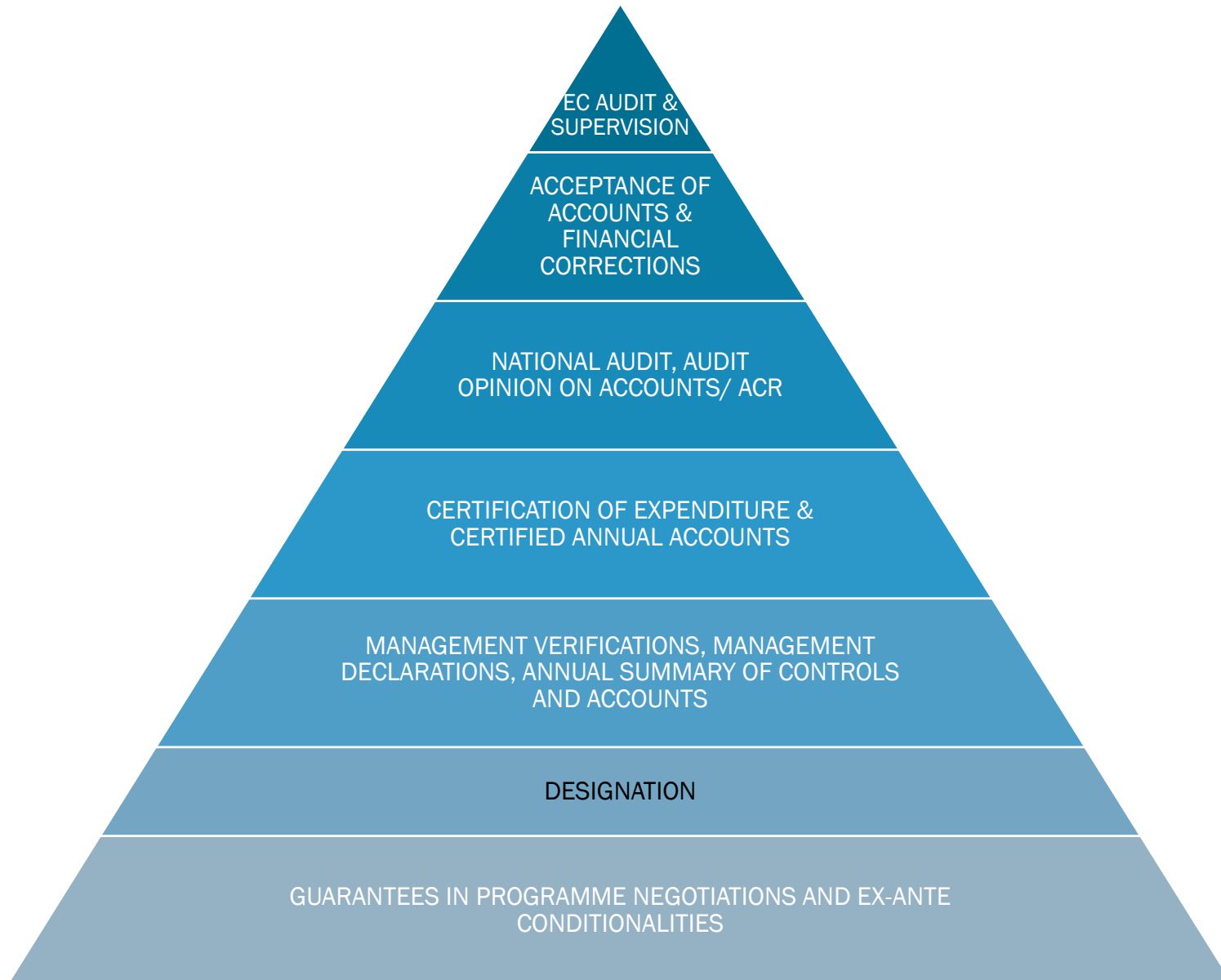# Control and project reimbursement

Interact Programme Management for Beginners

17-18 October 2017 I Madrid, Spain

Malgorzata Zdunek, Interact Programme

Assurance model 2014-2020

INTERact
EUROPEAN UNION

EC AUDIT &
SUPERVISION

ACCEPTANCE OF
ACCOUNTS &
FINANCIAL
CORRECTIONS

NATIONAL AUDIT, AUDIT
OPINION ON ACCOUNTS/ ACR

CERTIFICATION OF EXPENDITURE &
CERTIFIED ANNUAL ACCOUNTS

MANAGEMENT VERIFICATIONS, MANAGEMENT
DECLARATIONS, ANNUAL SUMMARY OF CONTROLS
AND ACCOUNTS

DESIGNATION

GUARANTEES IN PROGRAMME NEGOTIATIONS AND EX-ANTE
CONDITIONALITIES

Management verifications – regulatory framework

Legal basis

Regulation (EU) No. 1303/2013:

- Article 125(4)

- Article 125(5)

- Article 125(6)
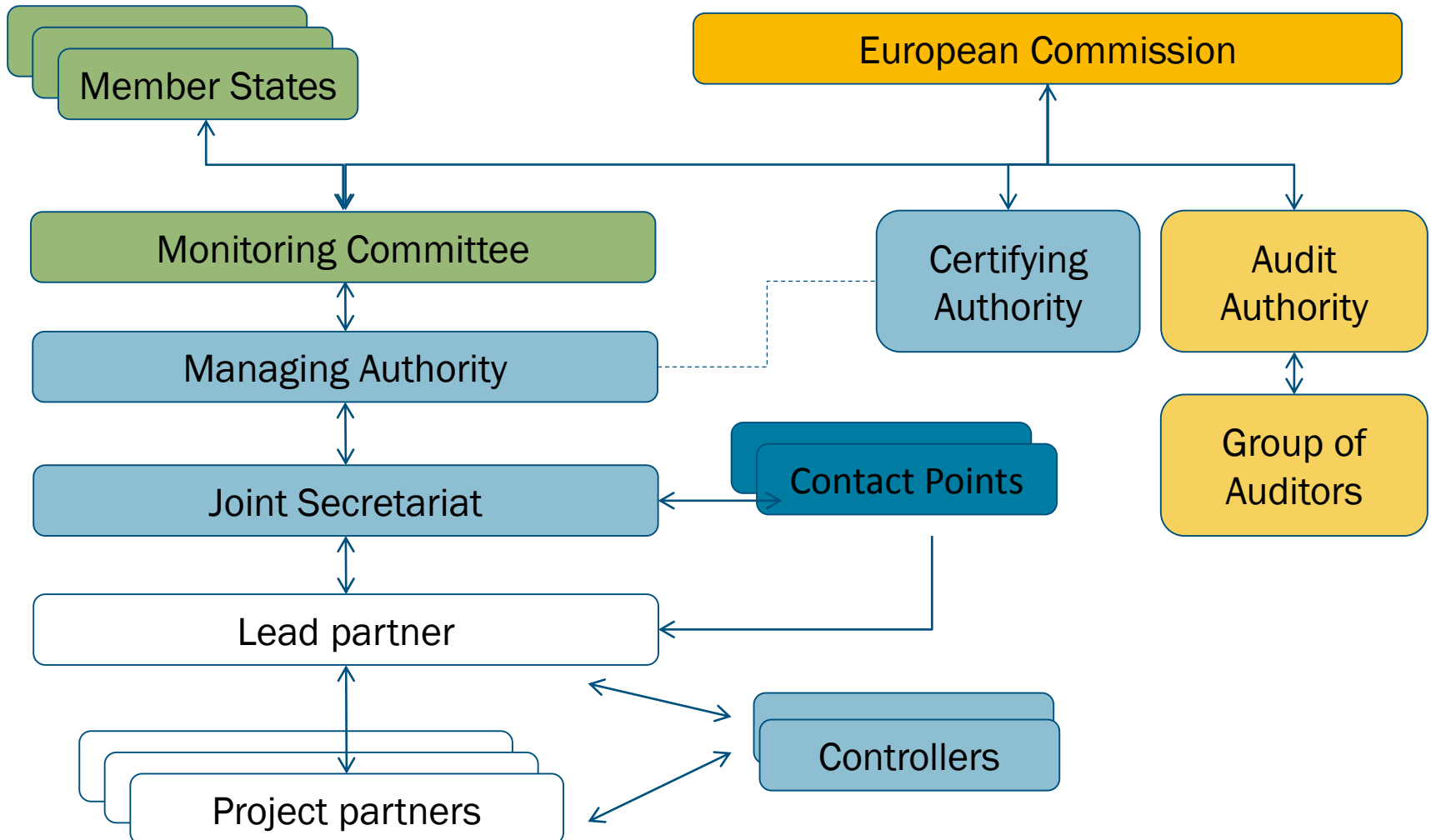
Regulation (EU) No. 1299/2013:

- Article 23

Guidance by the European Commission

ESFI Guidance for Member States on Management verifications (programming period 2014-2020)
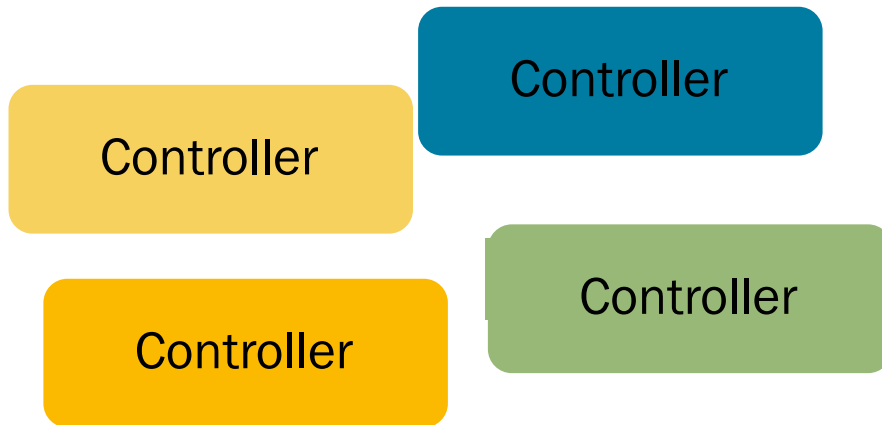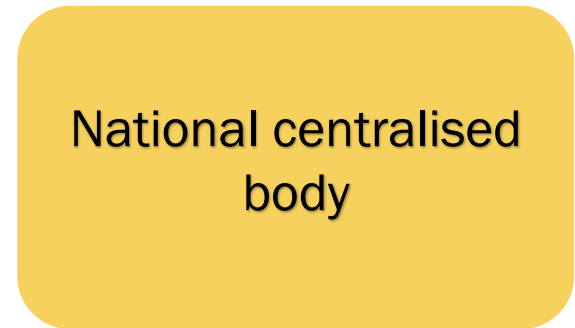
Management and control system

Management verifications - controllers

Centralised system:

- Organised and paid by Member State

National centralised body

Controller

Controller

Controller

Controller

Decentralised system:

- Open market controllers

Control systems

| Centralised	Decentralised
Partners cannot choose the controller	Partner chooses the controller but needs approval
Financed by the national/ regional funds or TA	Financed from the project budget
No costs	Quick, with good proximity to the project
Experienced staff	
Same interpretation of eligibility rules for all partners	

Management verifications – scope

- Expenditure relates to the **eligible period** and has been **paid**

- Expenditure relates to an **approved operation**

- **Physical progress** of the operation

- **Delivery** of the product or service in full compliance with the terms and conditions of the agreement

- Compliance with **programme conditions**, incl. the approved co-financing rate

- Compliance with national and EU **eligibility rules/ public procurement rules**

- Compliance with **state aid rules**
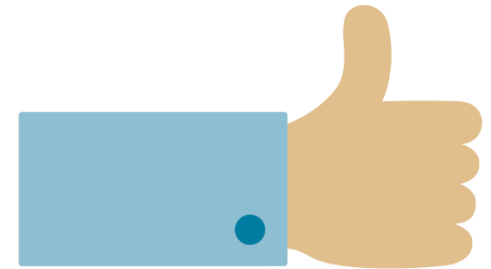
Management verifications – scope

- Compliance with **horizontal principles** requirements

- The respect of EU and national rules on **publicity**

- Adequacy of supporting documents and existence of an adequate **audit trail**

- *For simplified cost options:* **conditions for payments** have been fulfilled
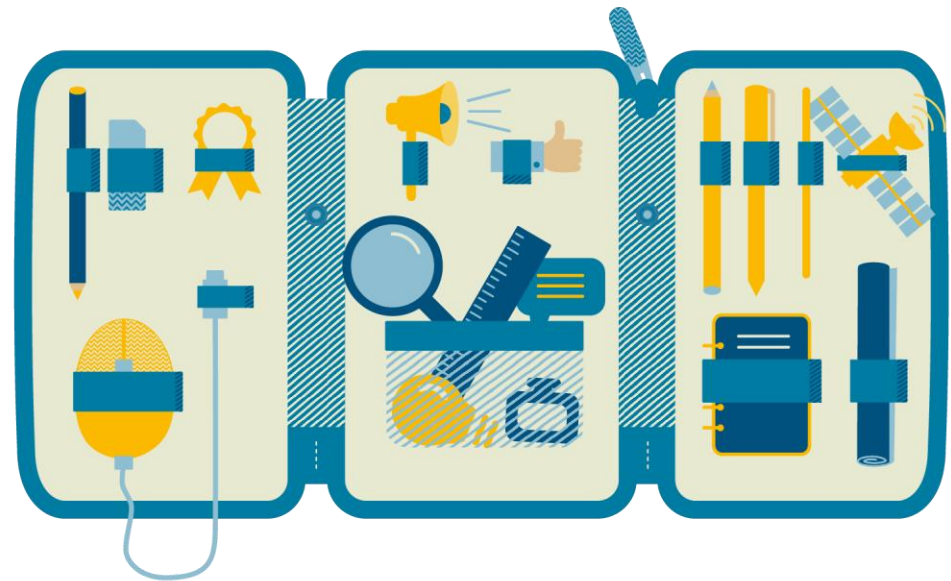
Management verifications – types

Administrative (desk-based)

- each application for reimbursement
- performed at the controller's premises
- sampling is possible (where justified)

On-the-spot

- delivery of the product/service, physical progress, EU publicity rules
- performed at the premises of the partner/ project related site
- on a sample basis (Article 125(5) of Reg. 1303/2013)

Management verifications – sampling

Administrative verifications

- Methodology is established ex-ante by the MA

- Risk-based selection is complemented by a random sample

On-the-spot verifications

- MA keeps records of the operations selected and description of the sampling method

- Sampling method is reviewed annually

- Risk-based selection is complemented by a random sample

- Sample: high value operations, problems/ irregularities or unclear transactions have been identified

Documenting of management verifications

- Recommended to use checklists

  - for Interreg: adopt **Harmonised Checklists** developed by INTERACT

- Checklist should be sufficiently detailed (one tick for eligibility is not sufficient)

- Name/position of a person completing the check and date of check should be recorded

- Photos of deliverables, copies of promotional material, etc. can be used for publicity
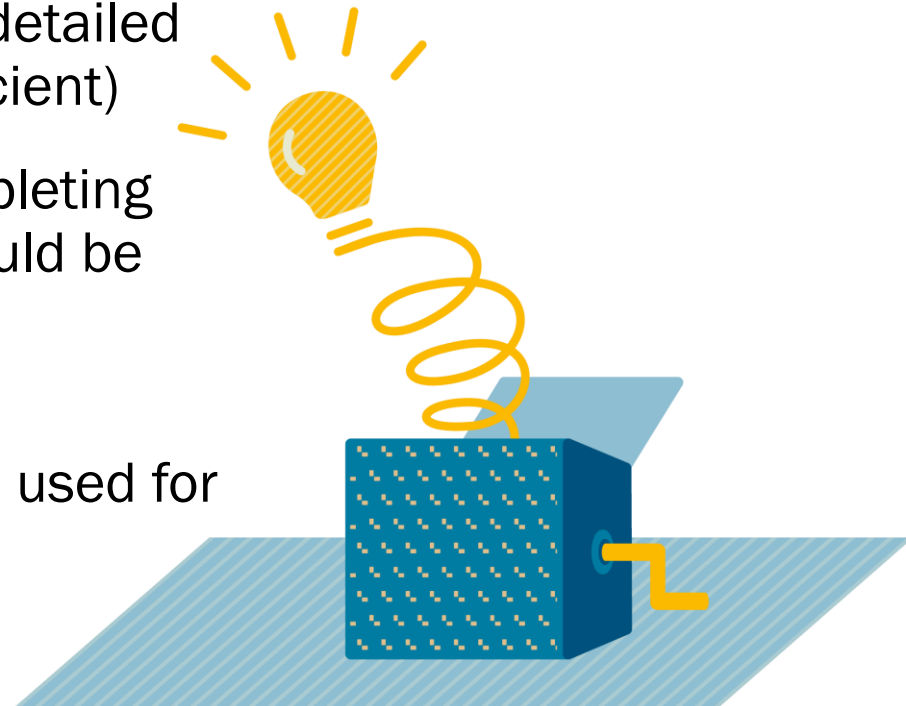
Management verifications – obligations of MAs/ JSs

- Verify that the co-financed products and services have been **delivered**

- Verify that expenditure declared by the beneficiaries has been **paid**

- Verify that the expenditure declared **complies** with applicable **law**, the operational **programme** and the conditions for support of the **operation**

- Ensure that the beneficiaries maintain a **separate accounting** system or an adequate accounting code

- Set up procedures to ensure an adequate **audit trail**

- Put in place effective and proportionate **anti-fraud measures**

- Draw up **management declaration**

Management verifications – responsibilities of Member States

Member States or third countries or territories – each designates a body or person responsible for carrying out verifications in relation to beneficiaries on its territory:

- Each MS or 3rd country <u>responsible for verifications</u> carried out on its territory

- MA shall satisfy itself that the expenditure of each beneficiary has been <u>validated by a designated controller</u>

- *Recommended in the EC Guidance:* MA ensures that the responsible MS or 3rd countries put in place <u>quality control procedures</u> to verify the quality of the work by the controllers

Timing of management verifications

Each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of **three months** of the submission of the documents by the beneficiary concerned.

Certifying Authority

- CA may be merged with MA

- In some programmes MA and CA are even in different MS

- Separation of functions must be ensured (CA should be able to say "NO" to MA opinion / request)

Certifying Authority

- Verifies and certifies finally all eligible amounts to be claimed from COM via interim and final payment claims

- Certifies annual accounts

- Reconciles final payment claim with the accounts

- Monitors irregularities, recovers and withdraws
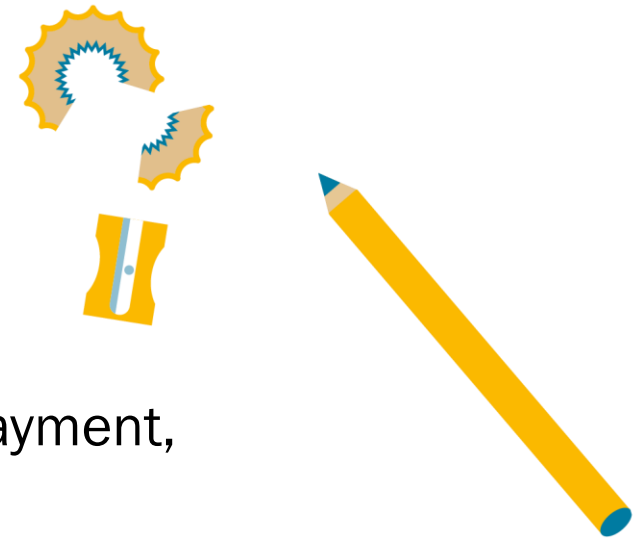
- May be involved in on-the-spot checks
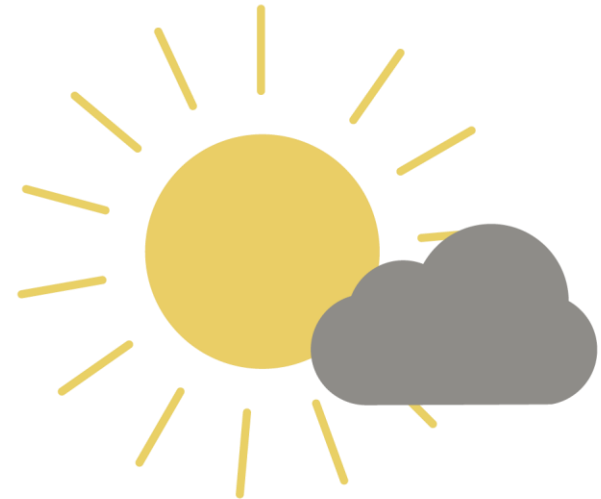
Progress Report – sample check of the list of expenditures

Your task
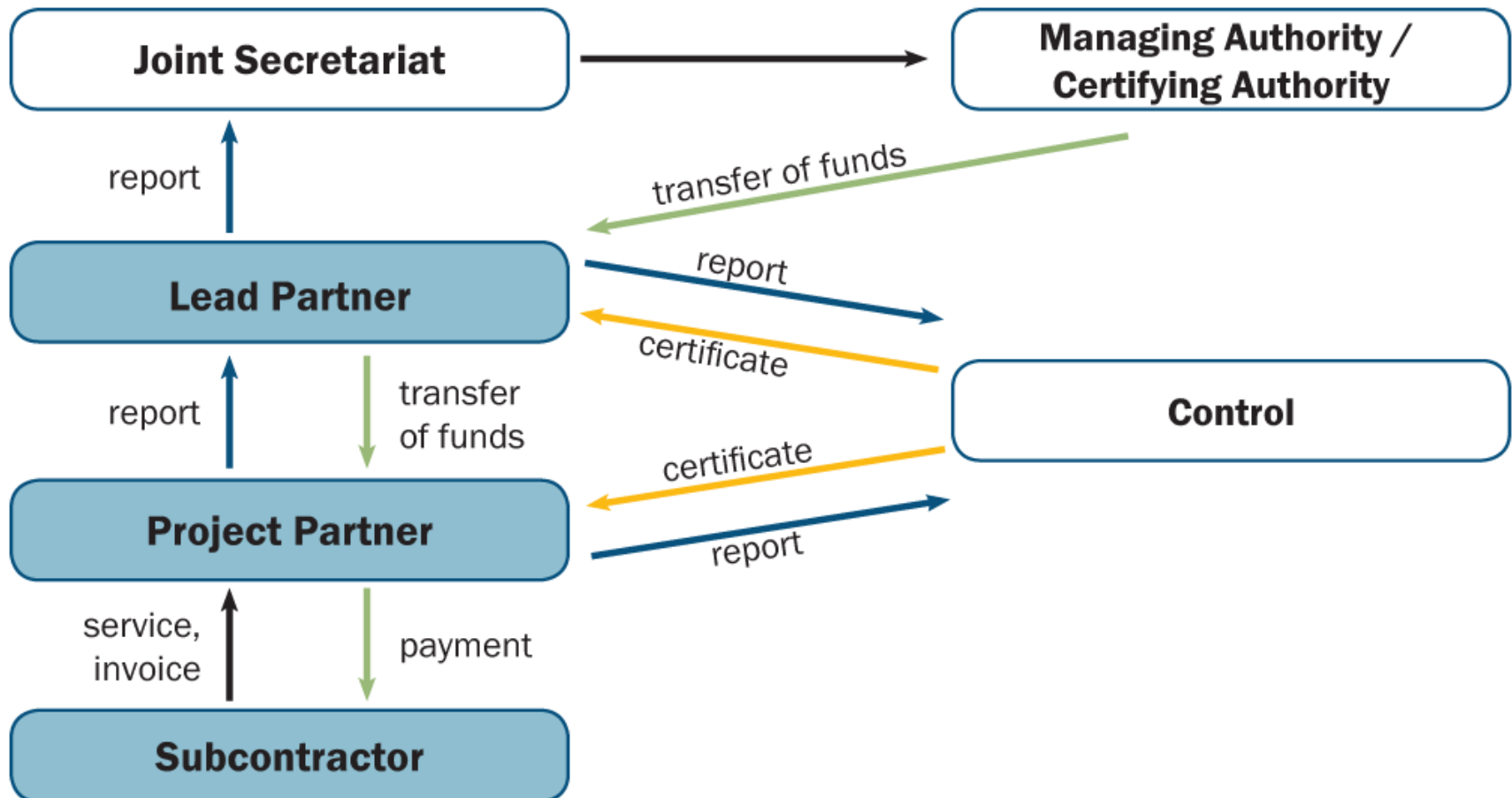
As a group, check:

- attribution to the correct budget line,

- attribution to the correct work package,

- date of issuing an invoice and date of the payment,

- audit trail of supporting documents.

For the feedback you are asked to:

- be prepared to discuss your group's findings with other groups.

Cash flow programme - project

Cash flow programme - project

Article 132(1) of CPR

The payment to the beneficiary needs to be done within **90 days** from the submission of the application for payment

The deadline may be interrupted by MA when:

- The amount claimed is not due or the appropriate supporting documents, necessary for management verification, have not been provided.

- An investigation has been initiated in relation to the possible irregularity affecting the expenditure concerned.

Management and control system
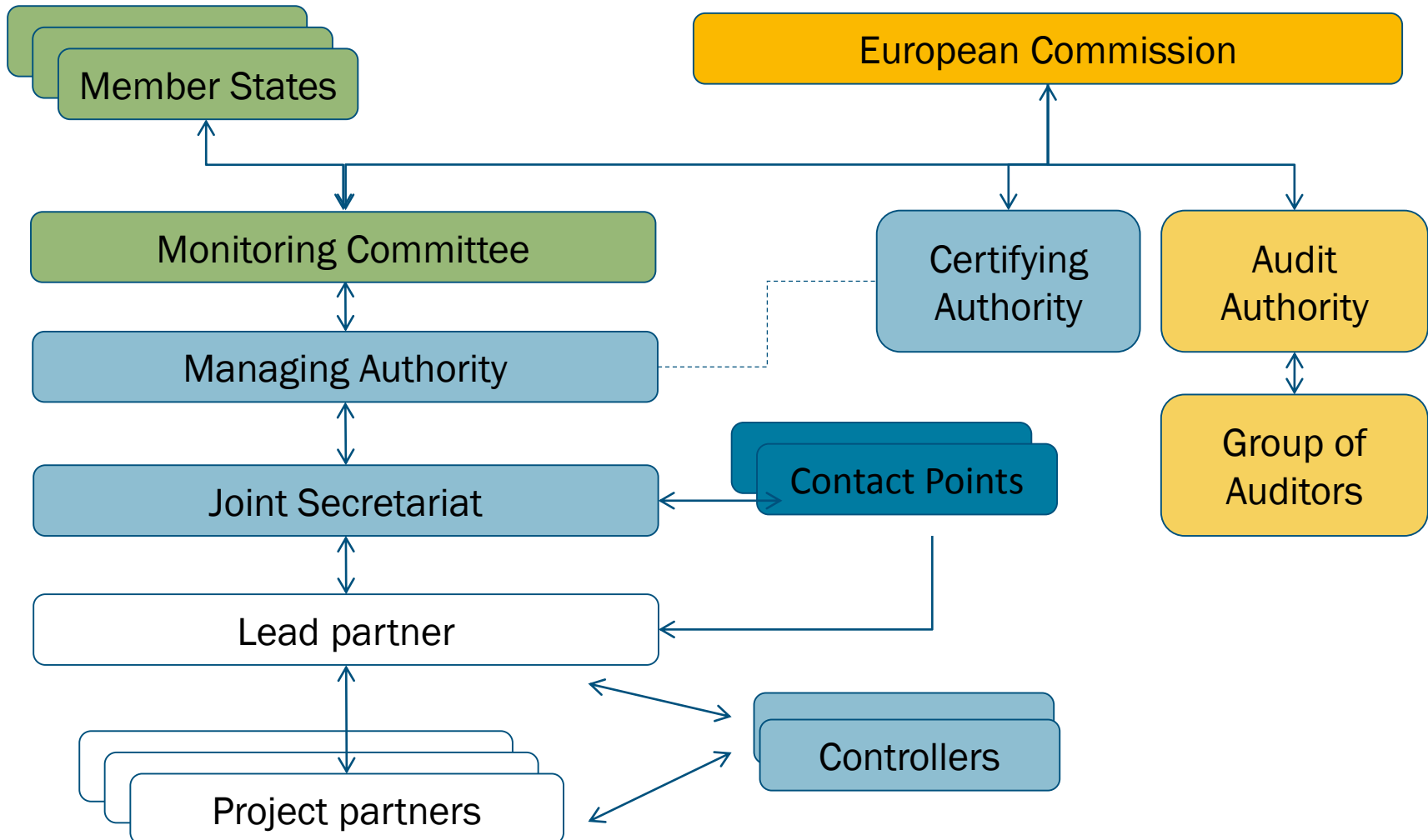
Audit Authority

Function	Responsibility
Works independently	Verifies the successful implementation
Located in the same Member State as the MA	Ensures that audits are carried out on: • management and control system, • sample of operations, • annual accounts

Group of Auditors

Function	Responsibility
Supports Audit Authority	Performs and organises second level control in respective country
Representatives from each country in the programme	Reports back any findings to the AA

System audit

Purpose

Effectiveness

Reliability

Procedure/ Outcomes

Once a year

Contradiction

Irregularities

Interruption

Audit of operations

Purpose

Accuracy

Reliability

Eligibility

Procedure/ Outcomes

Once a year

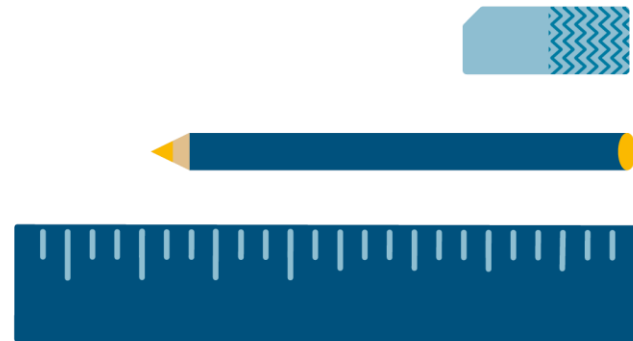Contradiction

Irregularities

Interruption

Other auditing bodies

European Commission

OLAF

- investigates fraud against the EU budget, corruption and serious misconduct within the European institutions,

- develops anti-fraud policy for the European Commission,

- every irregularity higher than 10 000 EUR should be reported to OLAF

Cooperation works

All materials will be available on:

www.interact-eu.net