

Period 2014-2020: Main Challenges

New Model of Assurance: Accounts

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What's new in 2014-2020?

Annuality:

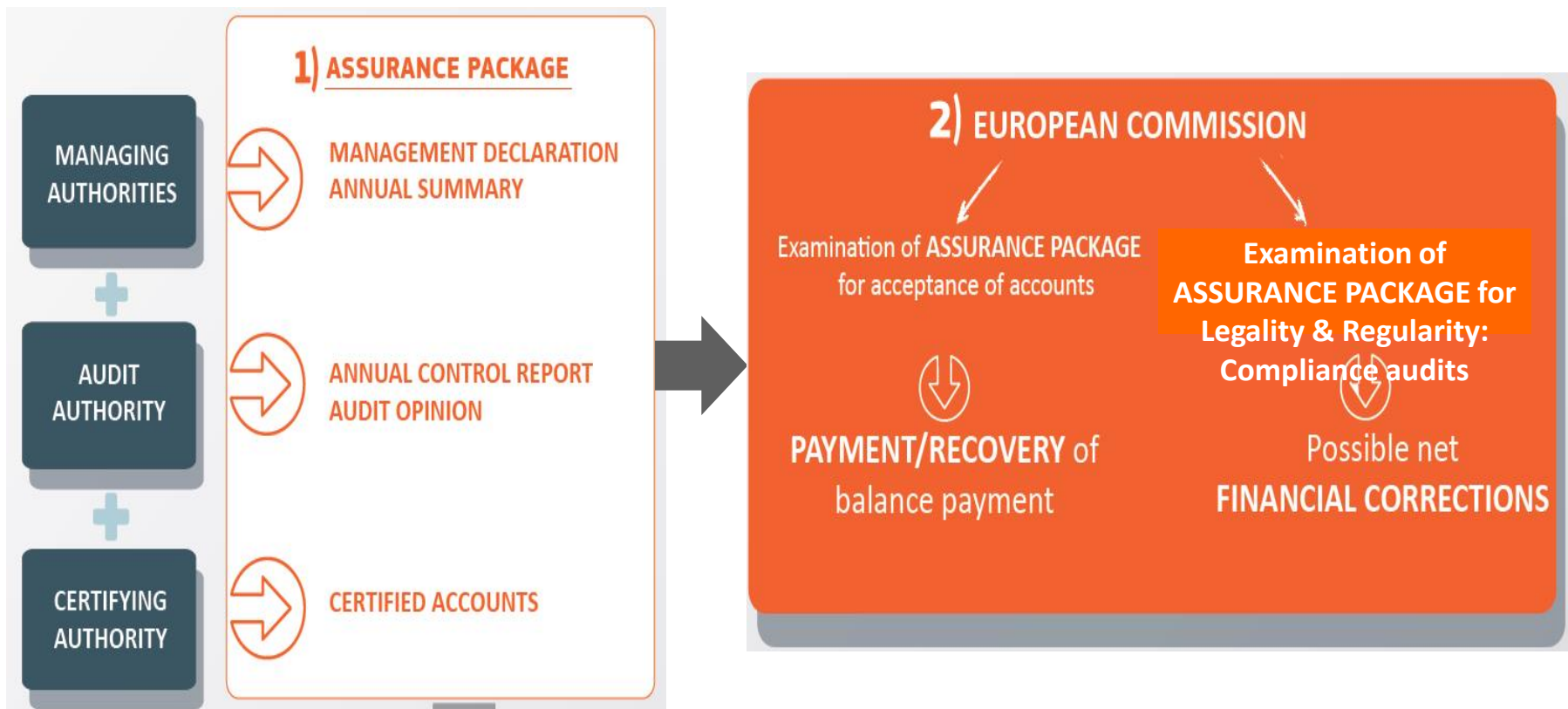
- Accounting period from 1 July $n-1$ to 30 June n
- Annual closure of block of expenditure

Preventive measures:

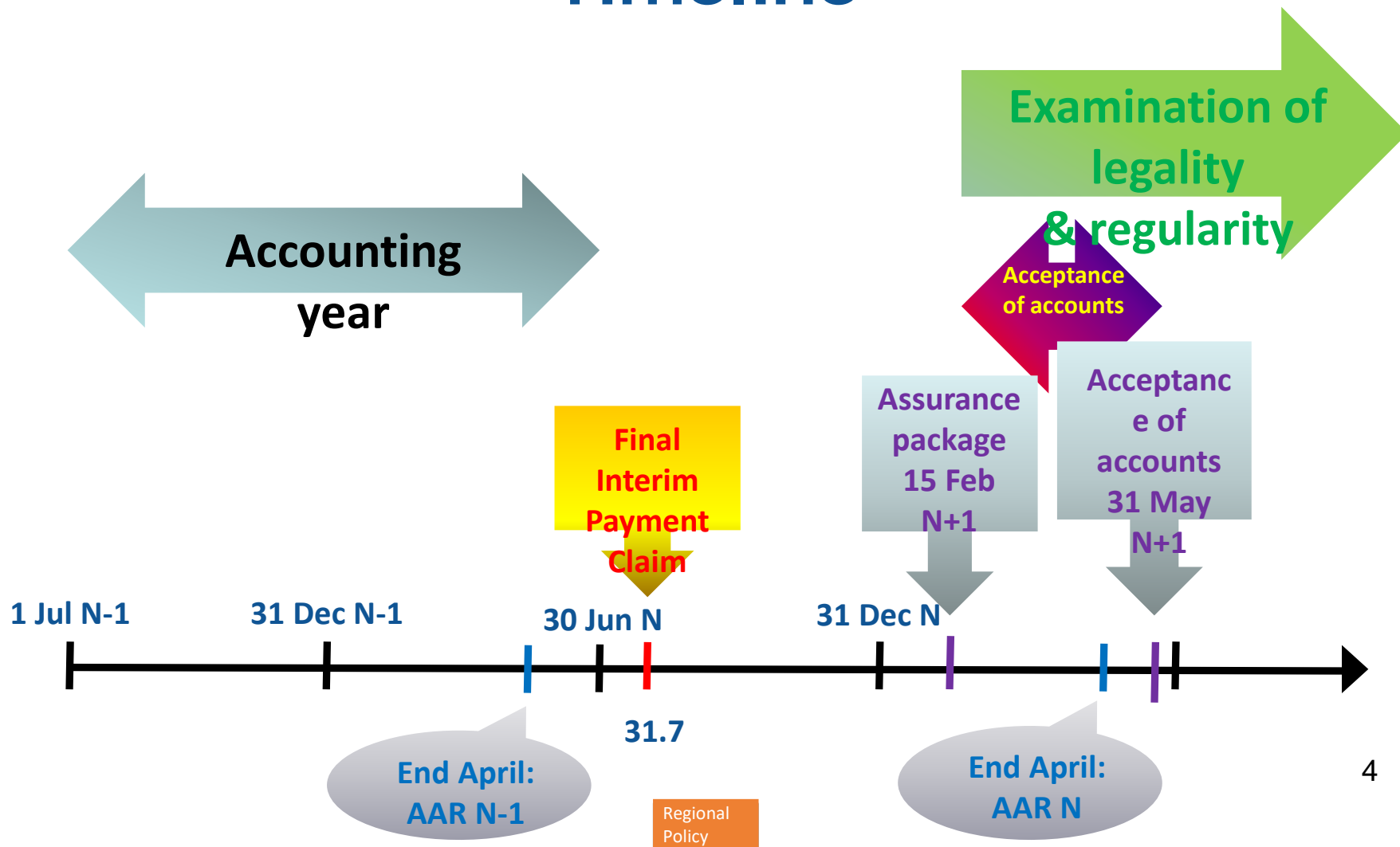
- Interim payment applications reimbursed at 90%
- Balance payment / recovery after control cycle is finished in MS

Corrective measures: net financial corrections

The assurance package



Timeline



Interesting data from first set of assurance packages

MS' & COMM's audit opinions for ERDF/CF/ESF/YEI , as reported by DG REGIO and DG EMPL in their respective AAR2016

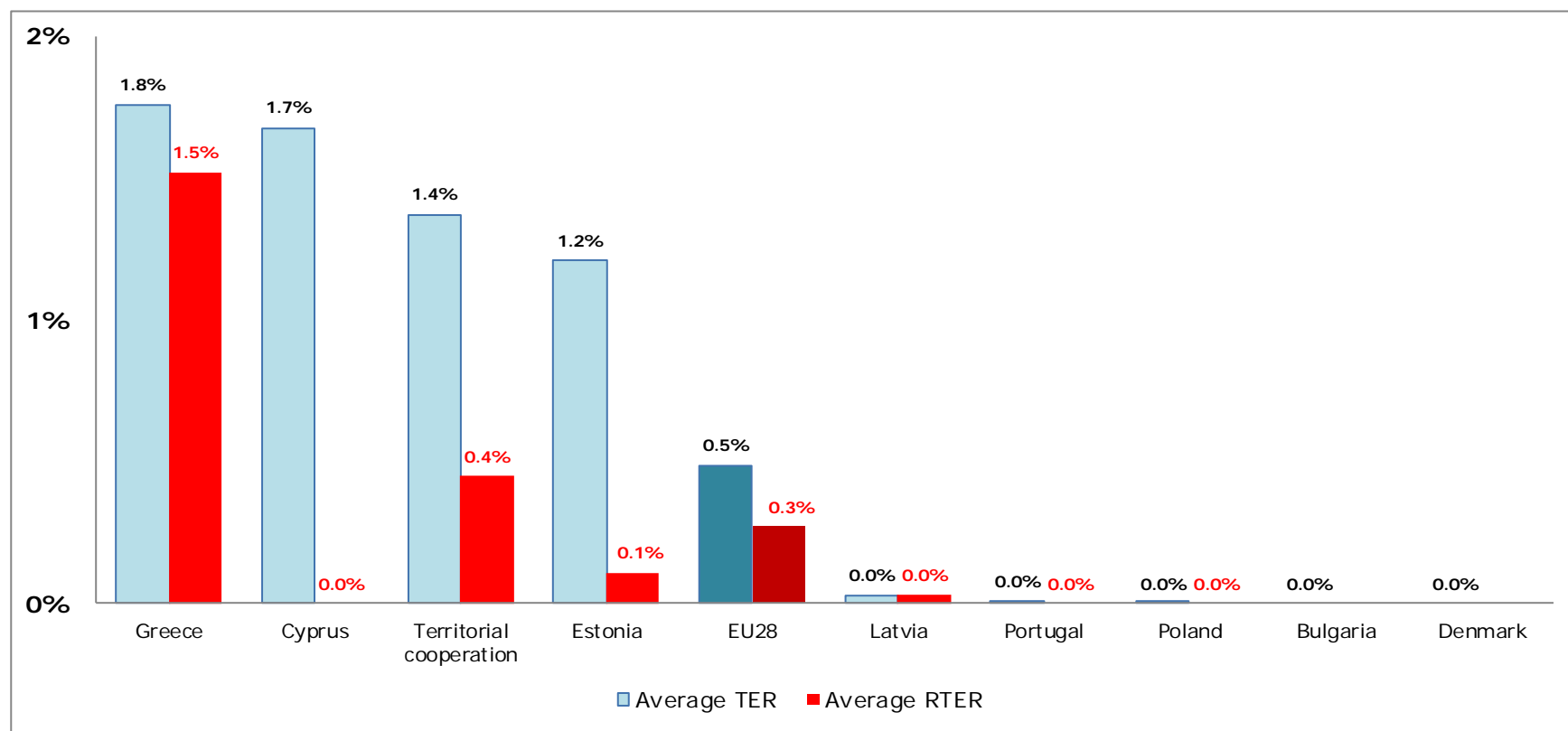
Audit opinions	Accounts		Legality and regularity		Management and Control system	
	MS	EC	MS	EC	MS	EC
Unqualified	63	63	63	48	59	19
Qualified with limited impact				15	4	43
Qualified with significant impact						1
TOTAL	63		63		63	

(of which 35 with ERDF/CF expenditure)
No adverse opinion!

Adjustments made by the Member States in the annual accounts ERDF/CF

Member State	Total eligible expenditure in final interim payment (EURO Mio)	Total eligible expenditure confirmed in the accounts (EURO Mio)	Difference (EURO Mio°)	
			Total deductions	Out of which amounts corrected as a result of audits of operations
Bulgaria	56.8	47.3	9.5	0.0
Cyprus	2.8	2.7	0.0	0.0
Denmark	1.7	1.7	0.0	0.0
Estonia	165.9	155.6	10.2	10.1
Spain	633.1	633.1	0.0	0.0
Greece*	171.6	161.0	10.6	1.0
Latvia	89.4	89.1	0.3	0.0
Poland	545.7	545.7	0.0	0.0
Portugal	18.9	18.9	0.0	0.0
Territorial Cooperation	2.7	2.7	0.0	0.0
Grand Total	1,688.5	1,666.0	30.6	10.7

ERDF/CF - Average Total Error Rate (TER) and Residual Total Error Rate (RTER)



Need for improvement (audit opinions)

- *No clear disclosure of the audit opinions for the three elements of the assurance (Accounts, Legality & Regularity and functioning of MCS)*
- **For next year: SFC 2014 will be improved to clearly request an audit opinion by element**
- *Unqualified opinion (category 1) on the MCS for OPs although system audit reports sent to EC concluded Qualified-limited impact (category 2)*
- **For next year: AAs to use the option of Qualified-limited impact (category 2) seeking coherence between the annual opinion on the functioning of MCS and the audit work carried out during the year including the audit of operations**

Need for improvements (accounts)

- *Some inconsistencies in the application of Article 137 (2) of CPR on the deduction from the accounts of the amounts under ongoing assessment*
- *Insufficient explanations on the checks carried out by AA over the CA's reconciliation between Appendix 8 of Accounts and Annex of Annual Summary*
- *Lack of clear information in the Appendix 8 of Accounts and in the Annual Summary (in particular for errors unrelated to the AA's sample)*
- *In some cases Annual Summary included amounts of ex-ante corrections (corrections applied to the expenditure never declared to the Commission) which makes any reconciliation difficult. Annual Summary should disclose information on management verifications but report amount of corrections applied to declared expenditure*
- *Ensure the correct disclosure in the accounts of amounts corrected as result of audits of operations (to be used for the calculation of the residual error rate)*

Sampling – Calculation of Error rates

- *Remind to provide an overview of all parameters used for the sampling and the calculation of the TPER, and also to clearly indicate how the residual risk has been calculated*
- *For the calculation of the residual risk, only corrections recorded in the accounts in relation to the risks identified by the AAs can be taken into account (see page 15 of GN on ACR).*
- *In the case of multi-fund OPs, be clear in the ACR whether the information provided are specific or valid for both funds*
- *Explain more in detail the sub-sampling methodology*

Need for further reflection: impact of FIs-State aid advances

- ✓ *For few OPs, the contribution to the FIs (first tranche) accounted for more than 50% of the audit population. Checks carried out only on the FI set up*
- ✓ *For 1 OP, State aid advances accounted for more than 50% of audit population. Checks carried out only on the conditions to give the advances*

Open questions

How this may impact the OP error rate?

Do we need to adjust the sampling methodology?

- ❖ *Strata for FIs and State aid advances*
- ❖ *How to integrate the results of later audits on implementation*
- ❖ *From second FI tranche, audit also on implementation and verification of regulatory conditions to release the second tranche*

Typology of errors

- *Limited number of ACRs received and errors reported*
- *Received table of typology for 10* OPs (ERDF expenditure)*
- *16 errors reported (no cases of gold-plating or suspicion of fraud)*
 - ✓ 15 errors category 8 (other ineligible expenditure)
 - 5 cases category 8.3 Expenditure not related to the project
 - 5 cases category 8.5 Ineligible VAT
 - 5 cases-other ineligible expenditure
 - ✓ 1 error public procurement (category 1.3 non-compliance with time limits for receipt of tenders)

Any questions?



**Thank you
for your
attention!**