



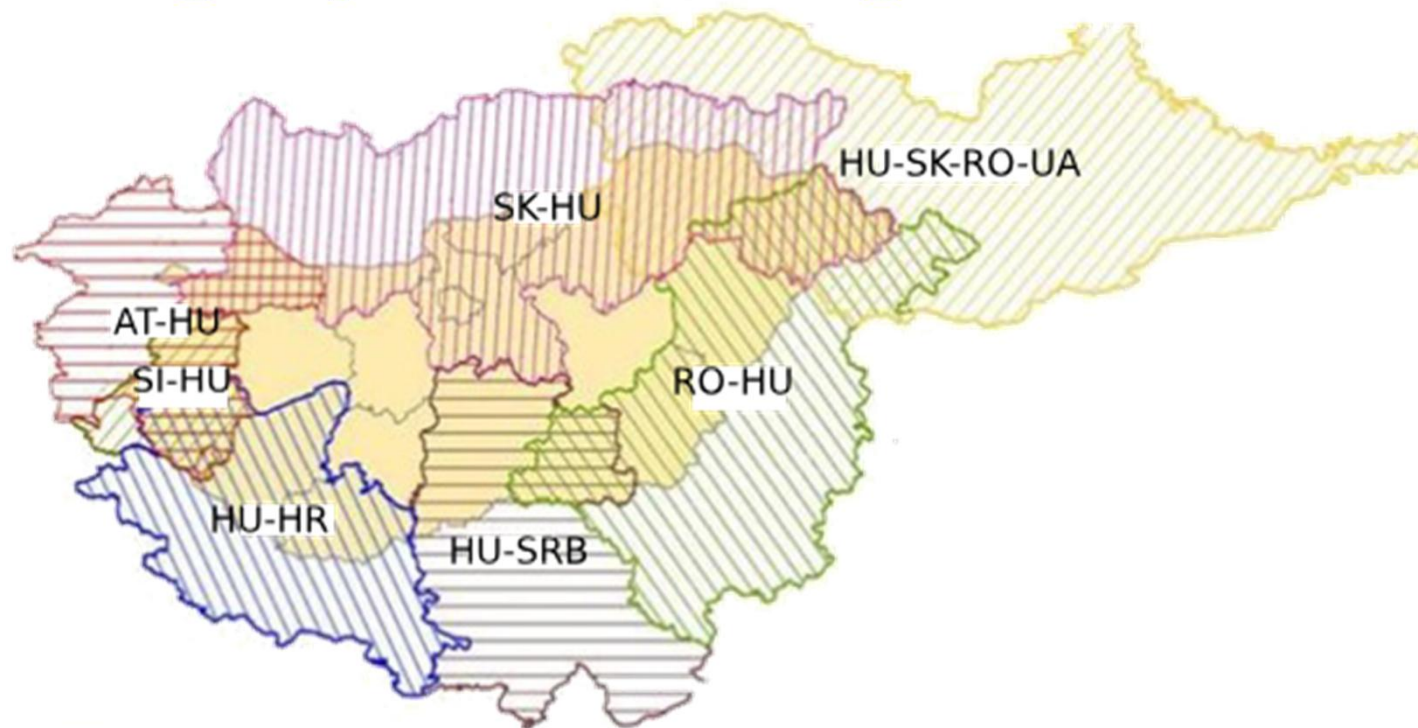
Experiences in ETC programmes

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Hungary in ETC Programmes



ETC:

- › Slovakia, Croatia
- › Austria, Slovenia, Romania
- › IPA: Serbia
- › ENI: Ukraine



Importance of irregularity handling

- › responsibilities among member / partner states
- › programme rules vs national rules
- › role of AA and members of GoA
- › direct link to annual accounts
- › findings with systemic character

who pays the bill?



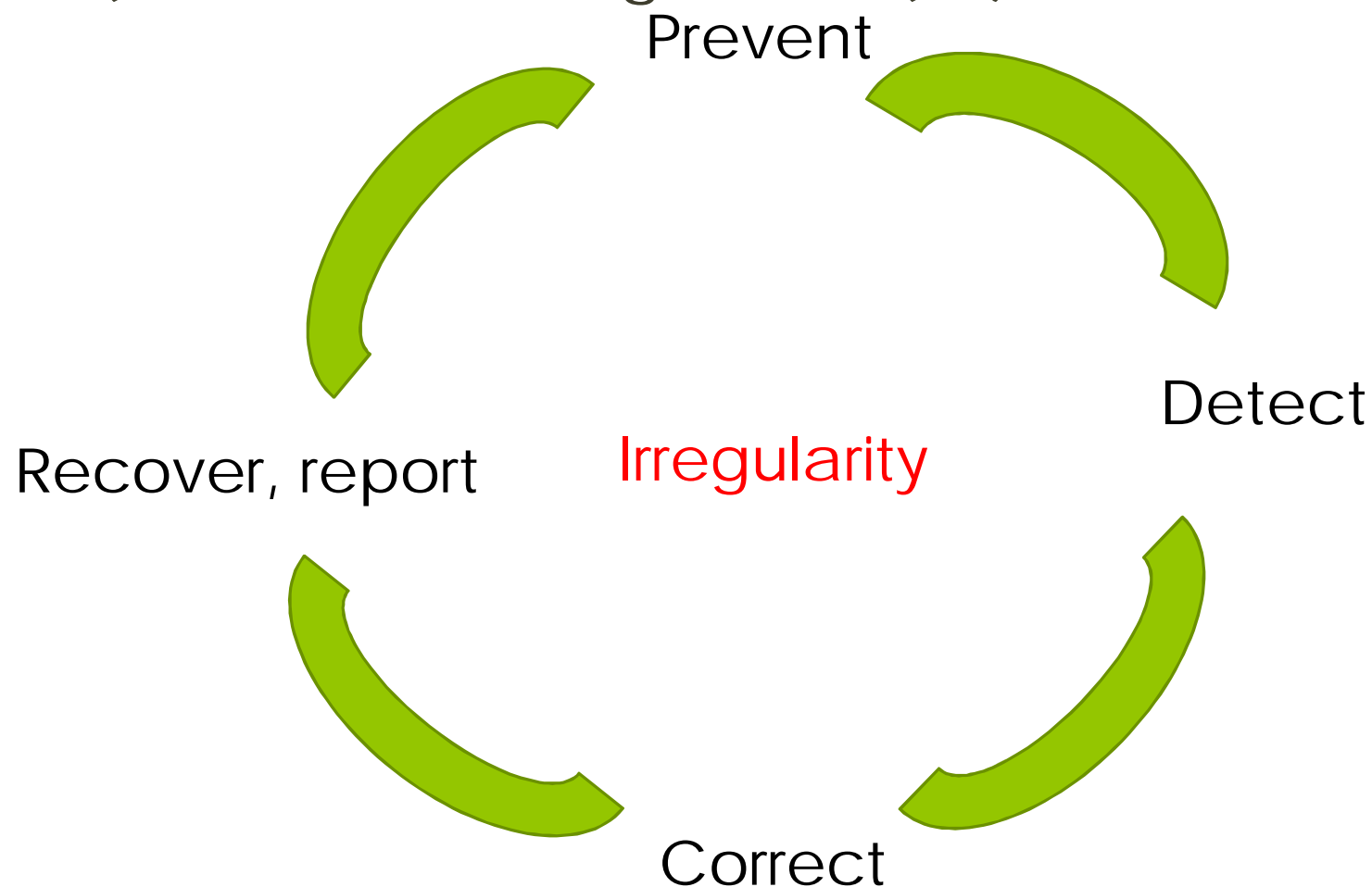
Irregularity

- › Definition of irregularity is prescribed by Article 2 (36) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013.
- › accordingly 'irregularity' means any breach of Union law, or of 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



Responsibilities of MS's

(Article 122 of Regulation (EU) No 1303/2013)



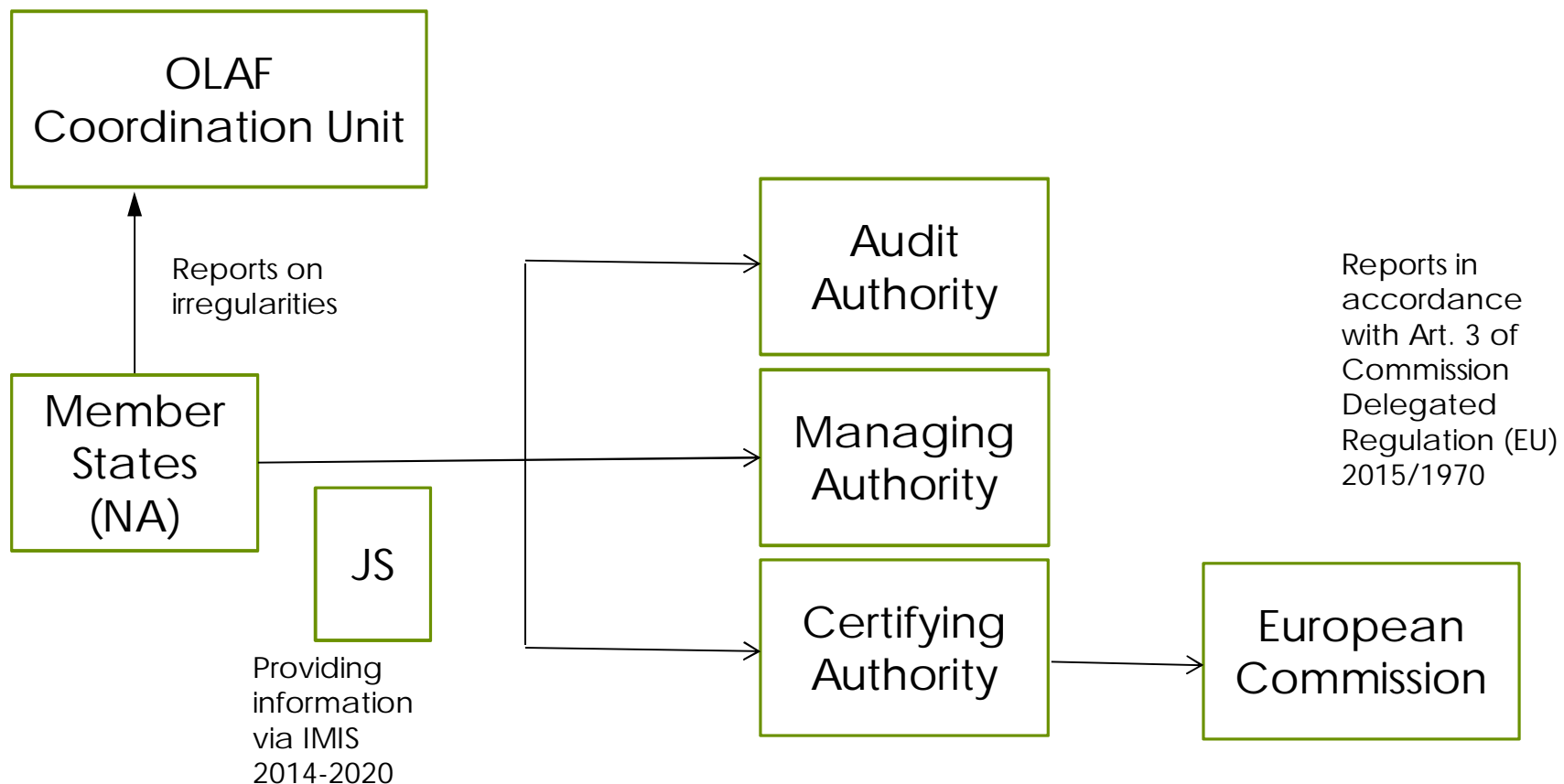


Reporting

- › In order to ensure that the program management bodies (MA, JS, CA, and AA) are informed on the irregularities detected by the Member States, a reporting system on irregularities established at programme level.
- › According to Art.3 point 4 of Commission Delegated Regulation (EU) 2015/1970 irregularities relating to operational programmes under the European territorial cooperation goal shall be reported by the Member State in which the expenditure is paid out by the beneficiary in implementing the operation. The Member State (NA) shall inform the MA, the CA for the programme and the AA.



Reporting of irregularities





Follow-up of irregularity

- › In case a MS has not fulfilled its responsibility for the repayment of the amounts in the set time (within 30 days upon receipt of debit note issued by the EC) the MA will deduct the corresponding amounts from the yearly transferred national contribution for joint TA projects without any further notification.
- › Additionally the amount of national contribution for joint TA projects for the next year will be increased with the deducted amount.
- › MS will not recover amounts unduly paid if the amount to be recovered from the beneficiary, not including interest, does not exceed EUR 250 in contribution from the ERDF Funds. The limit of the 250 EUR has to be calculated based on all recovery procedures concerning a project in an accounting year.



Irregularity cases, ETC

2007-2013 programming period

Public procurement:

- › for complementary works related to an already contracted investment
- › fair market price could not be proved (beneficiaries concerned could not provide any proof of a fair market price being applied, therefore the audit recommended a 25% financial correction for the project parts affected by the problem)
- › technical ability criteria set by the beneficiary unnecessarily limited competition (and did not create equal opportunities for potential tenderers, and therefore the audit recommended a 10% financial correction)
- › violation of the Hungarian Act on Public Procurement (related to the invalidation of one tenderer, the announcement of the winning tenderer and not objective technical criteria)
- › unreasonably restricting competition
- › artificial splitting of services the project partner failed to conduct a public procurement procedure



Irregularity cases, ETC

2007-2013 programming period

Other type of irregularities:

- › wrongly calculated, reported, paid staff costs
- › financial impact related to travels of project staff members
- › VAT status of the bidders was not appropriately taken



Irregularity cases, ETC

2014-2020 programming period

Public procurement:

- › Selection criteria not proportionate to the subject matter of the contract (in subject of financial criterion, professional capacity, technical capacity/references)



Irregularity cases, ETC

2014-2020 programming period

Other type of irregularities:

- › Ineligible VAT was declared. Based on partner's VAT declaration, they are subject to VAT legislation, can recover VAT, so only net amount of each invoice can be reported and requested
- › Travel and accommodation costs (cost of meals covered by daily allowance)
- › Expenditure not related to the project – invoice on FLC controller's participation on a seminar organised partly for first level controllers. According to Control Guidelines only verification activity is eligible for FLC controllers
- › Staff cost calculation was incorrect (taking into account the holidays and sick leave)



Irregularity cases, ETC

2014-2020 programming period

Other type of irregularities:

- › Office and administration costs on flat rate basis incorrectly counted
- › Full cost of purchased equipment had been reported by PP and verified by FLC. (According to Control Guidelines only depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes.)
- › Staff cost reported as a flat rate up to 20% of direct costs other than staff costs and administration costs are declared on a flat rate basis



Post 2020



ETC Common sample – COM proposal

Commission's proposal for post 2020 regulatory framework includes several arrangements for simplified audit work.

One of them refers to a common ETC sample of operations (or other sampling units) at EU level.

Legal basis:

Article 48 (Audit of operations) of a draft Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the ERDF and external financing instruments



ETC Common sample – COM proposal

Objective: significant reduction of audit effort and associated costs

General principle:

- › The Commission will select a representative sample of operations (or other sampling units) from the positive population of expenditure declared for all ETC programmes.
- › The audit of the selected sampling units will be carried out by the programme audit authorities.
- › The Commission shall calculate a global extrapolated error rate for all Interreg programmes covered by the common sample.



*proposed topics for group
discussion*



ETC Common sample

What is your opinion on

- role of GoA
- common methods for management verification and audit – single audit principle
- common sample for ETC, IPA, ENI
- timing - Preparation and audit of the annual assurance package
- timing needed for audits on operation



Thank you for your attention!

