

CA network meeting

22/03/2018

Florence, Italy

CA reporting on irregularities

Based on detail analysis of 'Guidance for Member States on Amounts Withdrawn, Recovered, to be Recovered and Irrecoverable amounts we came up with the following six 'Scenarios' on when and how the irregularities need to be reported to the Commission.

We would like to share the Scenarios with the CAs and analyse them jointly to reach common understanding of available reporting options.

All inputs from CAs based on their knowledge and experience are welcome!

Please be so kind and read the scenarios before the meeting, please be prepared to discuss the following questions:

1. Are all possible cases covered by the above-listed scenarios?
2. Are any of the described scenarios/cases unclear or misleading?
3. Do you understand/interpret the guidance differently and would propose different workflow for any of the mentioned cases?
4. Have you already used any of the below-mentioned scenarios in practice? Can you tell us about your practical experience with reporting irregularities?
5. How do you document the irregularities in your programme (i.e. paper documentation, monitoring systems, other electronic means)?

Scenario 1

Should be used for:

- Irregularity detected in year N linked to expenditure included in the interim payment application to EC in the same accounting year (year N).
- Irregularity detected before the final interim payment application to EC of accounting year N.
- Irregularity can be a withdrawal or a recovery (incl. recovery according to art. 71). In any case the irregularity must be immediately removed from the common budget of the European Union, either as withdrawal (before it is recovered from the beneficiary) or as recovery (if it was already repaid by the project).

How should the workflow work?

- In case of recovery, interest on late repayment (if any) should be added to the irregular amount.
- Irregularity should be included in the interim payment application or directly in the final interim payment application to EC for the accounting year N.
- The final interim payment application to EC including the relevant findings will be transferred to the accounts for accounting period for the accounting year N. There is no difference between the final interim payment and accounts and therefore, no need to provide additional explanations in the accounts (column G of the appendix 8 to annex VII of Reg. 1011/2014).
- The irregularity should be reported as withdrawal or recovery (Appendix 2 to annex VII of Reg. 1011/2014) or recovery according to art. 71 (Appendix 4 to annex VII of Reg. 1011/2014) for the accounting year N

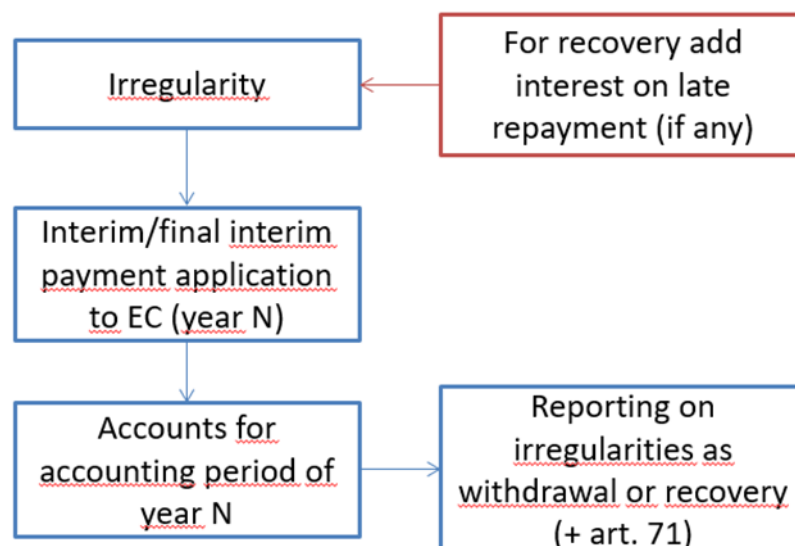


Figure 1 Scenario 1 workflow

Scenario 2

Should be used for:

- Irregularity detected in year N linked to expenditure included in the interim payment application to EC in the same accounting year (year N).
- Irregularity detected after submission of the final interim payment application to EC of year N and before submission of the accounts for the accounting period for accounting year N.
- Should be deducted directly from the accounts for the accounting period for year N.
- Irregularity should not be reported to the Commission.

How should the workflow work?

- Irregularity needs to be deducted directly from the accounts for the accounting period (for the year N).
- There will therefore be a difference between the amount included in final interim payment application for the year N and accounts. The difference needs to be explained in the accounts (column G of the appendix 8 to annex VII of Reg. 1011/2014).
- Irregularity does not go to reporting on recoveries, withdrawals, etc.

If there are any doubts about regularity of any amounts before closure of the accounts and the contradictory procedure is not yet closed, the CA needs to deduct the amounts from the accounts, keeping the right to re-introduce it in subsequent accounting years in case the expenditure turns out to be regular.

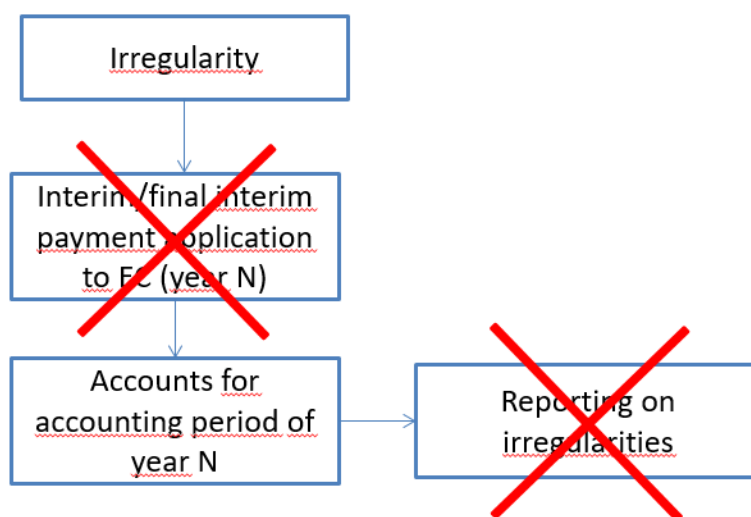


Figure 2 Scenario 2 workflow

Scenario 3

Should be used for:

- Irregularity detected in year N linked to expenditure included in the interim payment application to EC in previous accounting years (year N-n).
- CA decides that the irregularity is a withdrawal (it is immediately withdrawn from the common budget of the European Union).

How should the workflow work?

- Irregularity should be included in the interim payment application to EC or directly in the final interim payment application to EC for the accounting year N.
- The final interim payment application to EC will be transferred to the accounts for accounting period for accounting year N. There is no difference between the final interim payment and accounts and therefore, no need to provide additional explanations in the accounts (column G of appendix 2 to annex VII of Reg. 1011/2014).
- The irregularity will be reported as withdrawal for the accounting year N (Appendix 2 to annex VII of Reg. 1011/2014).

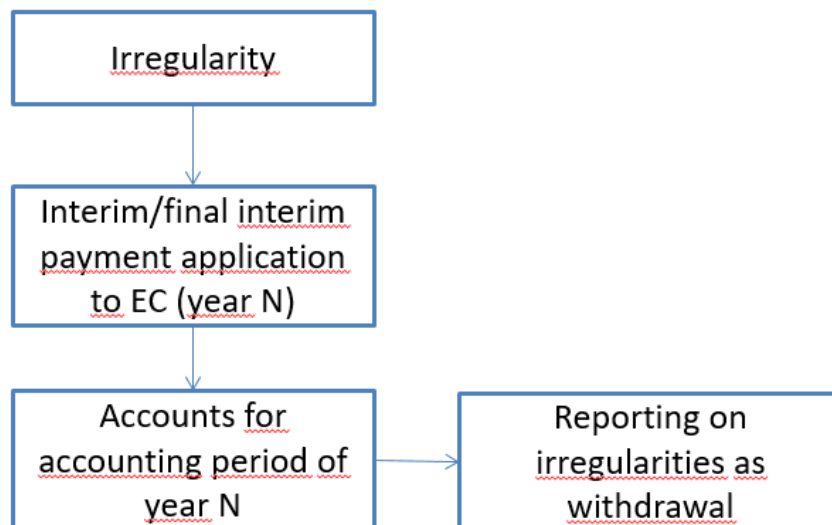


Figure 3 Scenario 3 workflow

Scenario 4

Should be used for:

- Irregularity detected in year N linked to expenditure included in the interim payment application to EC in previous accounting years (year N-n).
- Irregularity recovered by the programme in year N.
- CA decides that the irregularity is a recovery (incl. recovery according to art. 71). This means that the amount was already recovered from the Beneficiary during the accounting year where it was discovered. It is therefore immediately reported as recovery without being 'amount to be recovered' first.

How should the workflow work?

- Interest on late repayment (if any) should be added to the irregular amount.
- Irregularity should be included in the interim payment application to EC or directly in the final interim payment application to EC for the accounting year N.
- The final interim payment application to EC will be transferred to the accounts for accounting period for accounting year N. There is no difference between the final interim payment and accounts and therefore, no need to provide additional explanations in the accounts (column G of the appendix 2 to annex VII of Reg. 1011/2014).
- The irregularity will be reported as recovery ((Appendix 2 to annex VII of Reg. 1011/2014) or recovery according to art. 71 (Appendix 4 to annex VII of Reg. 1011/2014) for the accounting year N.

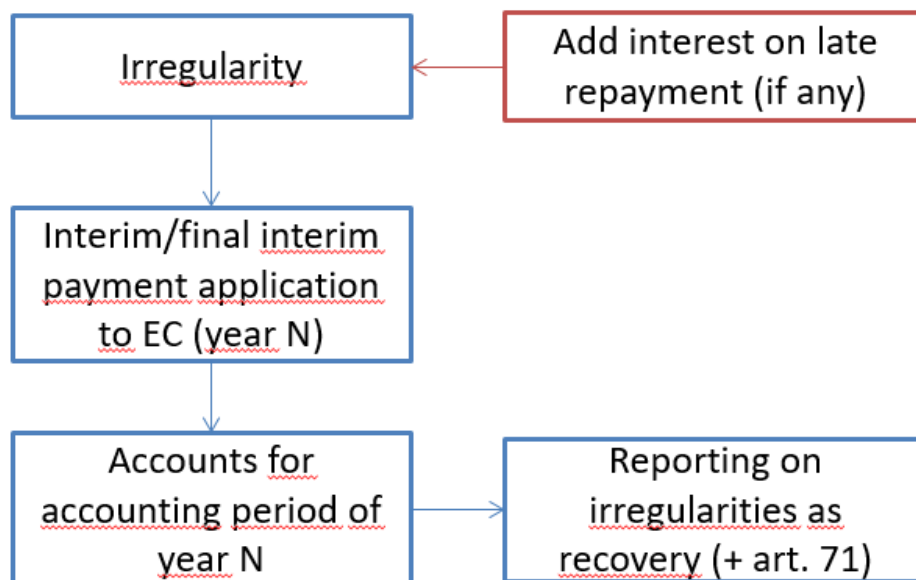


Figure 4 Scenario 4 workflow

Scenario 5

Should be used for:

- Irregularity detected in year N linked to expenditure included in the interim payment application to EC in previous accounting years (year N-n).
- CA decides that the Irregularity will first be recovered and the recovery is not closed during the accounting year, it is therefore reported as amount to be recovered.

How should the workflow work?

- Irregularity will neither go to interim payment application to EC nor to the final interim payment application to EC nor to the accounts for the accounting period for year N.
- The irregularity will be reported as amount to be recovered (Appendix 3 to annex VII of Reg. 1011/2014) for the accounting year N but will stay charged from the common budget of the European Union.

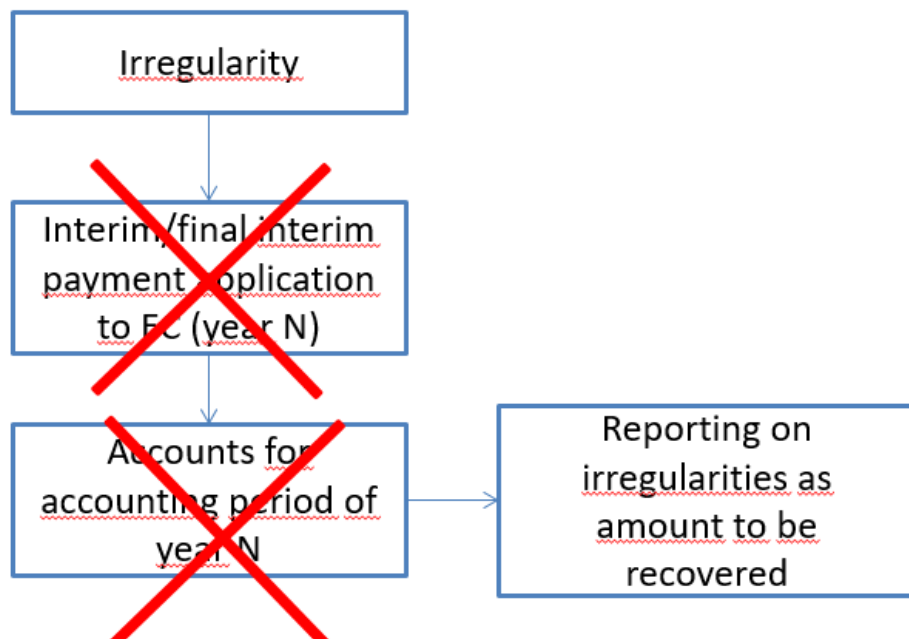


Figure 5 Scenario 5 workflow

THE SCENARIO REQUIRES A FOLLOW UP IN THE NEXT ACCOUNTING YEARS!

Scenario 5a

Should be used for follow up of Scenario 5 in case:

- The amount reported as amount to be recovered in year N was not yet recovered in year N+n

How should the workflow work?

- The irregularity will be again reported as amount to be recovered (Appendix 3 to annex VII of Reg. 1011/2014) for the accounting year N+n.

THE SCENARIO REQUIRES A FOLLOW UP IN THE NEXT ACCOUNTING YEARS!

It is necessary to follow up the scenario 5a each year until the amount is recovered or becomes irrecoverable (see Scenarios 5b and 5c).

Scenario 5b

Should be used for follow up of Scenario 5 or Scenario 5a in case:

- The amount reported as amount to be recovered in year N was recovered in year N+n.
- The irregularity becomes recovery (Appendix 2 to annex VII of Reg. 1011/2014) or recovery according to art. 71 (Appendix 4 to annex VII of Reg. 1011/2014).

How should the workflow work?

- Interest on late repayment (if any) should be added to the irregular amount.
- Irregularity should be included in the interim payment application to EC or directly in the final interim payment application to EC for the accounting year N+n.
- The final interim payment application to EC will be transferred to the accounts for accounting period for accounting year N+n. There is no difference between the final interim payment and accounts and therefore, no need to provide additional explanations in the accounts (column G of the appendix 8 to annex VII of Reg. 1011/2014).
- The irregularity will be reported as recovery (Appendix 2 to annex VII of Reg. 1011/2014) or recovery according to art. 71 (Appendix 4 to annex VII of Reg. 1011/2014) for the accounting year N+n.

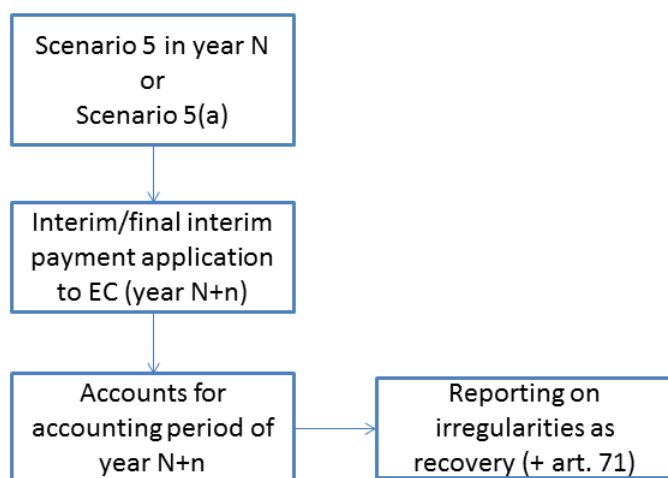


Figure 6 Scenario 5b workflow

Scenario 5c

Should be used for follow up of Scenario 5 or Scenario 5a in case:

- The amount reported as amount to be recovered in year N cannot be recovered in year N+n (i.e. is irrecoverable).
- The irregularity becomes irrecoverable amount.

How should the workflow work?

- Irregularity will neither go to interim payment application to EC nor to the final interim payment application to EC nor to the accounts for the accounting period for year N+n.
- The irregularity will be reported as irrecoverable amount (Appendix 5 to annex VII of Reg. 1011/2014) for the accounting year N+n. It will stay charged from the common budget of the European Union until a decision is made who should cover its costs

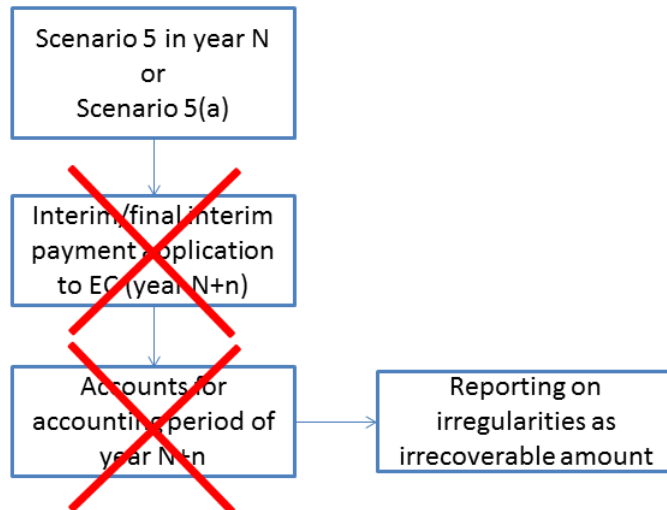


Figure 7 Scenario 5c workflow

(see scenarios 5ca and 5cb).

THE SCENARIO REQUIRES A FOLLOW UP IN THE NEXT ACCOUNTING YEARS!

Scenario 5c(a)

Should be used for follow up of Scenario 5c in case:

- In the accounting year N+n+1 the Commission decides that the Programme does not have to repay the irrecoverable amount to the common budget of the European Union. In that case it is the European Union and not the Member State taking the cost of the irrecoverable amount, the amount does not have to be repaid by the Programme.

How should the workflow work?

- Nothing happens, the amount will no longer be reported as irrecoverable and the workflow is closed.

Scenario 5c(b)

Should be used for follow up of Scenario 5c in case:

- In the accounting year N+n+1 the Commission decides that the Programme has to repay the irrecoverable amount to the common budget of the European Union. In this case it is the Member State that needs to cover the costs of the irrecoverable amount and reimburse it to the Common budget of the European Union.
- Irregularity becomes a withdrawal.

How should the workflow work?

- Irregularity should be included in the interim payment application to EC or directly in the final interim payment application to EC for the accounting year N+n+1.
- The final interim payment application to EC will be transferred to the accounts for accounting period for accounting year N+n+1. There is no difference between the final interim payment and accounts and therefore, no need to provide additional explanations in the accounts (column G of the appendix 8 to annex VII of Reg. 1011/2014).
- The irregularity will be reported as withdrawal (Appendix 2 to annex VII of Reg. 1011/2014) for the year N+n+1. The workflow is closed.

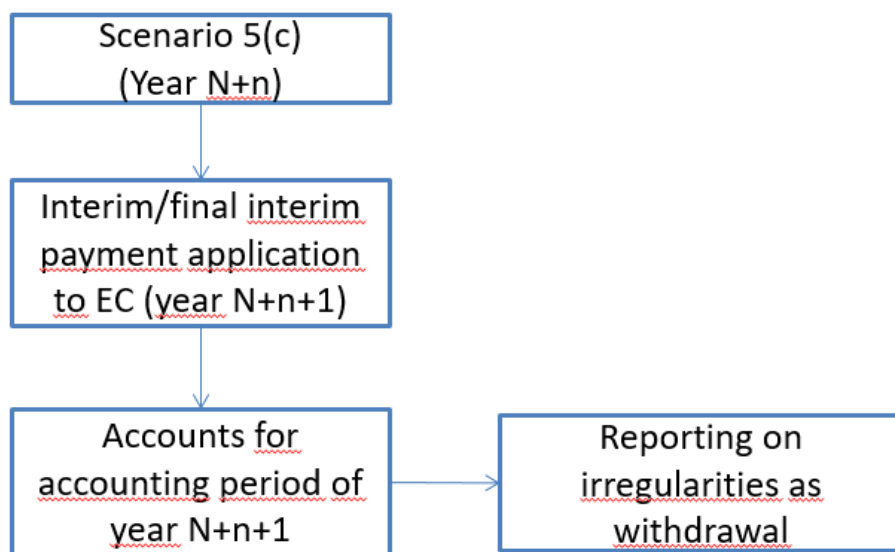


Figure 8 Scenario 5c(b) workflow

Scenario 6

Should be used for:

- Irregularity below 250EUR (counted for operation in one accounting year).
- Such irregularity doesn't have to be recovered from the beneficiary or reported to the European Commission.

How should the workflow work?

- There is no need to recover from project or to report to the Commission. The CA needs to make sure that no other irregularities are discovered for the operation in the accounting year.