

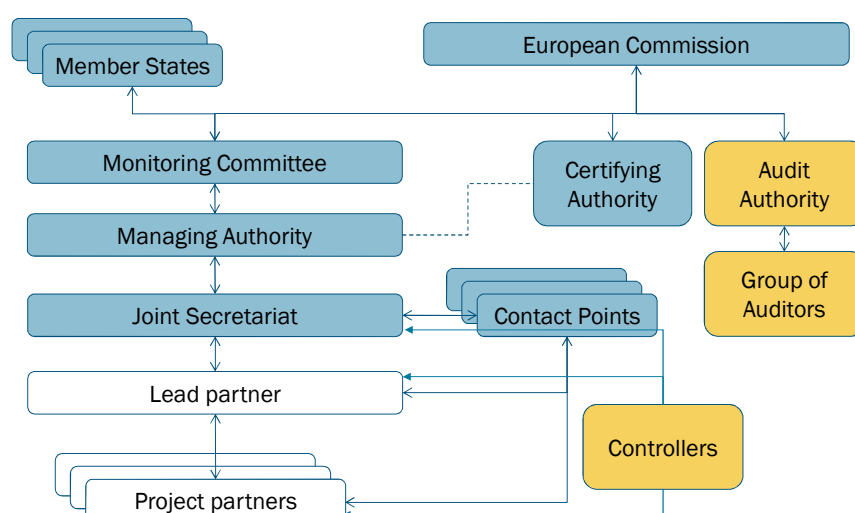
Project Implementation - Audit and Financial Corrections

Interreg Finance Management Camp
6 – 9 November 2018 | Florence, Italy

Iuliia Kauk, Interact Programme



Audit and control bodies



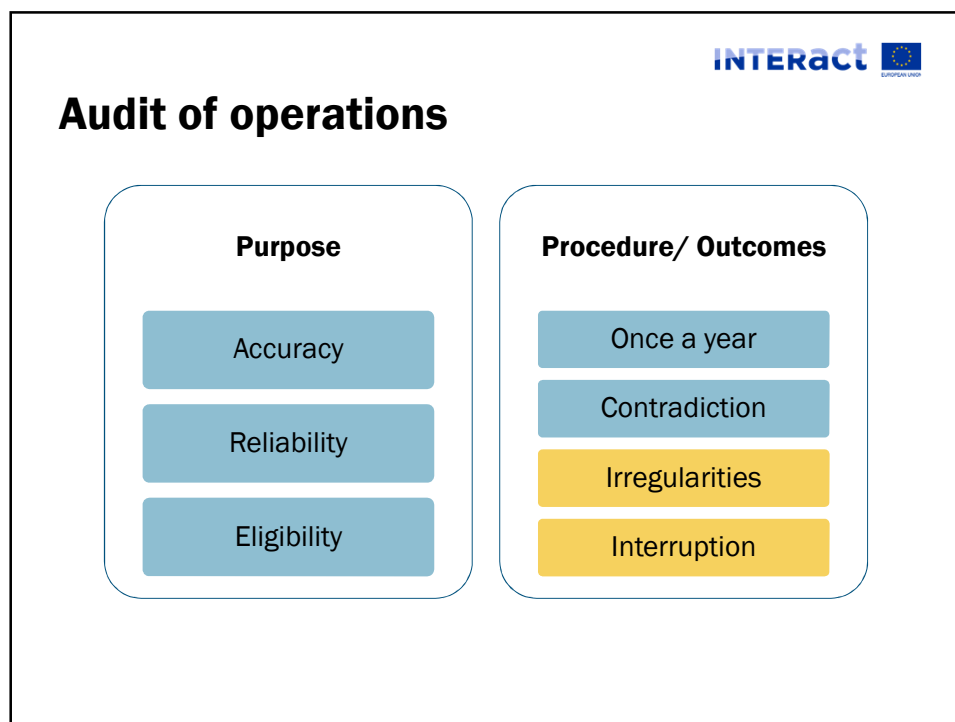
Audit Authority (AA)


Art. 123(4), Art. 127 CPR

Function	Responsibility
Works independently	Verifies the successful implementation
Located in the same Member State as the MA	Ensures that audits are carried out on: <ul style="list-style-type: none"> • management and control system • sample of operations • annual accounts

Group of Auditors (GoA)

Function	Responsibility
Supports Audit Authority	Performs and organises second level control
Representatives from each country in the programme	




INTERact 

Audit of operations – what does this mean for a project?

Once project or partner has been sampled to be audited:

- Information on when auditors come
- All documents ready to be inspected
- Person at partner institution delegated to “serve” auditors
- Audit report with findings shared with the partner
- Recommendations to be implemented



Financial errors



Ineligible expenditure that is NOT deemed an irregularity:

- corrected before the submission MA/JS
- deducted by the MA/JS
- addressed by the CA



Errors do not decrease the project budget

Typology of errors



Categories of errors	
Public procurement – contract notice and tender specifications	Environmental rules
Public procurement – evaluation of tenders	Equal opportunities/non-discrimination
Public procurement – contract implementation	Information and publicity measures
Public procurement - others	Simplified cost options
State Aid	Sound financial management
Revenue-generating projects	Data protection
Financial instruments	Performance indicators
Missing supporting information or documentation	
Ineligible project	
Accounting and calculation errors at project level	
Other ineligible expenditure	

Irregularity



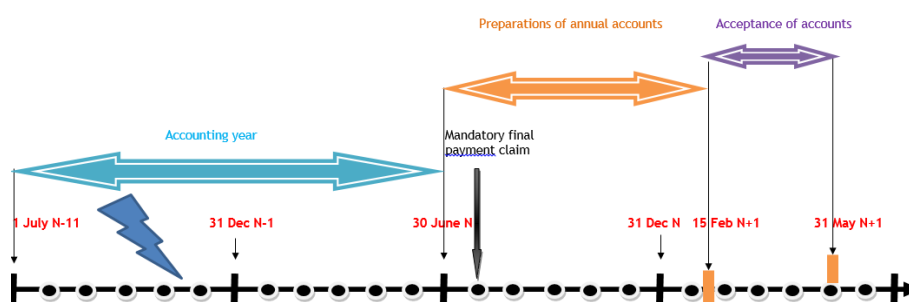
An ineligible amount that **has already been included** in the claim to the European Commission is considered an irregularity.

- One-off or systematic
- Requires programme-level corrections in the form of withdrawals or recoveries.
- Can affect the project implementation:
 - further checks and/or
 - repayment of funds.

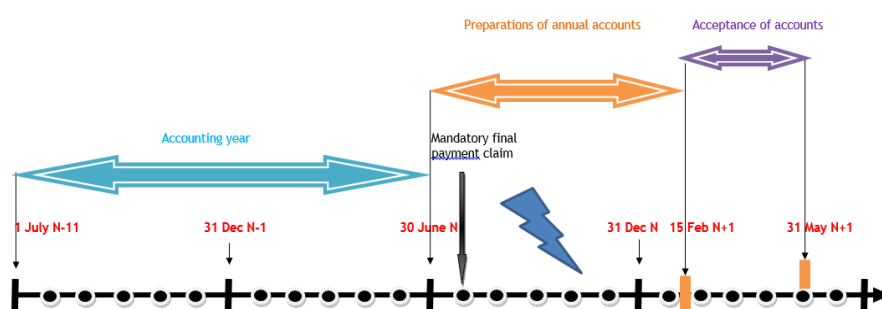
NB: Irregularities decrease the project budget!



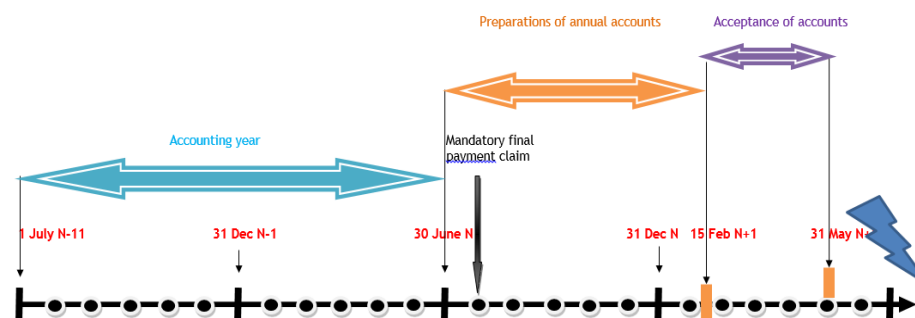
Irregularities referring to the expenditure certified in a given accounting year and **detected before submission of the final interim payment application** should be treated as withdrawals or recovered amounts, and should therefore reduce the expenditure declared in the final interim payment application 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** should reduce the 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.



If error rate is caused by irregularities or serious deficiencies and is > 2% ...



Interruption – Article 83 CPR

Suspension – Article 142 CPR

Criteria

- Evidence to suggest a deficiency in MCS
- Expenditure is linked to an irregularity

- Evidence to suggest a deficiency in MCS
 - Expenditure is linked to an irregularity
- MS failed to remedy situation giving rise to interruption
 - Failure to achieve financial and output indicators
 - Failure to comply with ex-ante conditionalities

Implementation

- Parts of expenditure affected by identified deficiencies
 - Letter to MS

- Implementing act suspending all or part of interim payments

Timing

- Max period of interruption – 6 months
- MS may agree to an extension of interruption for another 3 months

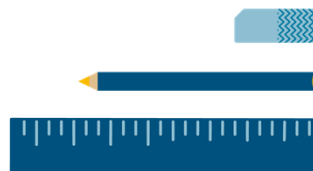
- No timing specified, unless suspension follows an interruption (Art. 83) – 6-9 months after initial interruption letter

Other auditing bodies

European Commission

OLAF

- investigates fraud against the EU budget, corruption and serious misconduct within the European institutions
- develops anti-fraud policy for the European Commission
- every irregularity over 2000 EUR should be reported to OLAF



Cooperation works

All materials will be available on:

www.interact-eu.net