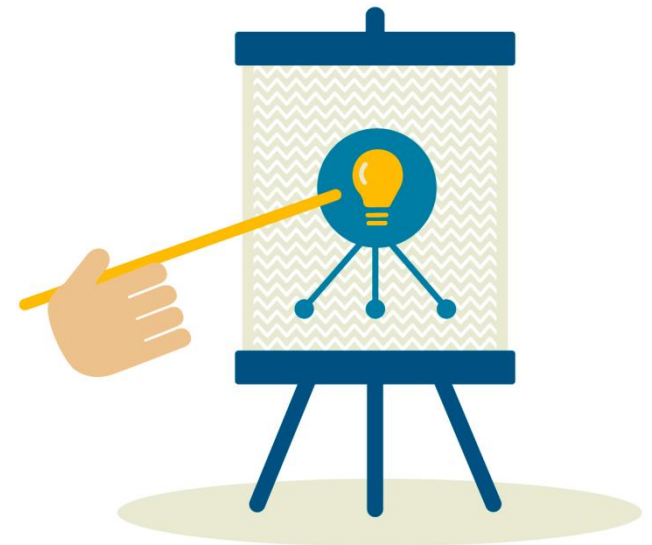


# SWOT & issues to be addressed

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Workshop on EU level sample for audits  
of operations for Interreg post 2020  
10 December 2018 | Brussels

**Katja Ecke, Interact**



# SWOT from registration

## Strengths

- **Simplification**
  - Shift from heavy evidence sampling to reasonable sampling (“real simplification”)
  - Cost effectiveness, saving cost of audit
  - Common background knowledge
- **Sampling**
  - Statistical sampling (better precision, better possibilities to stratification in extensive data set on EU-level)
  - Harmonisation and common approach (unified and consistent treatment of auditing across ETC programmes)
  - Equal treatment

# SWOT from registration

## Strengths

- **Less**
  - Lower administrative burden for beneficiaries
  - Less audit work for programmes & audit authorities
  - Hopefully less corrections

# SWOT from registration

## Weaknesses

- **General**
  - Not feasible to outsource audits of operations
  - No more group of auditors (GoA) (GoA members have significant role in all ETC programmes)
  - potential lack of human resources when additional sample / audit work is needed,
  - Dilution of the responsibilities
  - Effectiveness of exchange of information between audit authorities and body performing sample procedures
  - Difficult for AA to issue audit opinion based on the results of the selected sample
  - Lower assurance level

# SWOT from registration

## Weaknesses

- Timing
  - Tight time frame
  - Sample in October: very short time to run audits, high risk that audit work not finished by end of the year
  - Not enough time to carry out additional works if needed
  - Effect on quality of audit work

# SWOT from registration

## Weaknesses

- Need for clarifications
  - What happens if? Who will be responsible?
  - Procedure when error rate exceeds materiality level: which programme / PS responsible?
  - How to ensure same level of confidence in the audit opinion?
  - Who shall reconcile data before sending them to EC?
  - What if only few countries will join common sample?
  - What about application of art 74 (3) of CPR? What if expenditure of a partner sampled was checked before - during system audit - KR4...?
  - If the selected sample does not include any expenditure of a programme will the AA be obliged to select sample separately?
  - Common checklists and audit reports?

# SWOT from registration

## Opportunities

- **EU level**
  - Coordination/cooperation between authorities
  - Strong common audit assurance, one single audit opinion on eligibility of expenditure for all programmes
  - Unified approach at EU level leads to better quality of information (convergence in methods and approaches)
- **Programme level**
  - Makes Interreg programmes more attractive (reducing administrative and audit burden)
  - More focused on results and impacts (smaller sample leads to more effective audit work)
  - Possibility to really implement SCOs

# SWOT from registration

## Opportunities

- AA level
  - Less audit works for AAs
  - Opportunity for AA to outsource audit work
  - Simplification
  - Focus on risky issues
  - High quality audits and control reports
  - Stratification model
  - Timeline



# SWOT from registration

## Threats

- **General**
  - Lack of clear responsibilities
  - Potential unbalanced audit works per MS
  - Create complexity where before there was not
  - No common understanding
  - Broken link between audit of operations and audit of MCS
- **Timing**
  - Delays during audit work, very short margin of manoeuvre, risk of not completing all audits
  - Delays in receiving the sample
  - Complexity because many cooks in the kitchen (EC-multiple programmes- tight timeline)
  - not having obligatory deadlines set for AAs

# SWOT from registration

## Threats

- Irregularities (Error-rate)
  - Nobody wanting to be responsible in worst case scenario
  - Projection of the single error rate to all programmes? (In case of projected error rate above materiality level, overflow of projected error will happen to those OPs that have projected error rate (in its own strata) below materiality level?)
  - Risk of increasing irregularities
  - Unnoticed systemic errors in ETC MCS, international fraud schemes, double financing (because of less audits)
  - One single audit opinion on eligibility of expenditure for all the programmes

# SWOT from registration

## Threats

- **Sampling**
  - The strength of statistical evidence lower
  - Errors in sampling methods chosen
  - Representativity of the sample
  - The stratification model
  - EC field knowledge to draw sample
  - Not enough programmes join
  - Audit works within an OP not in line with the results of the systems assessment of this OP if based on EU level results
  - Resources allocation: large variation in number of audits per country from one year to another makes planning difficult

# Issues to be addressed in the event from registration

- What are the requirements/conditions to be included in a common sample. (In case programme not selected, shall AA draw up own sample? What rules apply to this?)
- What are the criteria for representative sample at the level Interreg programme (e.g. priority axes, type of the beneficiary...)
- Availability of information to the AA in the case of outsourcing of audits
- Adaptation of eMS to allow data extraction (based on layout wanted by EC, partner unique ID system)

# Issues to be addressed in the event from registration

- Faster implementation means more audits than slower programmes?
- Role of GoA members, timing of audits, common methods
- Who takes decision to participate in EU level sample? MA? As data submitted by MA?
- Art. 52(2), ETC: How can the cooperation work between AA and in case partner country chose to have its own AA (ENI programmes) (e.g. partner country Russia)?
- Art 36-43 in new ETC-regulation should stress on SCO or at least not allow real staff costs

# Issues to be addressed in the event from registration

- Audit Opinion
  - Who gives the audit opinion on the legality and regularity of the expenditures?
  - The opinion per OP will be based on the common TER and RTER calculated at EU level?
  - If the opinion is given by the audit authority per OP and is based on the common error, the error information will be provided by the EU timely (i.e. well before 15/2) to allow the audit authority to analyse and to perform the necessary assessment?
- Allocation of the sample per stratum (OP or OP/MS): The size of the single sample increases when the standard deviation of the errors (based on past data) increases. Thus, OPs or MSs that have errors contribute to the increase of the total sample size  $n$ . So, the allocation of the sample based on proportion to the number of partners per stratum is not fair. The risk of each stratum could also be taken into account.

# Cooperation works

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

# Workshops after lunch

- 13.30 – 15.30 (followed by coffee break)
- 4 workshops – 4 groups
- 1st round: 35 min, 2nd - 4th round: 25 min each

## Workshop 1

Timeline & organisation (incl. GoA)

BERGEN

## Workshop 2

Building the audit opinion

STAVANGER

## Workshop 3

Partner countries (NIDICI, IPA, OCT)

LILLEHAMMER

## Workshop 4

“small projects”, sub-sampling &  
remaining sampling questions

HARALD