

# Designation – System Audit Audit of operations

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Investing in Opportunities



# The NWE Area 2014-2020



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7 Member States + CH

€649 million total  
budget

€396 million ERDF  
budget

60% co-funding

46 projects approved in  
6 calls

# Our Authorities

- Managing Authority – Region Hauts de France (FR)
- Certifying Authority – Province East Flanders (BE)
- Audit Authority – CICC (FR)

# Implementation delays in NWE

## Problem one: the timeline

- Late publishing of regulations
- Late programme approval (June 2016)
- Same staff working in parallel on IVB closure
- 1<sup>st</sup> version of MCSD June 2016
- Designation audit Nov 2016
- Audi report December 2016
- 2<sup>nd</sup> version MCSD March 2017
- Designation August 2017

# Implementation delays in NWE

Problem two: the project side

- Problems with quality of projects and the high expectations we have
- NWE competing with higher grant rates
- New 2 step approach that will take longer

But why now, why not in IVB?

# New elements in 2014-2020

- Risk management on project and programme level (risk=fraud=Arachne)
- Anti – Fraud measures
  - Reporting and follow up procedure
  - FLC template to report suspicions of fraud
  - Whistle blowing procedure
  - Awareness raising at project and FLC seminars
  - Usefulness of Arachne in ETC?
- 90 days
- Annual Accounts

# Designation

## Positive aspects:

- Formalization of procedures
- Fraud awareness raised at JS, prevention measures

## Negative aspects:

- One week audit (for three Programmes), two submitted versions before designation was achieved
- A lot of internal capacity bound (1 full time equivalent)
- Commission Guidance, added complexity
- The elevated level of documentation will lead to a lot of changes of the MCSD in the future (maybe once a year)
- Coordination over two Member State



# Designation

	2007-2013	2014-2020
Timeline	Sept 2008 to EC = CP adoption + 1 y.	August 2017 = CP adoption + 2.2 y.
Scope MCSD	Pages: 50 Annexes: 12	Pages: 104 Annexes: 65
Template	20 pages	Guidance – 64 pages Self assessment checklist 29 pages (not aligned with MCSD template)

## System Audit

- Not done by the AA, but externalized
- At MA level step 1: one week, three Programmes.
- Key Requirements: 1 separation of functions, 2 selection of operations, 4 management verifications and 6 reliable system for collecting, recording and storing data
- Designation audit follow up.

# System Audit

## Main findings:

- Formalization of internal organization of the MA (pending designation audit finding)
- Include a procedure for the use of Arachne (pending designation audit finding)
- Lack of verification of contractual documents (missing dates)
- No signature of FLC documents
- No formalized procedure for access to IT system

# System Audit

At CA level step 1: three days, three Programmes, Key Requirement 9 separation of functions and designation audit follow up.

## Main findings:

- Formalization of internal organization of the CA – organization between the Province and the Economic Development Agency hosting the CA
- Sensitive posts not clearly highlighted in the job profiles
- Risk Management process is not sufficiently described (frequency of updates and procedure)

## Designation and System Audit

### Conclusions:

- Little difference between designation audit and system audit
- No check of organizational efficiency. Do our rules and procedures make sense or are they maybe not necessary? What about gold-plating?
- Smoother, less time consuming process in the previous period
- Auditors and FLCs are not able to let go of old procedures (e-cohesion, SCO)

## Second level control

- 2018 first year for NWE, around 20 million TEC declared, 44 projects, 20 projects only declaring preparation costs.
- 4 projects + Technical Assistance
- From the 4 projects 2 only declared a preparation cost lump sum – limited SLC approach?
- Audits scheduled for June – July
- Biggest worries: contradictory phases over summer and coordination between all stakeholders in time for the annual closure (Project, JS, GoA, AA, MA, CA)

# Q & A