

Programme cash flow

Interreg Programme Management for
Beginners

17-18 October 2017 | Madrid, Spain

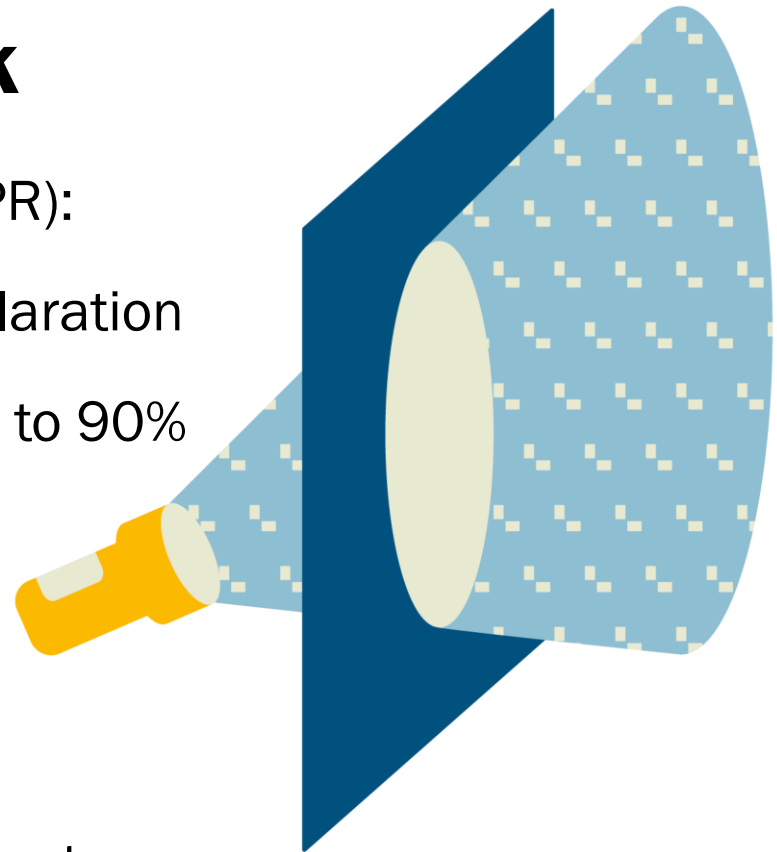
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Programme**



Legislative framework

Regulation (EU) No. 1303/2013 (CPR):

1. Article 125(4), management declaration
2. Article 130, interim payments up to 90%
3. Article 134, advance payments
4. Article 135, accounting year
5. Article 136, de-commitment
6. Article 137, preparations of accounts
7. Article 138, submission of information
8. Article 139, examination and acceptance of accounts



Legislative framework

Commission Implementing Regulation 1011/2014 (CIR):

1. Article 2, model for transmission of financial data
2. Article 6, model for the payment application
3. Article 7, model for the accounts
4. Annex II, model for transmission of financial data
5. Annex VII, model for the accounts
6. Appendixes of Annex VII



Regulation (EU, EURATOM) No. 966/2012 Financial Regulation (FR)

1. Article 59, shared management with Member States

2014-2020 – new accounting year

The NEW accounting year is:

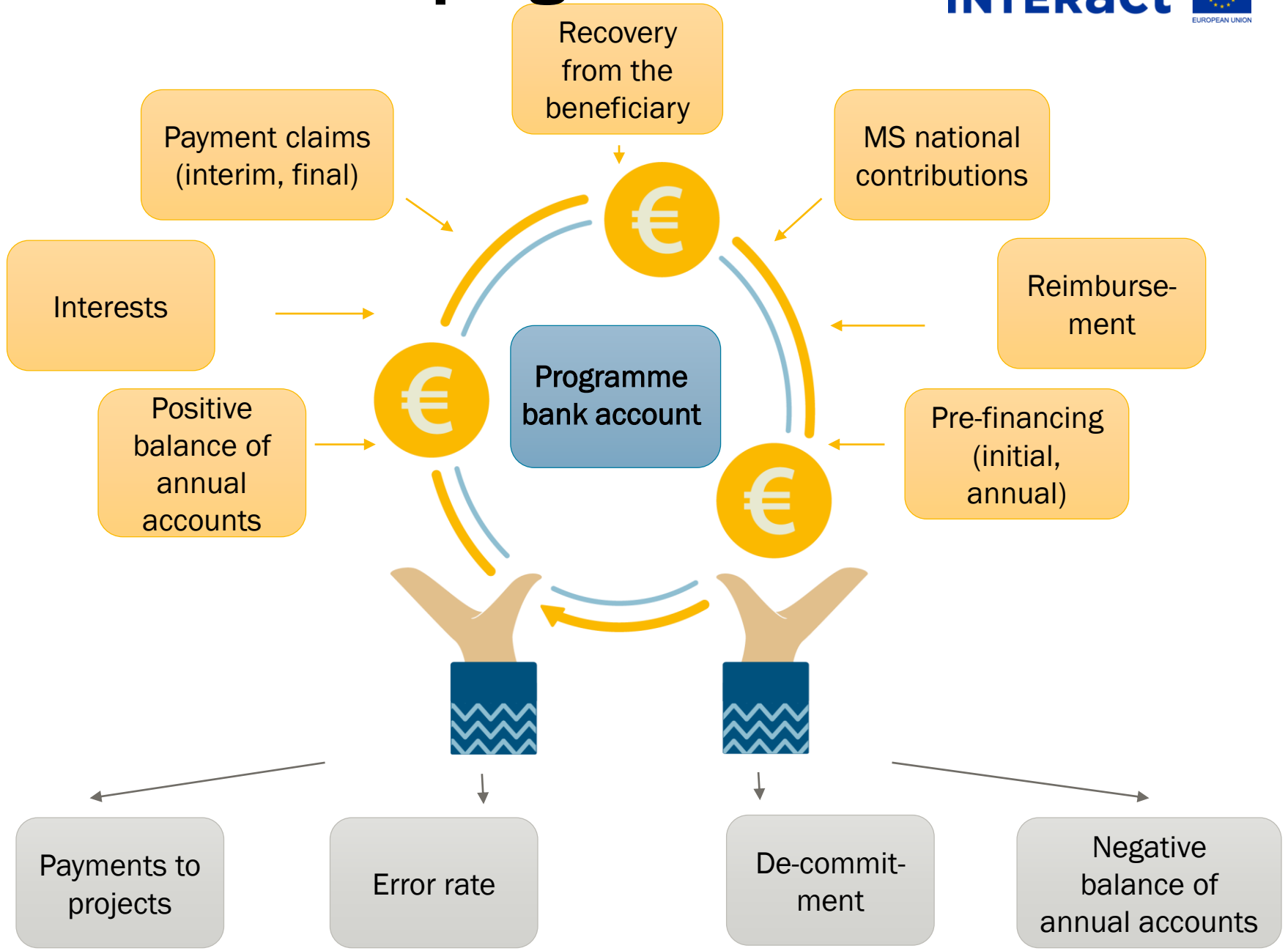
(1 July N – 1) to (30 June N)

The first accounting year is:

1 January 2014 – 30 June 2015



Cash flow at the programme level



Initial pre-financing

- Paid in 3 instalments
- 1% of total fund for each year: 2014, 2015, 2016
- Should be only helping beneficiaries (Article 81 of CPR)
- Available for the whole period – must be spent (accounted for) by the end of 2023 and, thus, at final closure (Article 82 of CPR)

Annual pre-financing

- For years 2016 – 2023
- Paid before 1 July each year
- Designed to assist with the annual accounting and the change to interim payment (90%)
- Counted as expenditure against N+3 automatic de-commitment rule (Article 136(1) CPR)
- Must be accounted for (cleared) each year – in effect by the end of accounting year – so it is not available for the whole programming period (Article 139(7) CPR)

Pre-financing

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Initial	1%	1%	1%							
Annual			2%	2,625%	2,75%	2,875%	3%	3%	3%	3%

Interim payment claims

- Total eligible expenditure incurred by beneficiaries, paid for implementing operations, and entered into the CA accounting system (Article 131 of CPR)
- Interim payments claim can be submitted even monthly
- Certification of expenditures of every payment claim (and not just annual accounts)
- $\text{Payment} = (\text{eligible expenditure} \times \text{priority co-finance rate}) \times 90\%$
(Article 130 of CPR)

Final (interim) payment application/ claim

- Basis for preparation of the accounts assurance
- Needs to be submitted for each accounting year:

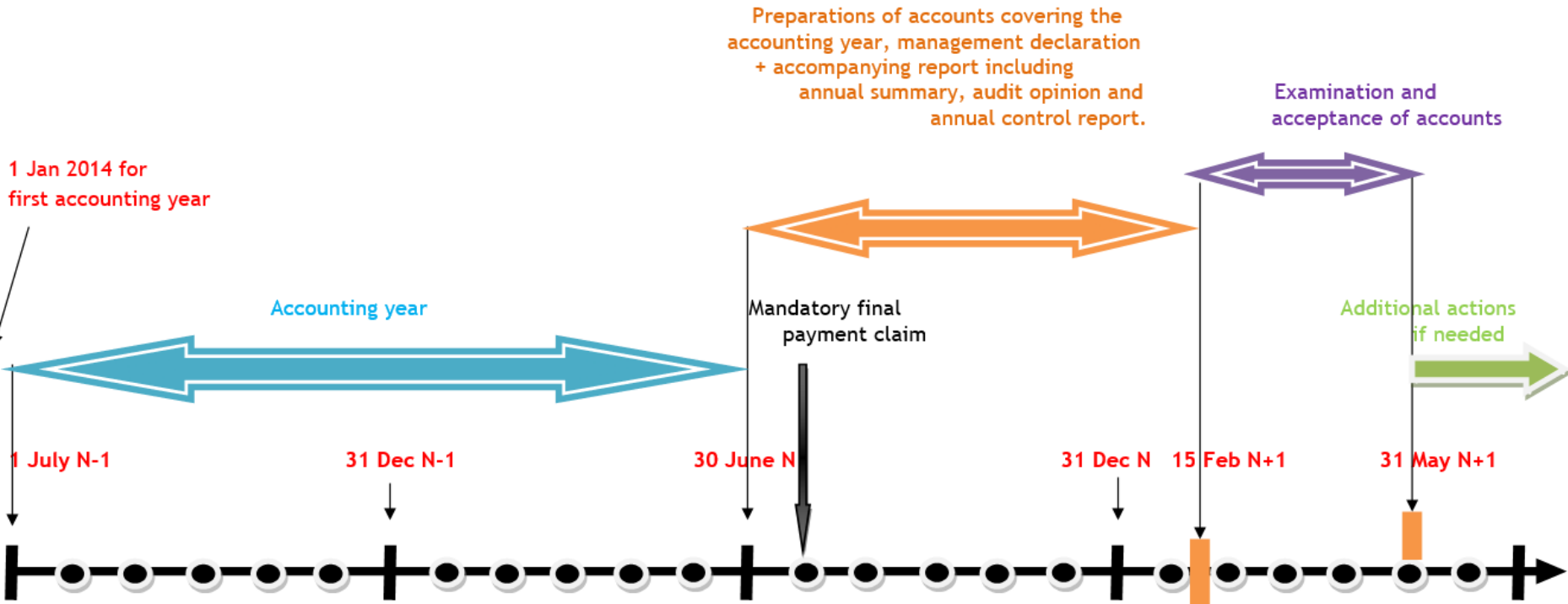
Accounting year (1 July N – 1) to (30 June N)

Final payment claim to be submitted between 1 July and 31 July N

The first payment claim not before:

1. EC adoption of the Programme
2. Notification of designation of authorities (MA and CA) submitted to the EC

Timing



Annual accounts

Appendix 1 of Annex VII to IR 2011/ 2014

Accounts submitted for programme at the level of each priority axis including:

1. Total eligible expenditure by beneficiaries by 30 June (in final payment claim by 31 July)
2. Corresponding public expenditure
3. Corresponding payments made to beneficiaries
4. Amounts withdrawn/recovered/to be recovered, recoveries and irrecoverable amounts
5. Reconcile final payment claim for the accounting year, and accounts

Annual accounts - submission

Submission by **15 February N+1** of **assurance package** which consists of:

- Certified accounts (CA)
- Management declaration (MA)
- Annual Summary of controls (MA)
- Annual Control Report, ACR (AA)
- Audit Opinion on Accounts (AA)



Annual accounts – roles of programme authorities - CA

- Reconciliation of annual accounts (Appendix 8 of Annex VII to CIR 2011/ 2014)
- Final payment claim reconciled with the accounts
- Any correction applied since the final payment claim till the submission of the accounts (31 July N – 15 February N+1) to be reconciled in the accounts
- If CA excludes expenditure that is subject of the assessment on regularity or legality it may include it in the future payment applications if found to be regular

Annual accounts – roles of programme authorities - MA

Submission of :

- The management declaration (model in Annex VI to CIR 2011/2014)
- The Annual Summary of the Controls (no model in regulations, but proposed model is the Annex 1 to the Guidance on the drawing of Management Declaration and Annual Summary (EGESIF_15-008-01))

Annual accounts – roles of programme authorities - AA

- Delivers audit of annual accounts
- The Annual Control Report, ACR
- The Audit Opinion

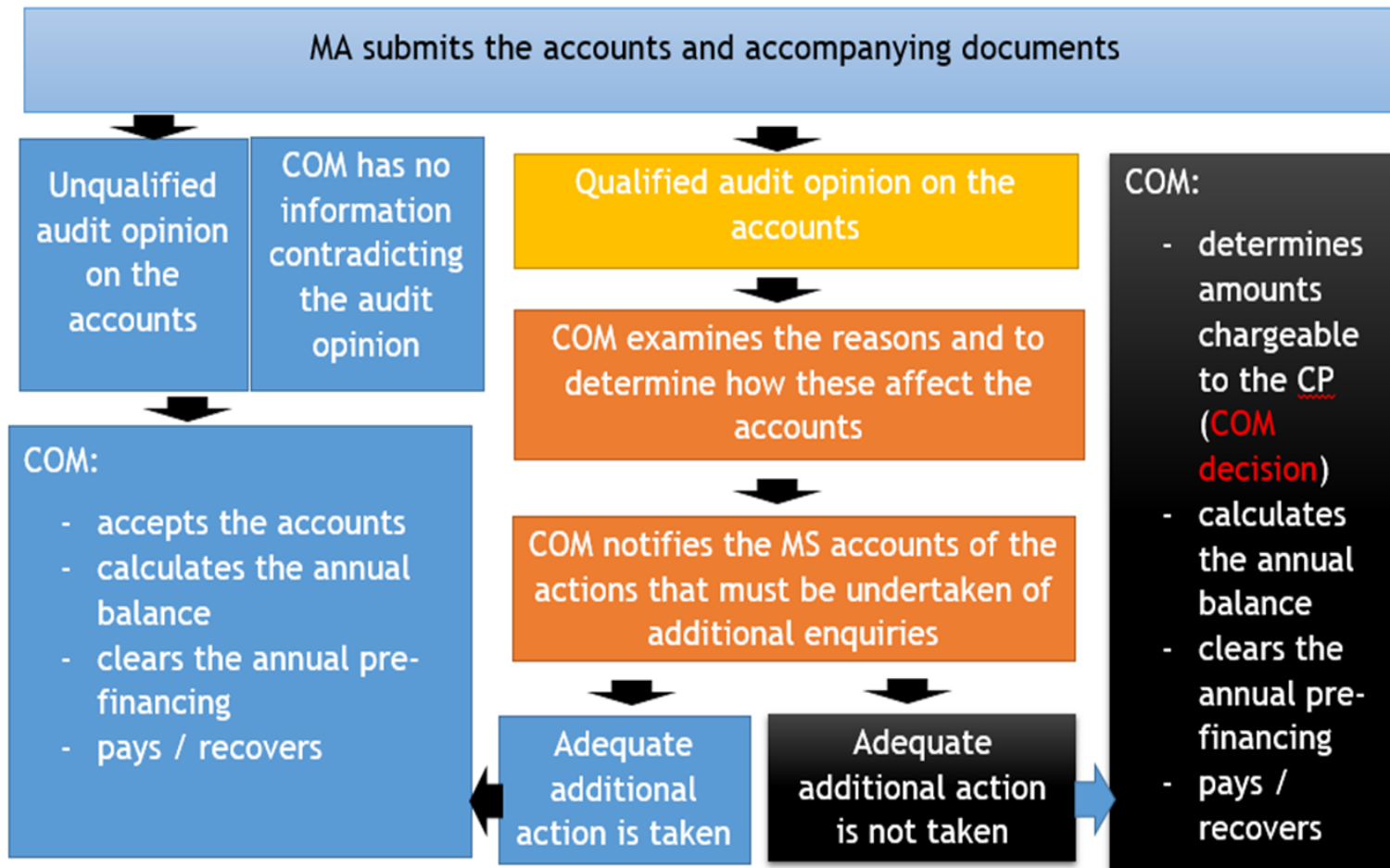
Implementing Regulation 2015/207 – Annex IX

Guidance for Member States on the Annual Control Report and Audit Opinion (EGESIF_15-0002-02)

Designated body (MA) responsible for:

- Submission of documents annually by 15 February following the accounting year via SFC

Examination and acceptance of annual

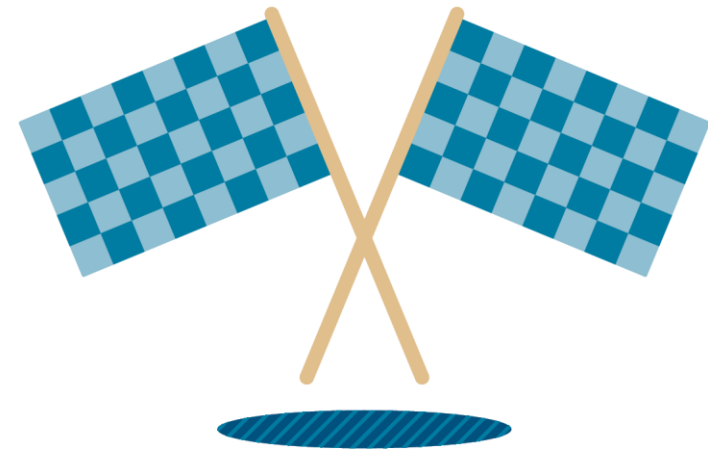


Balance of annual accounts

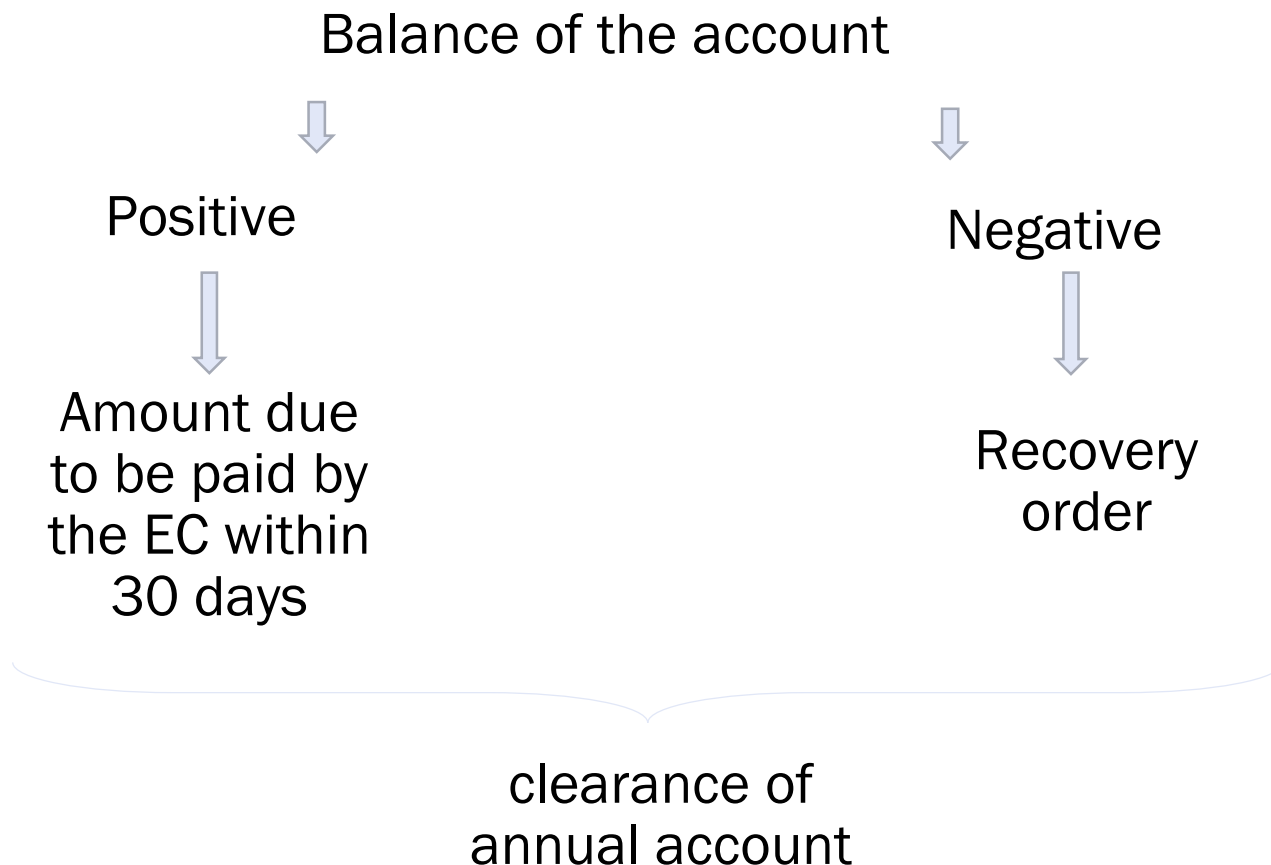
Annual balance = Claimed amount from the COM – EU support paid – annual pre-financing

If no claim, no COM reimbursement

And a programme must pay back the annual pre-financing



Financial consequences of examination and acceptance of annual accounts



De-commitment 2007-2013

De-commitment was faced by:

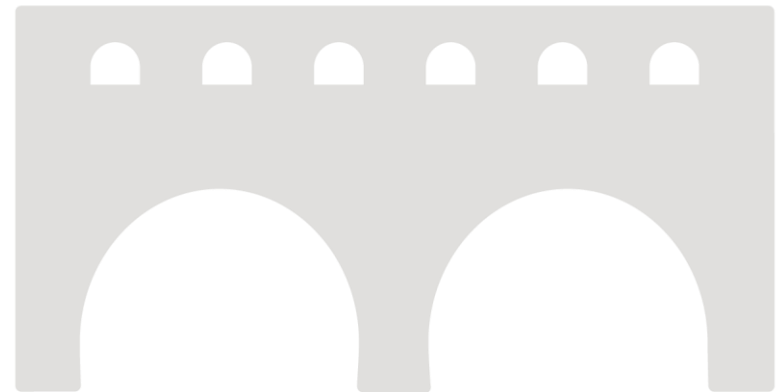
8 CBC programmes

- 2 programmes de-committed once
- 5 programmes de-committed twice
- 1 programme de-committed three times

4 transnational programmes

- 3 programmes de-committed once
- 1 programme de-committed twice

2 IPA CBC programmes



Main reasons for de-commitment

- Limited capacity
- At the beginning of the 2007-2013 period: problems linked to the interpretation of the regulation, too cautious co-financing approach (limitation of co-financing rate for certain beneficiaries/ projects)
- Force majeure (Article 94 of Regulation (EU) 1083/2006)
- Legal proceedings and administrative appeals (Article 95 of Regulation (EU) 1083/2006)

De-commitment 2014-2020 (Art. 136 CPR)

Main change:

N + 3 for all programmes

However, stays as **calendar** and not accounting year target

As a consequence, the programme spending has to be monitored in regards to:

- Pre-financing and annual accounts clearance (**accounting** year)
- Decommitment targets (**calendar** year)

How to calculate N+3 target?

For 31/12/2017:

Main allocations until 2014 decreased by:

- Initial pre-financing for 2014, 2015 and 2016; Annual pre-financing for 2016 and 2017; Payment claims submitted by 2017

For 31/12/2018:

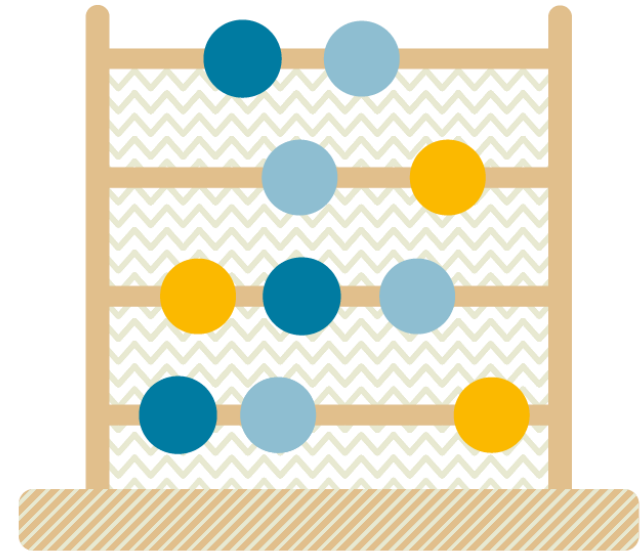
Main allocation until 2015 decreased by:

- Initial pre-financing for 2014, 2015 and 2016; Annual pre-financing for 2016, 2017 and 2018; Payment claims submitted by 2018

Exercise – calculation of de-commitment targets

Your task

- As a group, calculate decommitment targets for the budget commitments of the programme for the programming 2014-2020.



For the feedback you are asked to:

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

De-commitment – calculations*

Calendar year	Financial plan: ERDF allocation (Table 15)	N+3 target		Initial pre-financing	Annual pre-financing	Cumulative amount of pre-financing	EU contribution in the payment application submitted to meet N+3 target
		Years in the Financial Plan	Cumulative amount of main allocations				
2014	1 000			100			
2015	2 000			100			
2016	1 000			100	200	500	
2017	2 000	up to 2014	1 000		262,50	762,50	237,50
2018	1 000	up to 2015	3 000		275,00	1 037,50	1 962,50
2019	1 000	up to 2016	4 000		287,50	1 325,00	2 675,00
2020	2 000	up to 2017	6 000		300,00	1 625,00	4 375,00
2021		up to 2018	7 000		300,00	1 925,00	5 075,00
2022		up to 2019	8 000		300,00	2 225,00	5 775,00
Total	10 000						

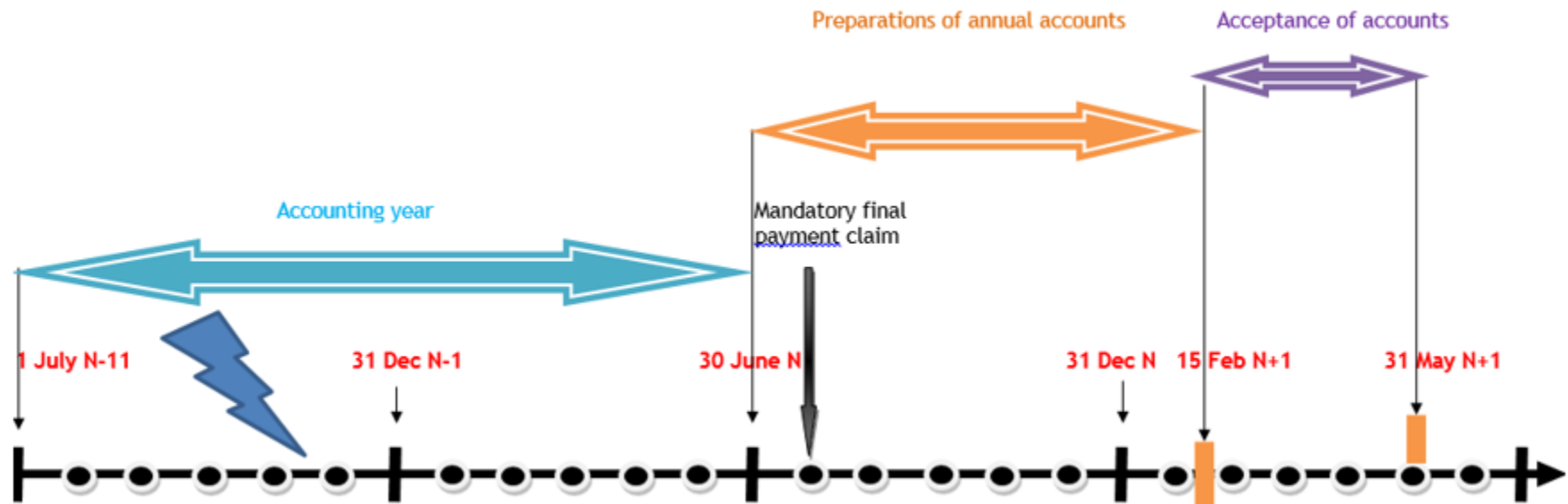
*Automatic N+3 calculator is available at the [Interact website](#)

Irregularities

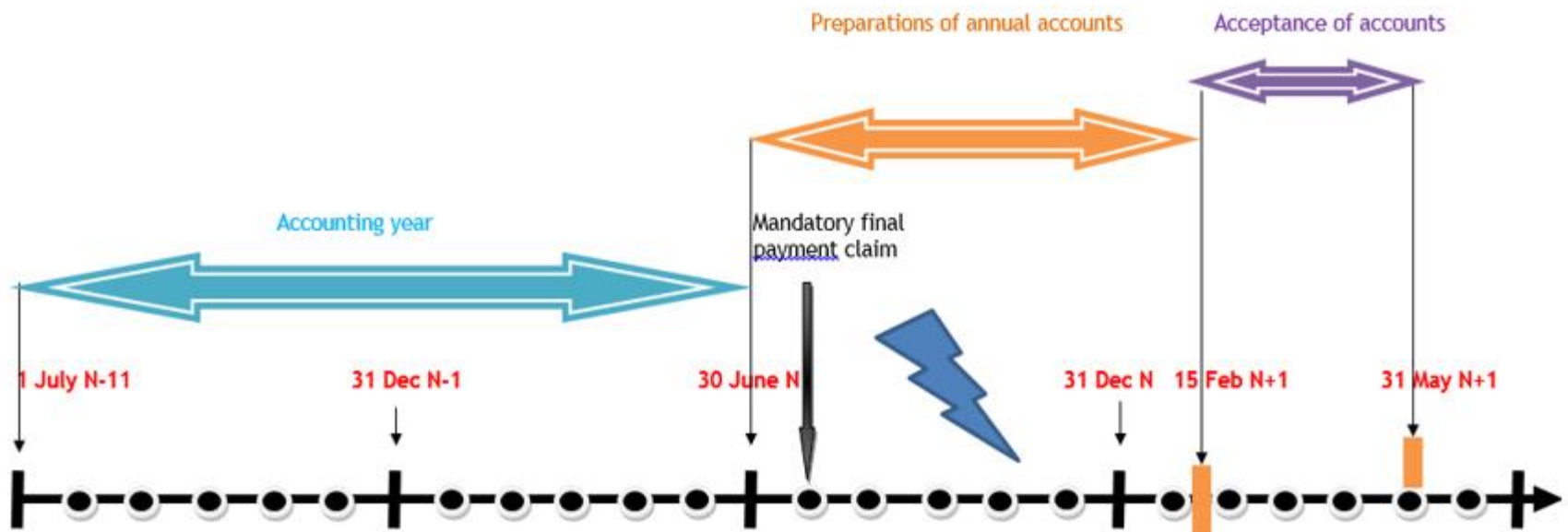
Definition (Article 2(36) of CPR)

- Any breach of Union law or national law relating to its application
- Resulting from an act or omission by an economic operator
- Involved in the implementation of the ESI Funds, which has or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union
- Most financial irregularities due to formal or administrative error, not fraud
- All irregularities > EUR 10 000 (EU contribution) must be reported to European Anti-fraud Office (OLAF)
- Systemic irregularities - definition (Article 38 of CPR)

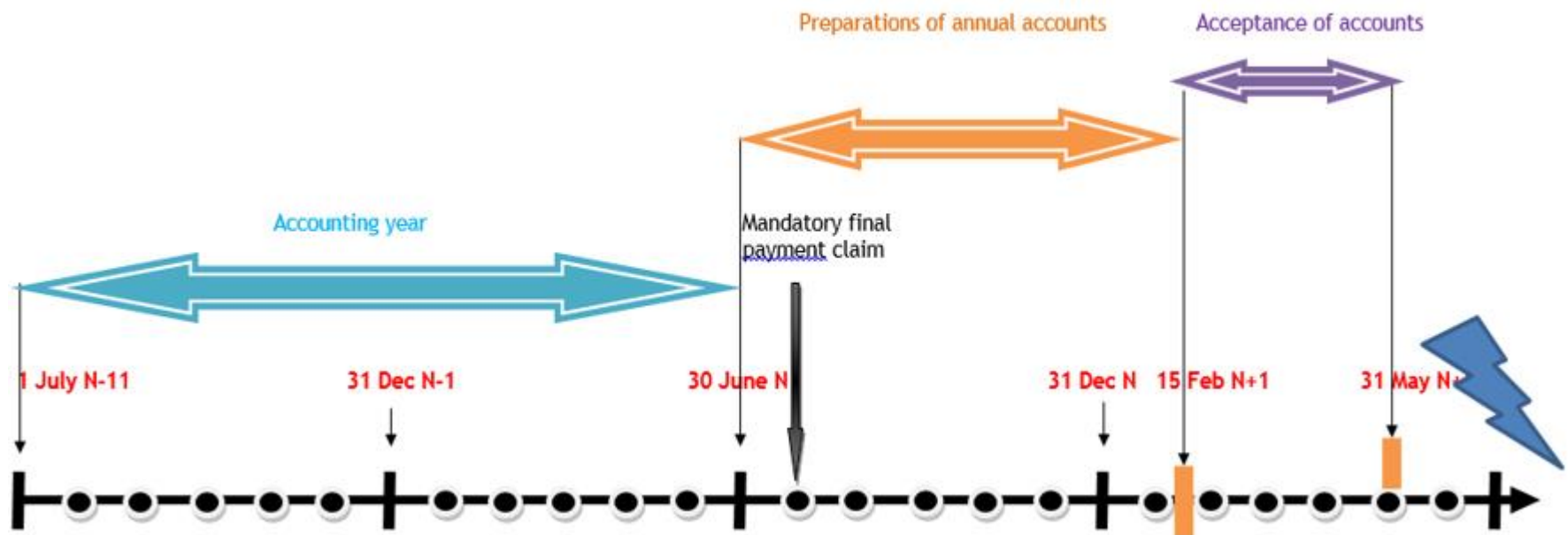
Irregularities referring to the expenditure certified in a given accounting year and **detected before submission of the final interim payment application** should be treated as withdrawals or recovered amounts, and should therefore reduce expenditure declared in final interim payment application and then be presented in Appendix 2;



Irregularities referring to the expenditure certified in a given accounting year **detected after submission of the final interim payment application but before submission of the accounts (between 31 July N and 15 February N + 1)** should reduce expenditure presented in Appendix 1 and explained in Appendix 8. No further action is requested neither in Appendix 2 nor in interim payment applications of subsequent accounting year.

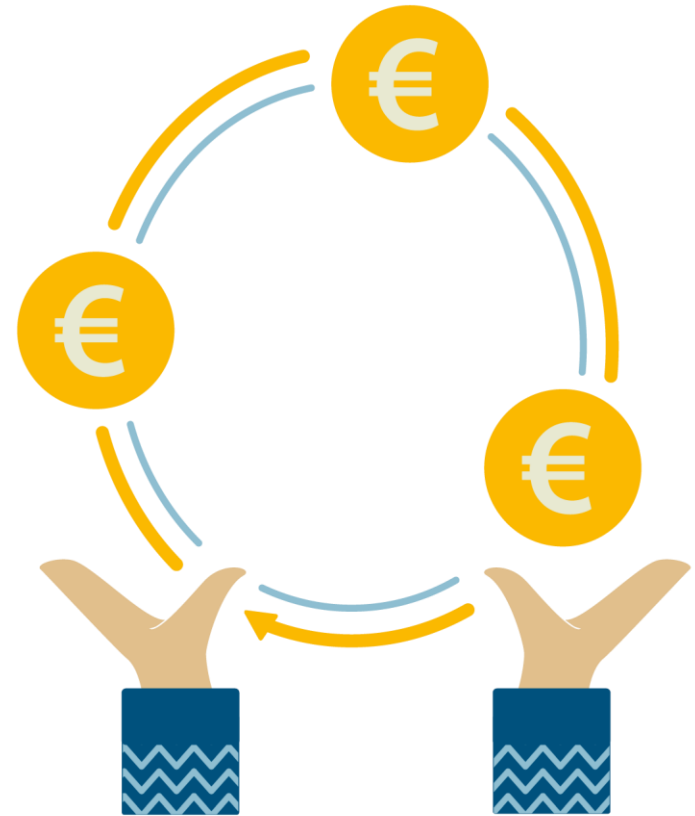


Irregularities detected **after submission of the accounts** may be treated as withdrawals or recovered amounts and should be deducted from an interim payment application of the accounting year in which the irregularity is detected and should be presented in Appendix 2 in the accounting year when the amounts are deducted.



Irregularities – 2% error rate

- Sample of operations – size of the sample relates to amount claimed from COM
- Total value of the sample
- Maximum 2 % at the programme level
 - yearly
 - at programme closure.



Irregularities do not decrease the programme budget if recovered or withdrawn.

Error rate

In case of Audit Authority, during audit of operations or system audit detects and reports:

- Error rate of more than 2%
 - Caused by irregularities
 - Serious deficiencies
- It may lead to programme:
 - Interruptions
 - Suspensions



Interruptions

Payment deadline for interim payment claim may be interrupted for a maximum of 6 months when:

- Clear evidence suggesting a significant deficiency in the functioning of management and control system
- COM has to carry out additional verifications following information alerting that expenditure in a request for payment is linked to a irregularity having serious financial consequences
- There is a failure to submit one of the documents required (i.e. accounts, management declaration, annual summary, audit opinion, ACR)

Suspensions

- The Commission may suspend all or part of the interim payments at the level of priorities or programme, if one or more conditions are met:
- Serious deficiency in the management and control system and corrective measures not taken
- Serious irregularity in the statement of expenditure which has not been corrected
- MA fails to remedy the situation leading to interruption

Withdrawals or recoveries

- withdrawing the irregular expenditure from the programme immediately when it has been detected, by deducting it from the next interim payment application
- leaving the expenditure, for the time being in the programme, pending the outcome of proceedings to recover the unduly paid grant from the beneficiaries, and deducting the expenditure from the next interim payment application only once recovery is effective

Recovery from a beneficiary

- repayment to the programme authorities by the beneficiary of the amount received unduly or
- offsetting, whereby the amount to be recovered is deducted from a subsequent payment due to the beneficiary.



Cooperation works

All materials will be available on:

www.interact-eu.net