

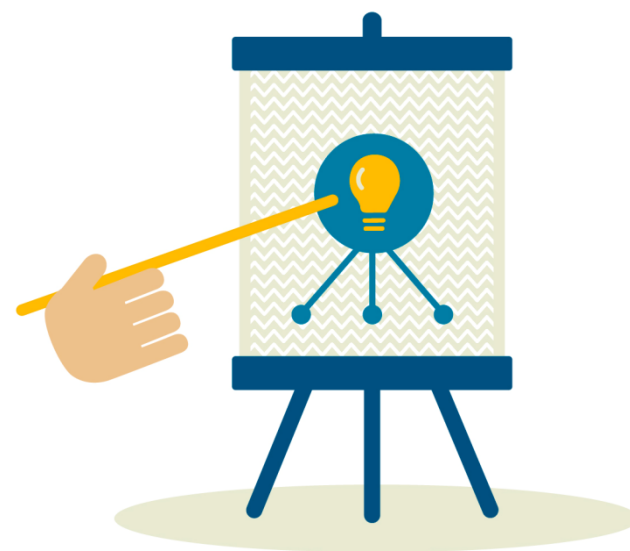
# Programme implementation - cash flow

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Interreg Programme Management for  
Beginners

24 - 25 April 2018 | Budapest, Hungary

**Iuliia Kauk, Interact Programme**



# 2014 - 2020 – new accounting year

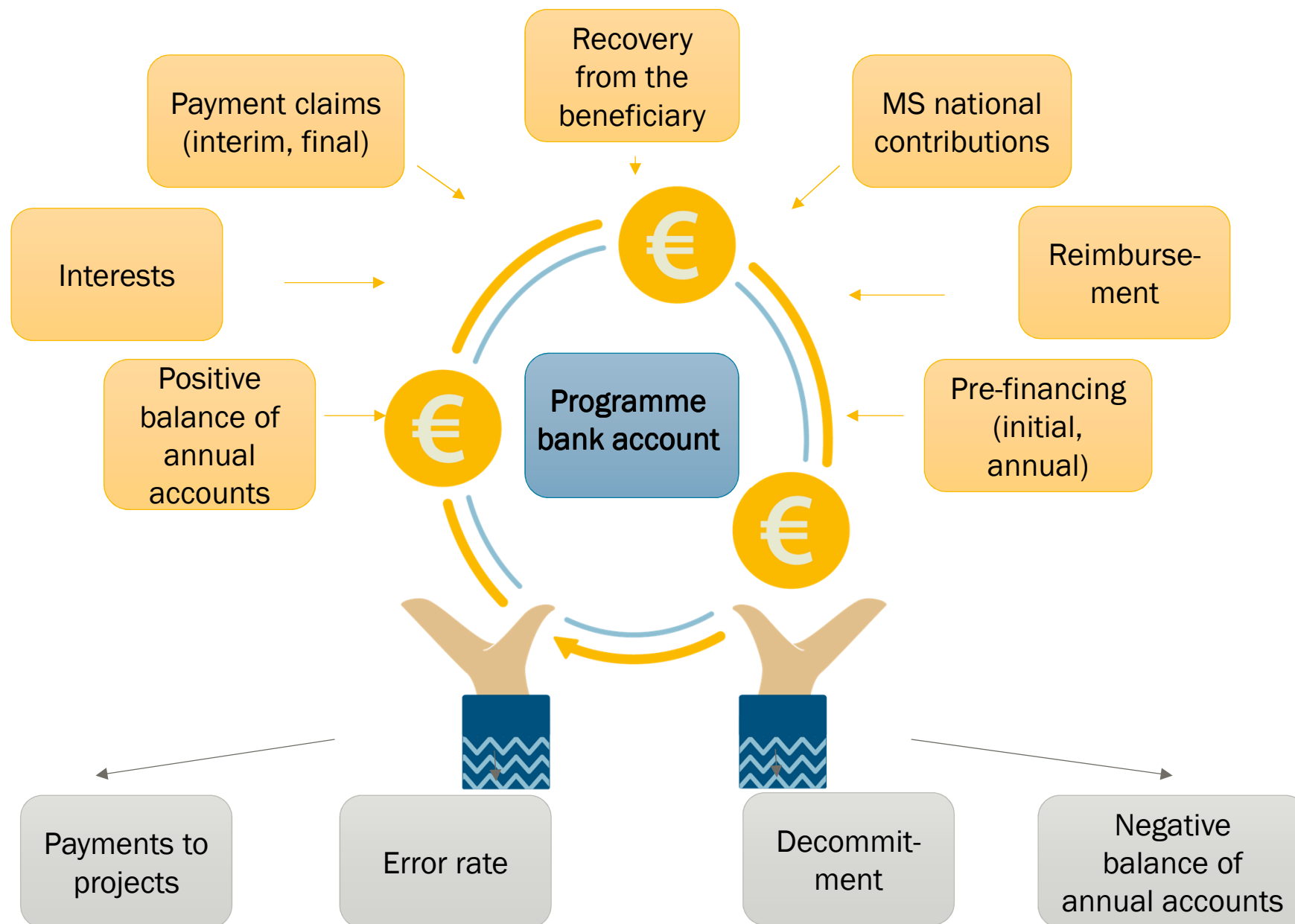
The accounting year will be as follows:

**(1 July N – 1) to (30 June N)**



No	Accounting year
1 <sup>st</sup>	1 January 2014 – 30 June 2015*
2 <sup>nd</sup>	1 July 2015 – 30 June 2016
3 <sup>rd</sup>	1 July 2016 – 30 June 2017
4 <sup>th</sup>	1 July 2017 – 30 June 2018
5-9 <sup>th</sup>	...
10 <sup>th</sup>	1 July 2023 – 30 June 2024

# Programme cash flow



# Initial pre-financing

- Paid in three instalments
- 1% of total fund for each year: 2014, 2015, 2016;
  - Additional initial pre-financing for Greece (3,5% in 2015 and 3,5% in 2016 – Art. 134 CPR);
- Should be only for payments to beneficiaries (Art. 81 CPR);
- Available for the whole period – must be spent by the end of 2023 and, thus, cleared at the final closure (Art. 82 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 decommitment rule (Art. 136(1) CPR)
- Must be cleared each year – by the end of accounting year – not available for the whole programming period (Art. 139(7) CPR)

# Pre-financing

Year	Initial	Annual
2014	1%	
2015	1% (+3,5% for Greece)	
2016	1% (+3,5% for Greece)	2%
2017		2,625%
2018		2,75%
2019		2,875%
2020		3%
2021		3%
2022		3%
2023		3%



# Interim payment claims

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

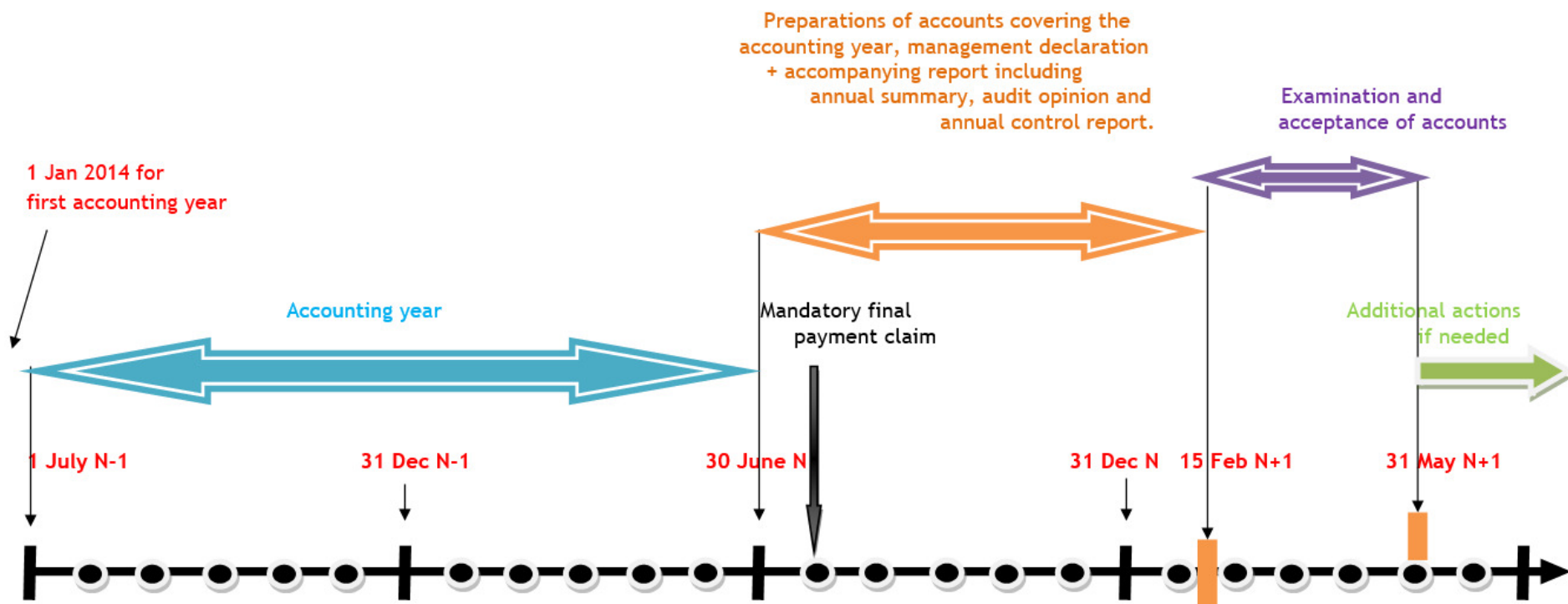
**Final payment claim to be submitted between 1 July and 31 July N**

Before first payment claim can be submitted to the Commission:

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**

- Final payment claim reconciled with the accounts (Appendix 8 of Annex VII to CIR 2011/ 2014)
- 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 Implementation Report (AIR) is not a part of annual accounts submission, to be submitted 31 May or 30 June for 2017 and 2019 (Art. 50(1) of CPR).

# **Annual accounts – roles of programme authorities - AA**

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

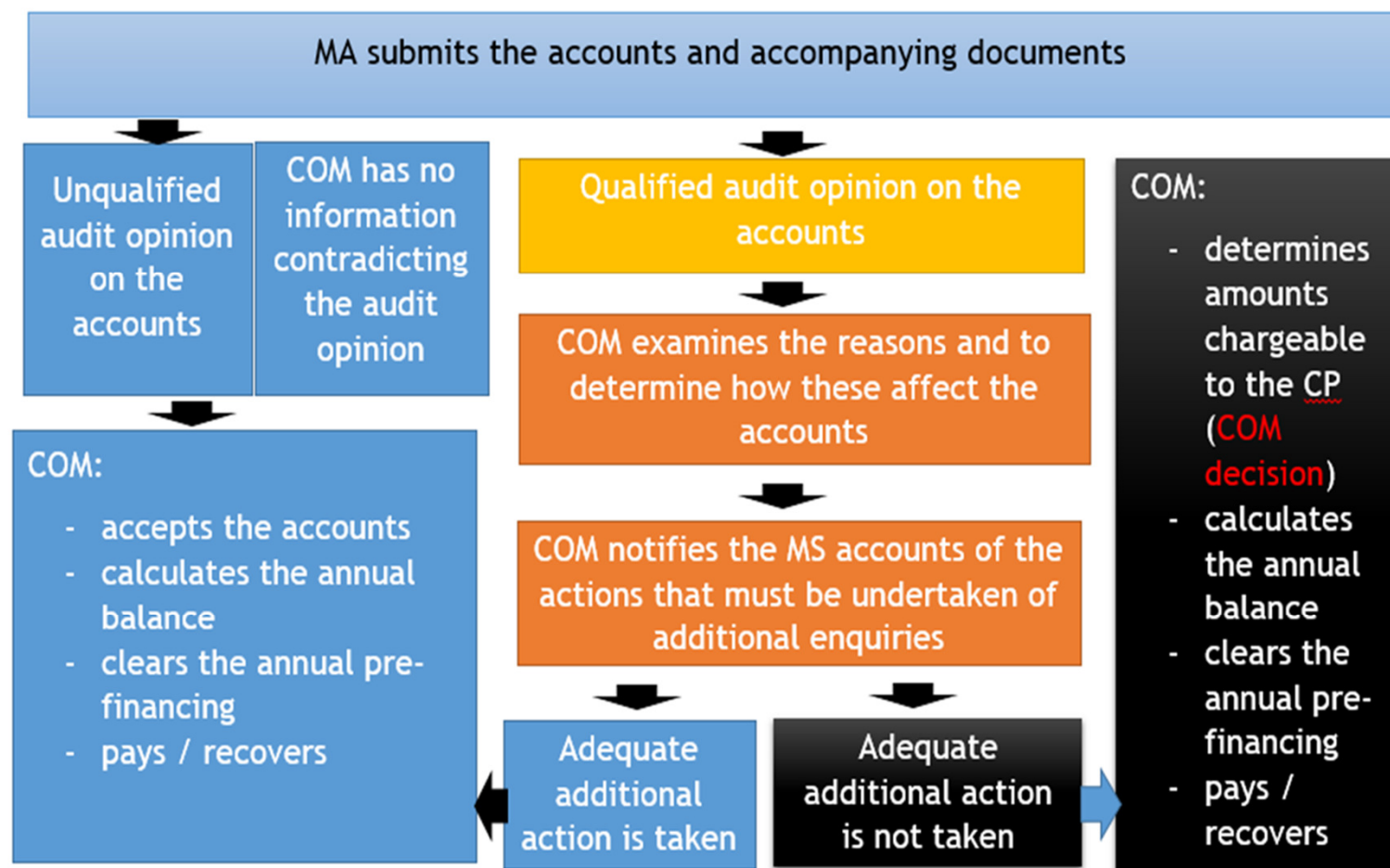
Implementing Regulation 2015/207 – Annex IX

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 accounts (Art. 139 CPR, Art. 59(6) FR)



# First submission of annual accounts

	CP adopted MA and CA designated before 31 July 2015	CP adopted, MA and CA designated before 15 February 2016	CP adopted, MA and CA not designated before 15 February 2016
Final application for interim payment	yes	no	no
Submission of annual accounts by 15 Feb 2016	yes	yes	no
Management Declaration	yes	yes	no
Annual Summary	yes	yes	no
Audit Control Report	yes	yes	yes
Audit Opinion	yes	yes	yes

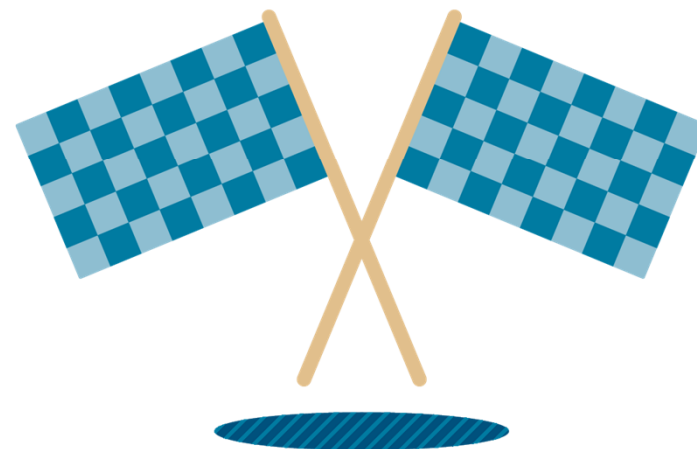


# Balance of annual accounts

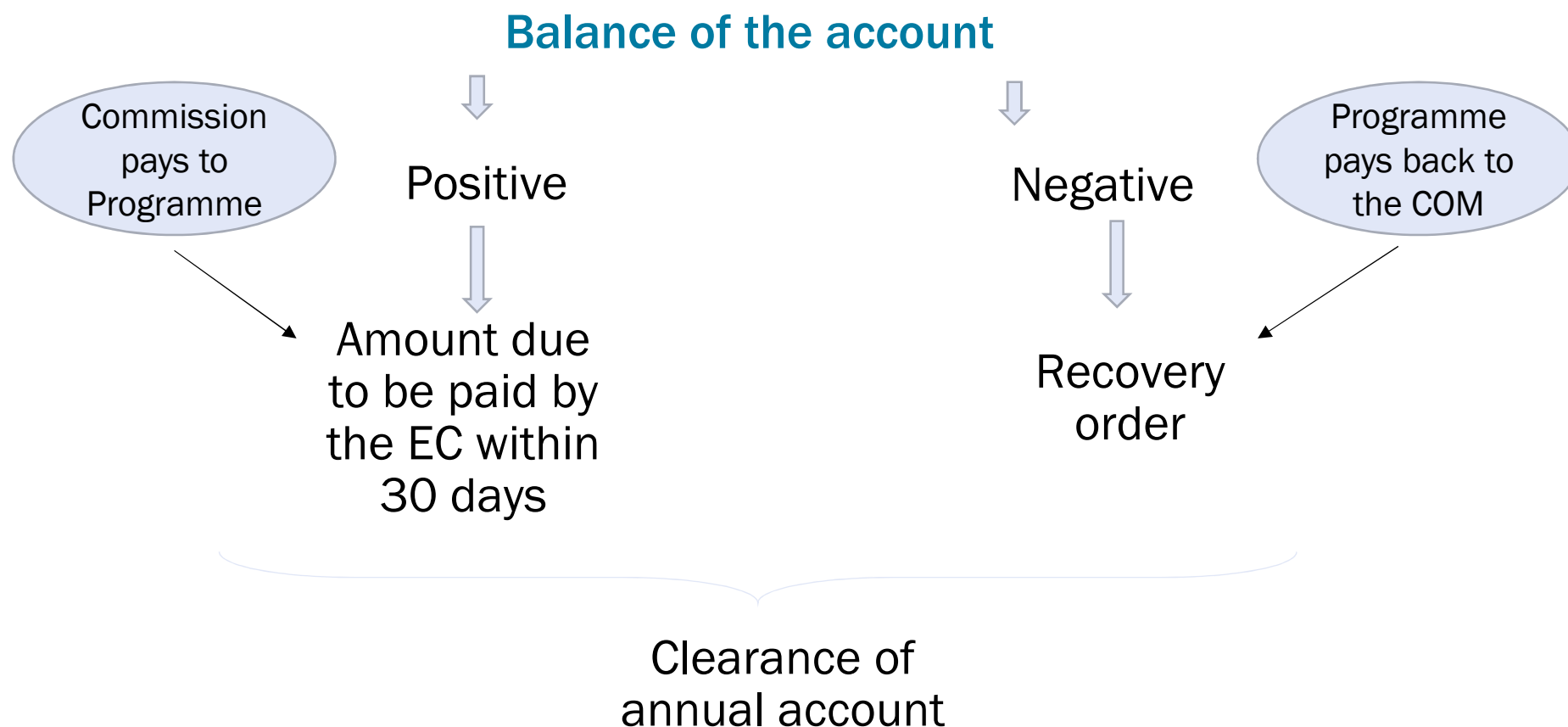
Annual balance =

= Eligible amount claimed – COM reimbursement – Annual pre-financing

No claim submitted = no reimbursement from the Commission!



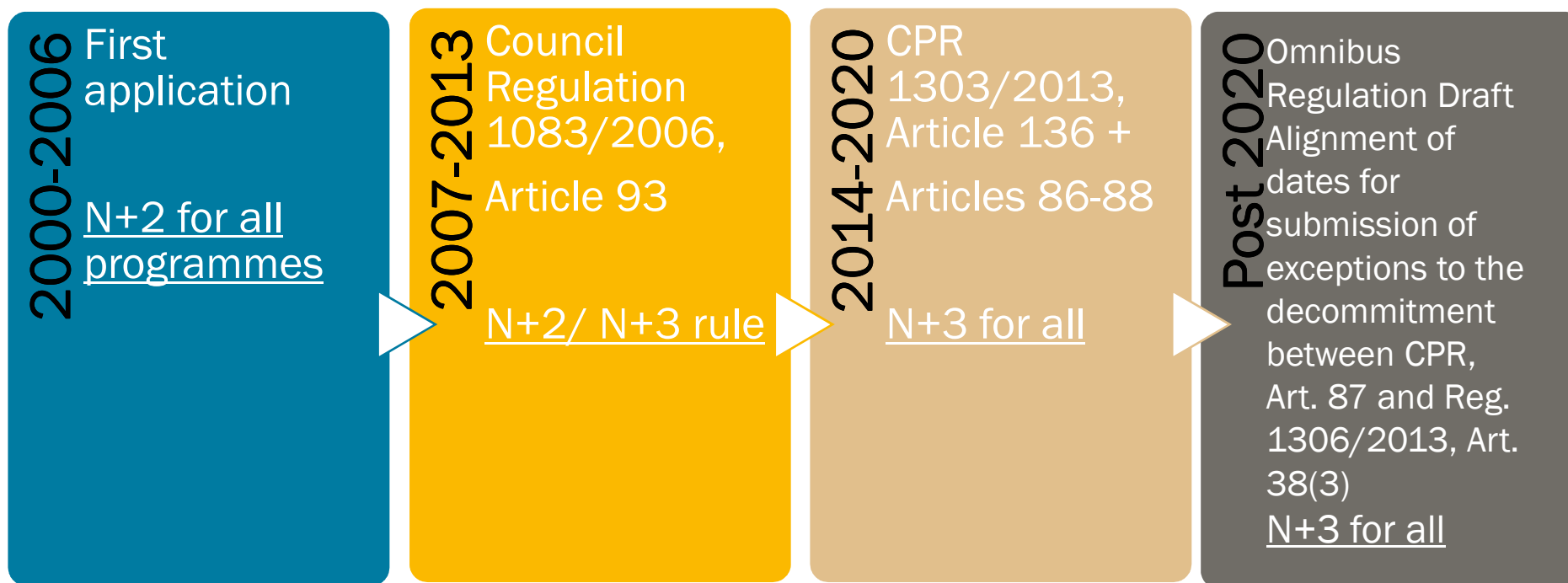
# Financial consequences of examination and acceptance of annual accounts





# DECOMMITMENT MECHANISM

# Legal background



# Decommitment – basics

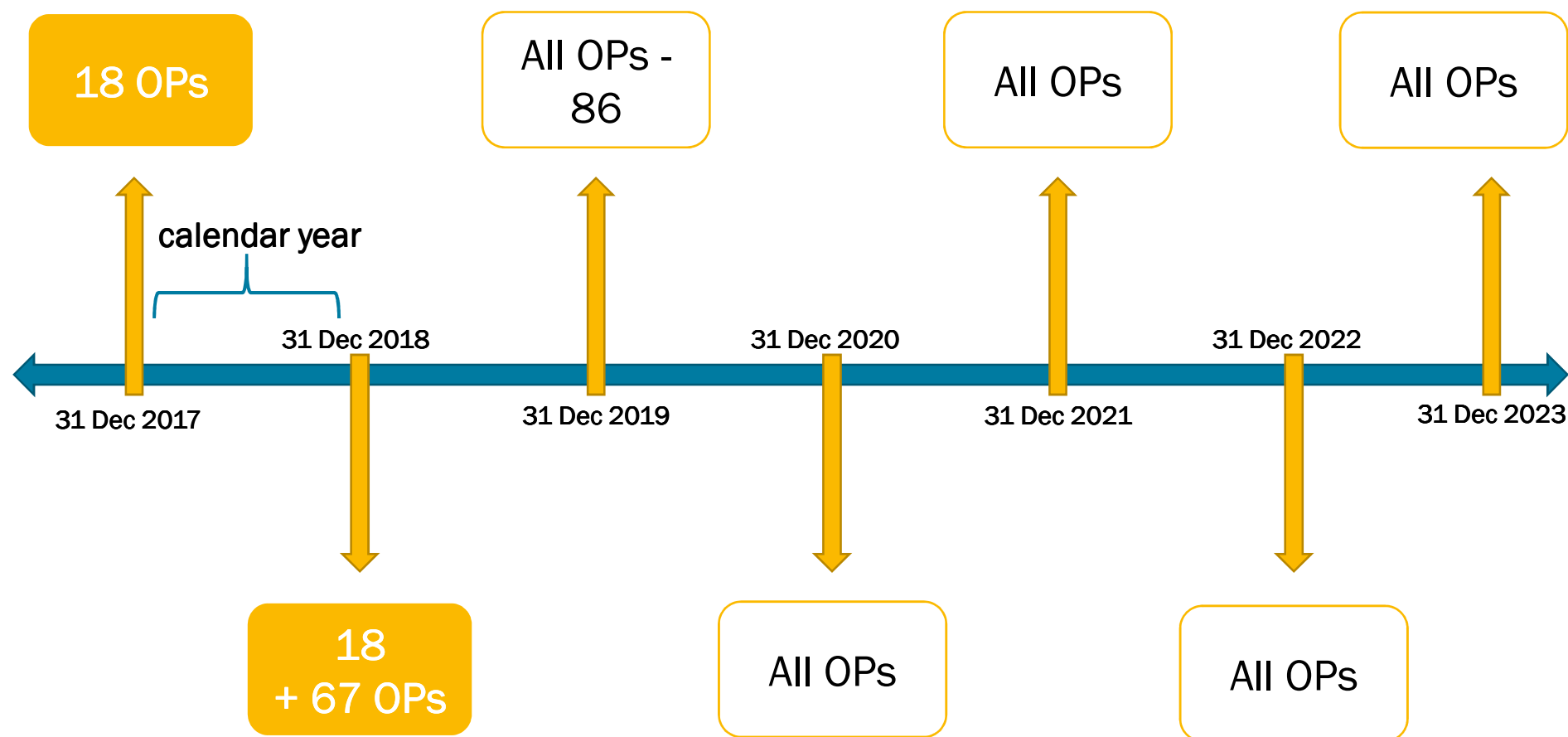
Article 136(1) CPR:

*‘The Commission shall decommit any part of the amount in an operational programme that has not been used for payment of the initial and annual pre-financing and interim payments by 31 December of the third financial year...’*

N+3 for all!

First targets to be met – by 31 December 2017

# Decommitment – targets



# Decommitment 2007-2013

14 programmes funds decommitted by ca. 53 mln EUR.

8 CBC programmes:

- 2 programmes decommitted once
- 5 programmes decommitted twice
- 1 programme decommitted three times

4 transnational programmes:

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

2 IPA CBC programmes



# **Main reasons for decommitment**

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



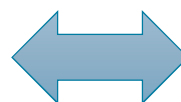
# Monitoring of programme's spending

## ANNUAL ACCOUNTS

Clearing of annual  
accounts

Basis – **ACCOUNTING  
YEAR**

1 JULY N – 30 JUNE N+1



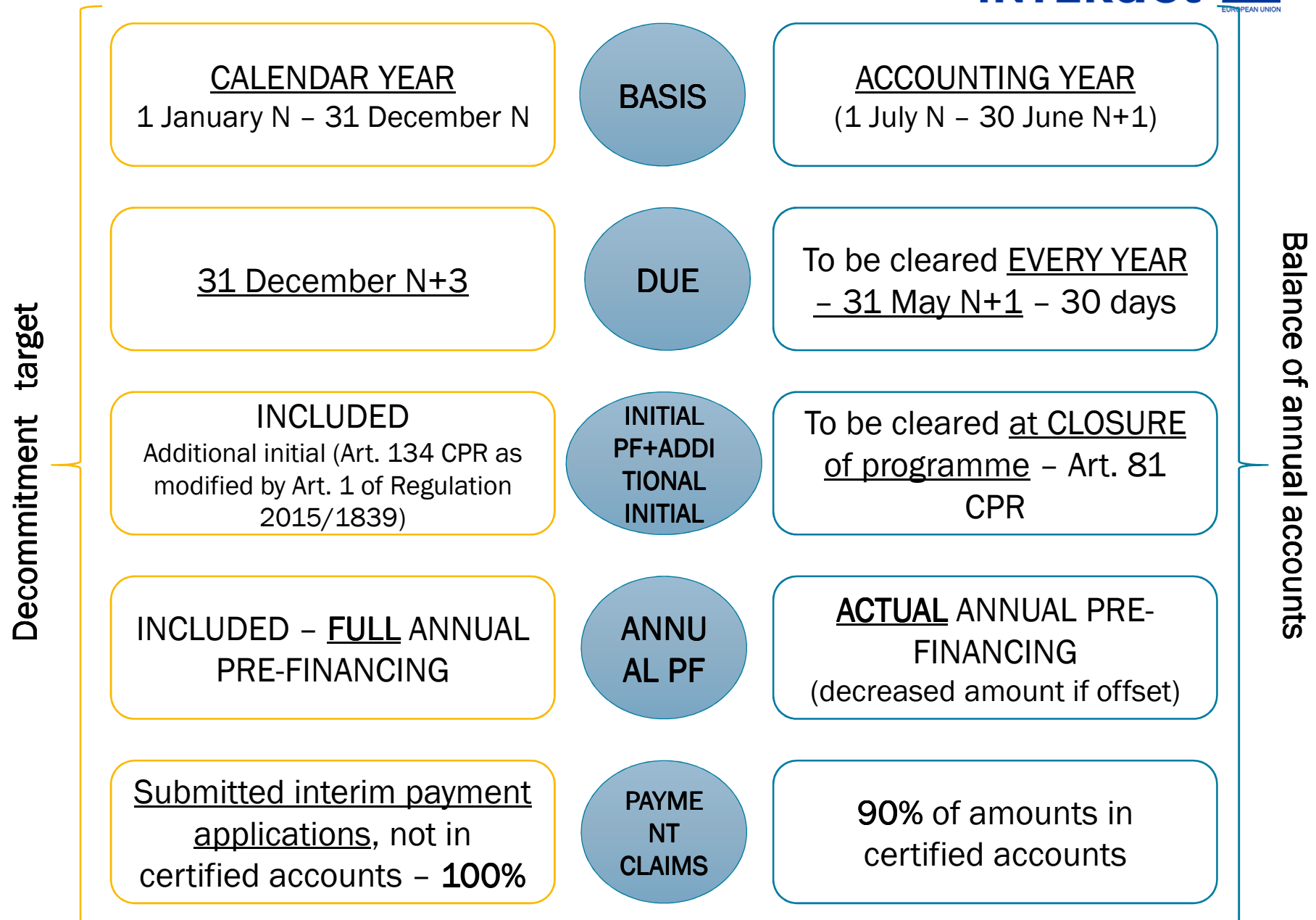
## DECOMMITMENT TARGETS

N+3 rule for all

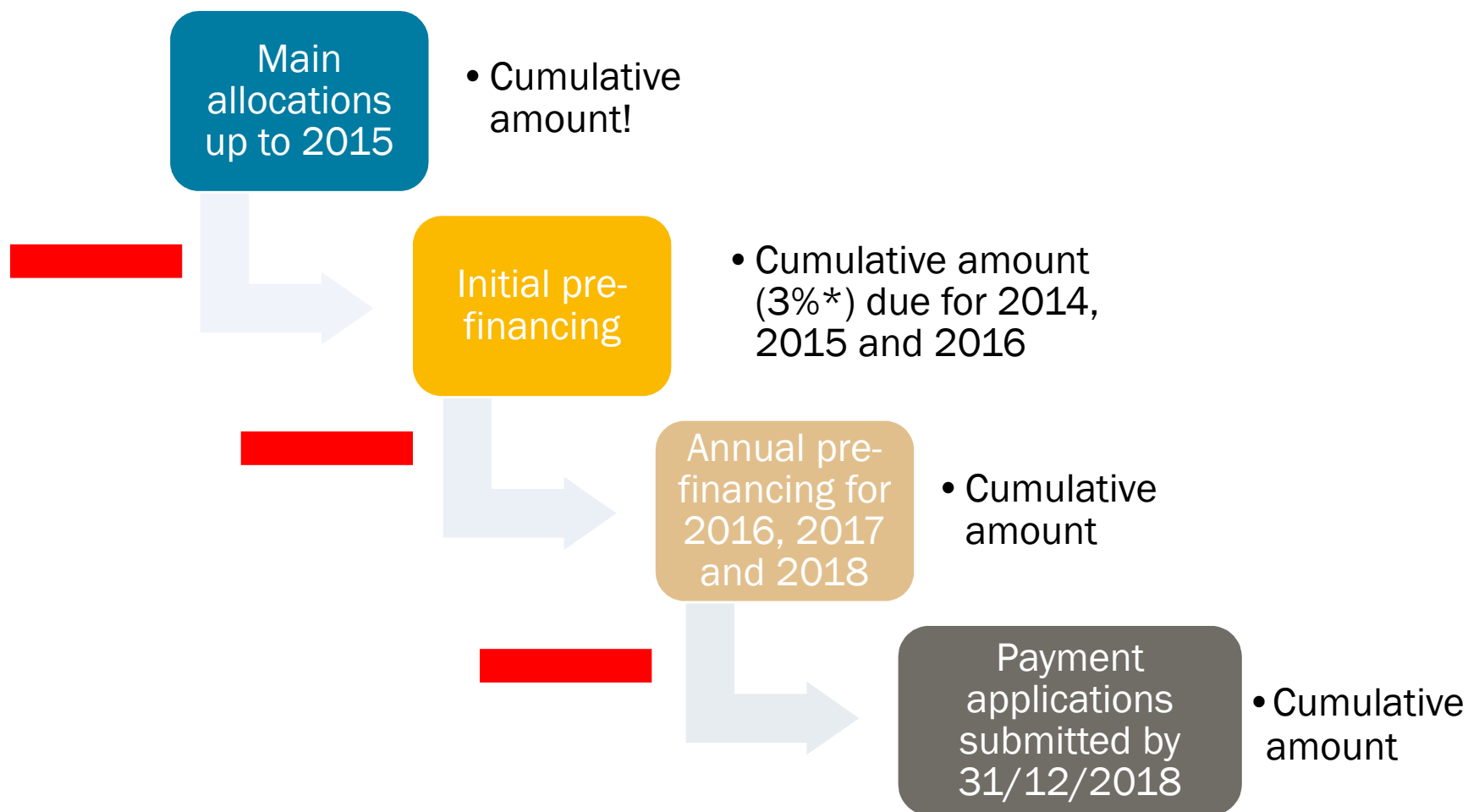
Basis – **CALENDAR  
YEAR**

1 JAN N – 31 DEC N

# Decommitment via Annual accounts



## e.g. calculation of target by 31/12/2018



\* For Greece – 10% (additional initial pre-financing: 3,5% in 2015 and 3,5% in 2016) – Article 134 CPR as modified by Article 1 of Regulation 2015/1839

# 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:**

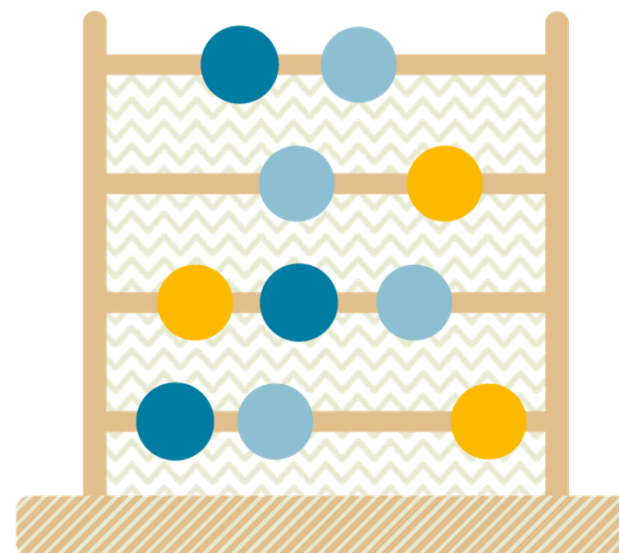
Main allocation until 2015 decreased by:

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

# Exercise – calculation of decommitment targets

Your task

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



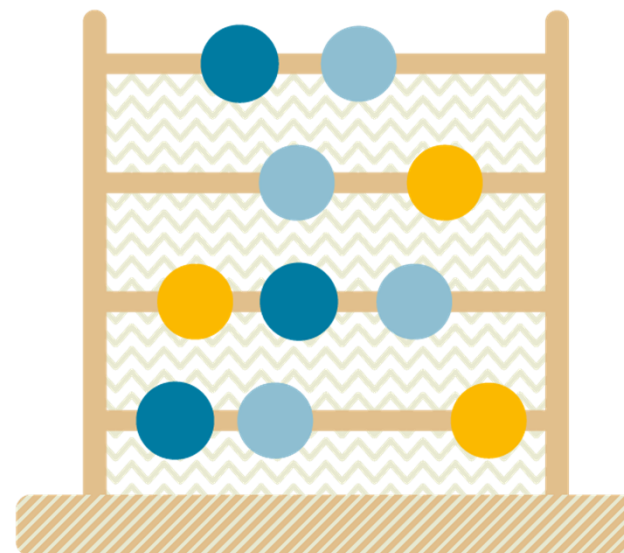
For the feedback you are asked to:

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

# Exercise – calculation of decommitment targets - keys

[N+3 calculator – template for Interreg programmes](#)

[N+3 calculator – template for Interreg-IPA CBC programmes](#)

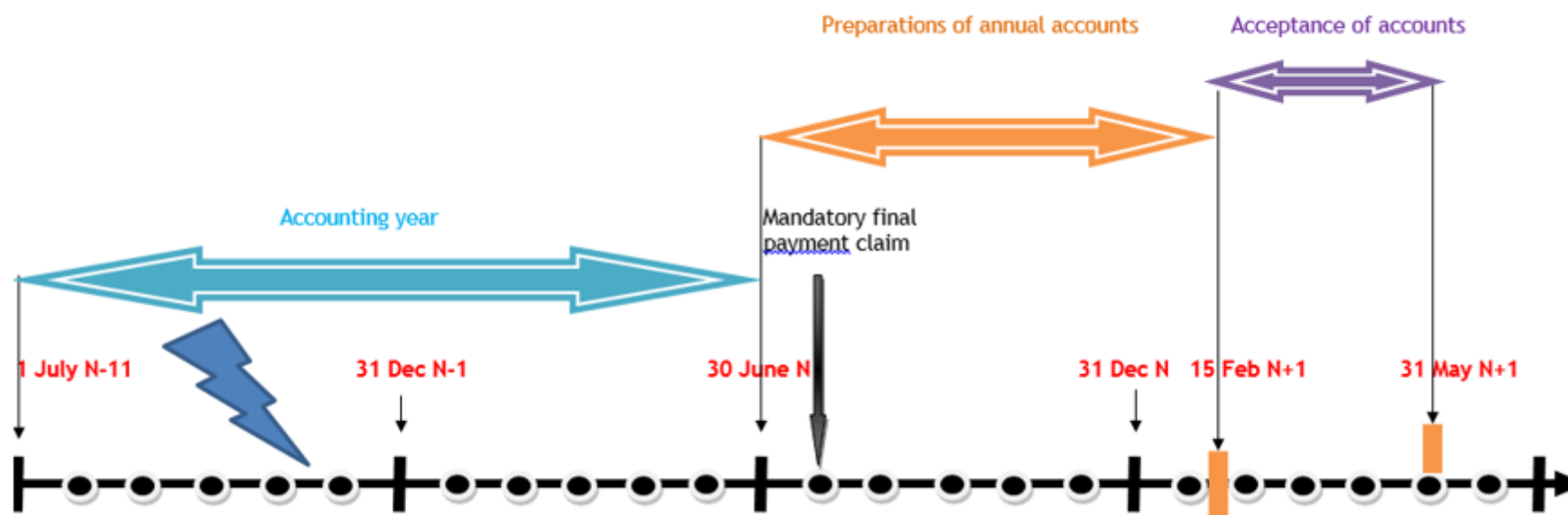


# Irregularities

Definition (Art. 2 (36) CPR)

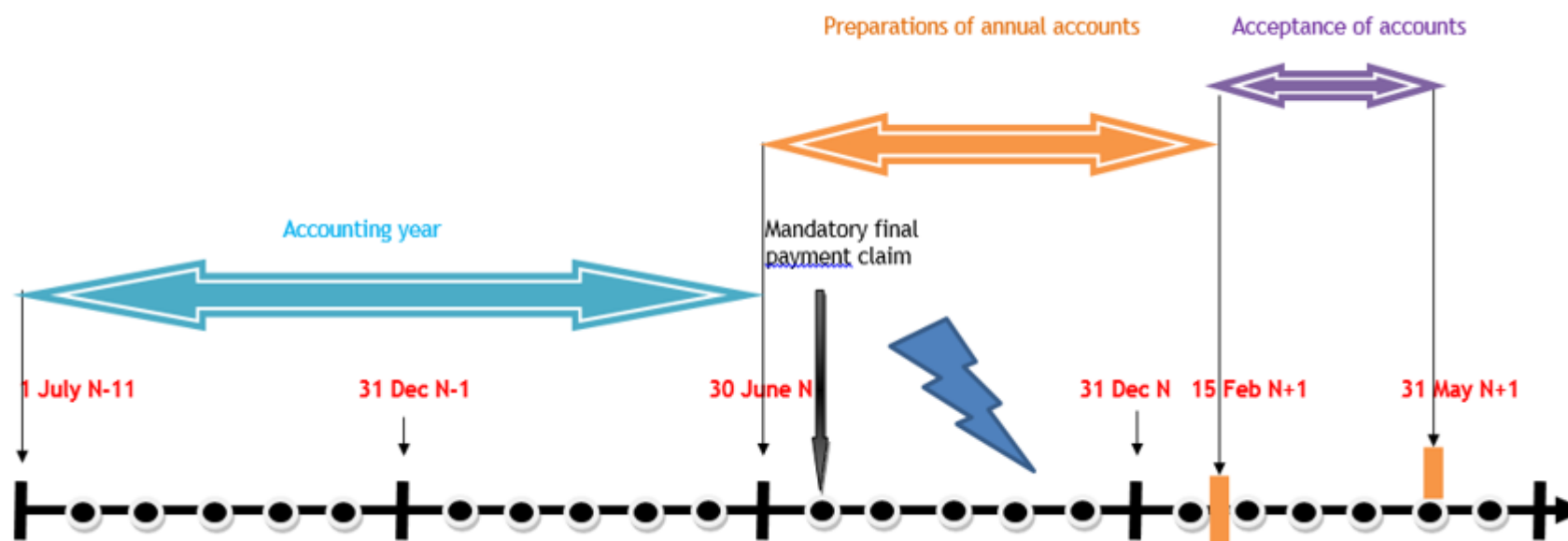
- Any breach of Union law or national law relating to its application;
- Resulting from an act or omission by an economic operator;
- Involved in the implementation of the ESI Funds, which has or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure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

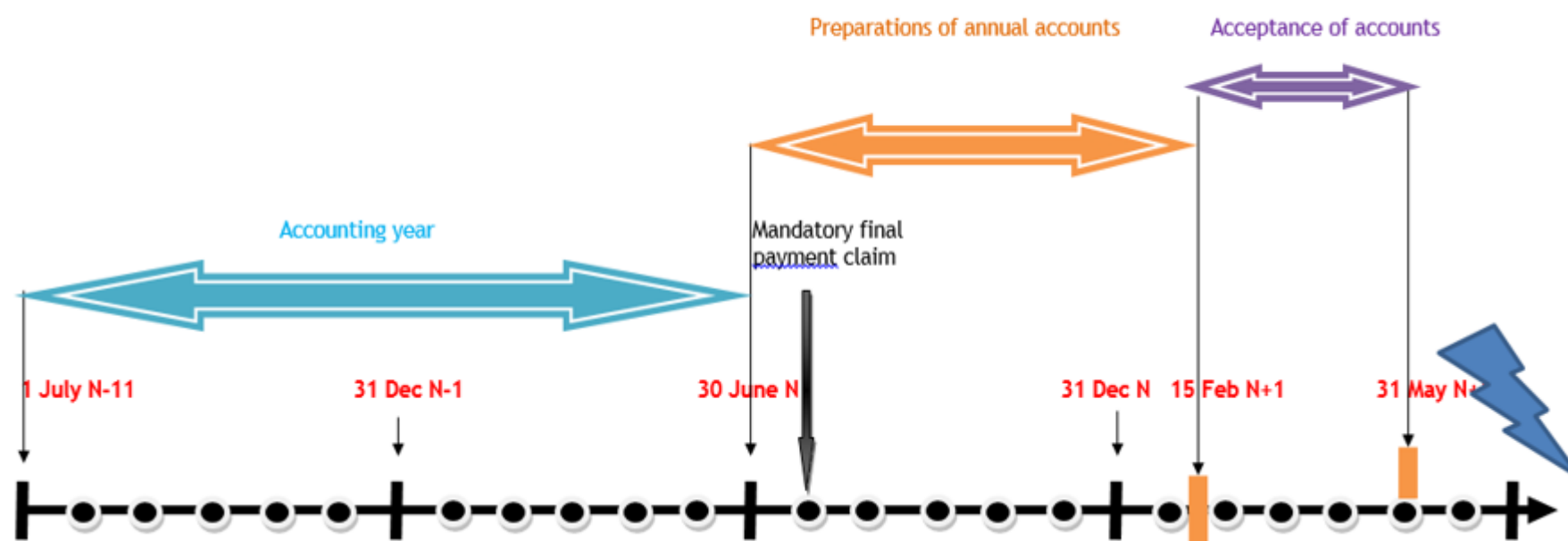




Irregularities referring to the expenditure certified in a given accounting year **detected after submission of the final interim payment application but before submission of the accounts (between 31 July N and 15 February N + 1)** should reduce expenditure presented in Appendix 1 and explained in Appendix 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 max 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)

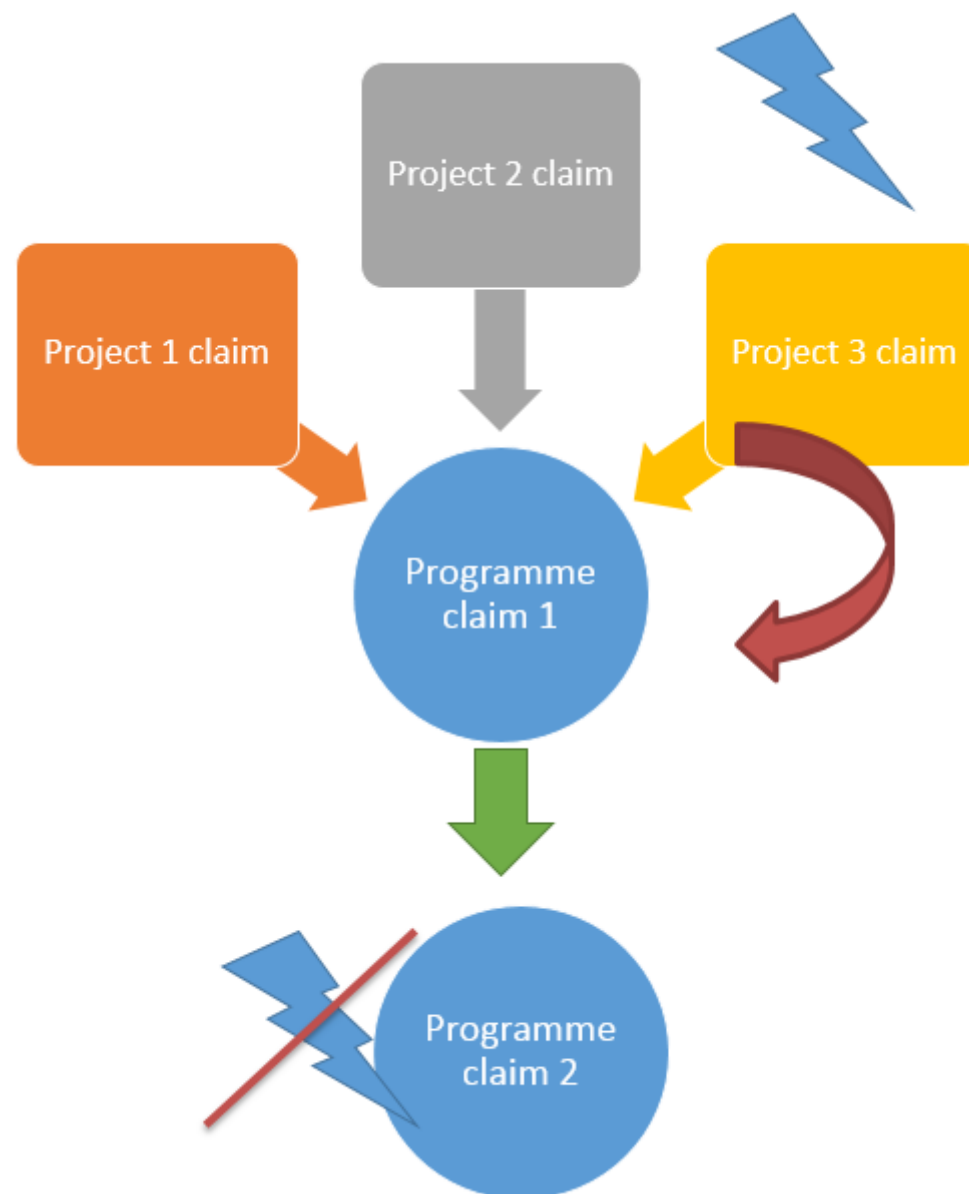
# Suspensions

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.

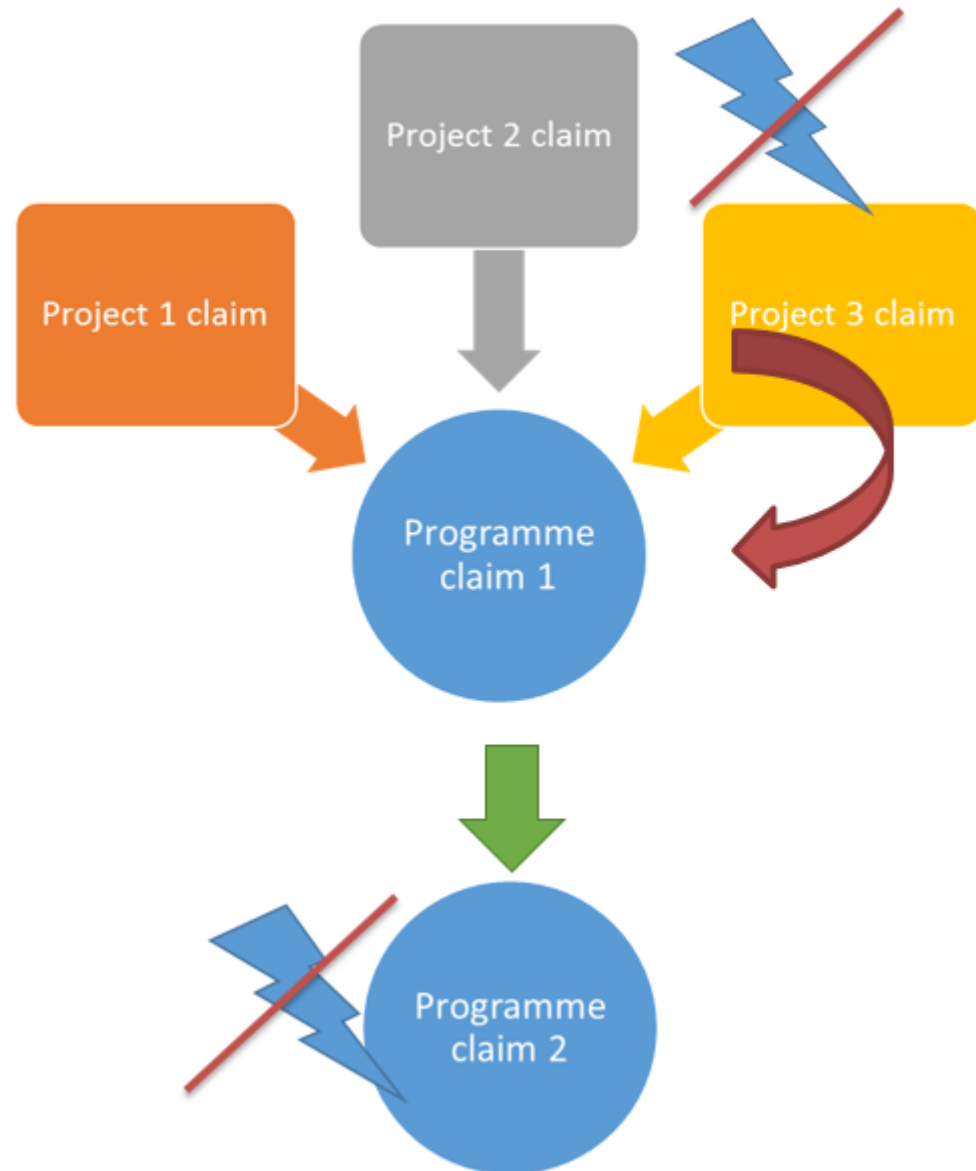
# Withdrawals

Withdrawing the irregular expenditure from the programme immediately when it has been detected, by deducting it from the next interim payment application



# Recoveries

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.



## 2 scenarios of Programmes' implementation

Your task – in groups:

- Analyse the current state of Programme's implementation – what are problems, risks, on track?
- Develop a strategy to increase Programme spending to avoid decommitment risk at the end of 2018

Feedback:

- Be prepared to present your strategy and exchange with the pair-group.



# Cooperation works

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All materials will be available on:

**[www.interact-eu.net](http://www.interact-eu.net)**