



EUROPEAN UNION

EUROPEAN REGIONAL DEVELOPMENT FUND

INVESTING IN YOUR FUTURE!



GOVERNMENT OF ROMANIA



GOVERNMENT OF BULGARIA

Interreg V-A Romania-Bulgaria Audit experience (2014-2020 and 2007-2013)



Common borders. Common solutions.

Valencia, Spain, 29-30 of May 2018



Provisions of *Guidance on audit for ETC* - specific



- **Non-statistical sampling** - minimum coverage of 5% of operations and 10% of expenditure (recommended for ETC)
- **Statistical sampling** - higher costs; ensure at least 30 observations at each sampling stage
 - ✓ Recommendations:
 - Sampling units: FLC request (payment claim of an individual project partner); partner
 - So far, in our Programme, payment claim was used as sampling unit
- **Most commonly used two-stage sampling design in ETC context**
 - ✓ Statistical sampling: payment claim of individual project partner as the sampling unit and an invoice/other expenditure items as the sub-sampling unit
 - ✓ Non-statistical sampling: the use of an operation as the sampling unit and a project partner as the sub-sampling unit



Previous experience - Audit of operations (AoO)



AoO 2007-2013 in	2013	2014	2015	2016	2016
for expenditure declared to EC in	2012	2013	2014	2015	2016
Projects audited vs. projects with declared expenditure (no.)	40/117	27/106	19/158	23/121	20/63
Reimbursement Claims audited vs. RC with expenditure declared to EC (no.)	64/369	46/313	32/602	35/161	28/302
FLC requests audited vs. FLC requests with expenditure declared to EC (no.)	153/868	101/654	104/1342	71/257	48/314
Expenditure audited vs. Expenditure declared (Meuro), %	24.88/35.83 = 69.44%	49.77/68.11 = 73.07%	22.73/31.33 = 72.54%	7.43/9.43 = 78.84%	32.23/40.70 = 79.19%



How was it? 2007-2013



- Sampling Unit - Reimbursement Claim, not FLC requests => **Huge amount of work at all levels: AA and audited entities**
- System audit: focused on projects/expenditures declared to EC, rather than set up mechanisms, efficiency and identifying ways to improve the system
- Financial corrections following AoO and AS
- Audit periods (average of 3 months) x 2 audits/year
- Conciliation meetings rarely had as result the change of recommendations
- Suspicions if irregularities/fraud not confirmed at MA level still maintained by AA, though no recommendation for the MA control structure for better performance (from system audit)



How is it now? 2014-2020



Designation

- audit mission: start - Sept '15; interrupted - Oct '15; relaunched: June '16; finalized: Nov '16
- Total time: 6 months (without the interruption)
- Preliminary report - end of July 2016
- Opinion of audited entities: 19th of August 2016
- On 30th of August 2016 AA responds that the opinion on conformity could not be made yet

Major challenges:

- ✓ electronic monitoring system - eMS (audited in 2015 by E&Y and confirmed that observes all the Regulations requirements);
- DSMC sent to AA: **12th of June 2015**
- Opinion on conformity received on **18th of Nov. 2016 (17 months)**
- Interreg V-A ROBG Programme approved by EC in **Feb. 2015**



How is it now? 2014-2020



- AoO - RC currently used as sampling method; Promise that the sampling unit will change from RC to FLC request from the following AoO (in 2018)
- Challenges in 2014-2020:
 - ✓ 3 audits per year (system, operation, accounts). 5/6 months/year AA auditors are at our headquarters
 - ✓ Audit of accounts - new
 - ✓ Assurance package - EC recommended close coordination at national level => Protocol; MA expects for the deadlines to be observed
- Positive experience with SCOs (recommended to be used by ECA). AA was consulted ex-ante when MA drafted the methodology for indirect costs (art. 68b/Reg. 1303)
- Improved conciliation meetings and dialogue MA-AA.



HLGE



on Monitoring Simplification for Beneficiaries of ESI Funds Recommendations related to audits

- Proportionality
- Single audit principle
- Foster trust between auditors and auditees
- More focus on preventive actions - increasing clarity of rules and legal certainty
- More reliance on national systems

For post 2020:

- Proportionality
- More reliance on national effective systems
- Shift of focus from formal compliance to results
- Simplifying regulations and limiting guidelines



Future



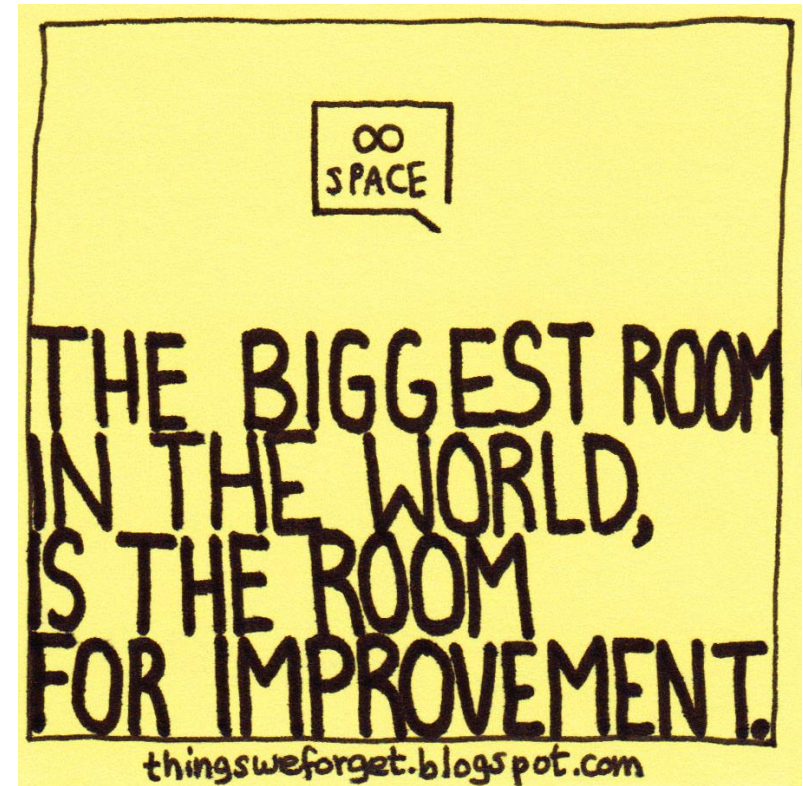
Better communication

Common understanding of rules

Rely on MA controls

Rely on previous audit work

Make use of the proportionality principle





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Thank you!



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