different character of projects. Reasons for the inefficiency can be:

1. a need to RO - IB coordination within the routine implementation process,
2. need to carry out control of delegated competencies,
3. lower efficiency of the IB functioning, assuming the same efficiency level of the MA operation both for centralised and decentralised measures, except for the above stated coordination between the MA and the IB. We recommend analysing this possible reason further by using results of IB's performance monitoring.

Opportunities for improving the efficiency and preserving the implementation system effectiveness within current programming period are presented in sub-question 1.4. It can be added specifically to the question of utilising IB's administrative capacity that if the IB performance monitoring proves inefficiency in administrative capacity utilisation, one of resolute measures could be to reduce the reimbursement of eligible activities within the technical assistance.

*4. Does the IB proceed within implementation in compliance with relevant documents (e.g. the Management System of Structural Funds and Cohesion Fund 2007 – 2013, Guidelines of the MA, Internal manual of the IB, etc.)?*

Errors occurred within the IB activities during the grant application evaluation and on-the-spot checks. These errors were, according to the MA knowledge, detected and corrected. If these were errors within the learning process, the trend should be diminishing. The decrease of the trend should be supported by objective data from the performance monitoring system. Based on our review we did not find a non-

compliance with the Management System of Structural Funds and Cohesion Fund 2007 – 2013, Guidelines of the MA, and the internal manual of the IB.

*5. Have the financial resources been spent efficiently and transparently?*

Our conclusion on efficiency of the spent finance from the aspect of IB's performance is presented in the evaluation question no. 3. Within the evaluation question no. 5 we assessed the efficiency of the spent finance from the aspects of progress in the implementation of measures and performance comparison of the centralised and decentralised measures. The implementation can be characterised as relatively balanced, except for the measure 1.2 where reallocation was proposed.

For the purpose of our review we defined the transparency as a compliance of the implementation process design and operation with the managing documents such as the Management System of Structural Funds and Cohesion Fund for the programming period 2007-2013 and the Financial Management System of Structural Funds and Cohesion Fund for the period 2007-2013. On the basis of our review, the transparency of spent finance is sufficient.