

ETC common sample

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Introduction

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

Introduction

Objective: significant reduction of audit effort and associated costs

(in 2015 the audit carried out for ETC represented 15% of the total number of operations while ETC weight on expenditure was 3%)

Introduction

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.

Timing of the sample selection and reporting

Sample selection:

By 1 September – programme authorities shall provide the information necessary for the selection of a common sample to the Commission

By 1 October – the Commission shall inform the AAs on the common sample

Timing of the sample selection and reporting

Reporting on the results:

At the latest within annual control reports

Per each audited sampling unit, the AA should indicate:

- a) the error in EUR (as input to calculate the global error rate)
- b) Information whether financial correction was implemented and its amount in EUR (as input to calculate the global residual error rate)

Possible sampling design – preliminary reflections

Sampling unit:

Project partner (preferred option identified in Valencia)

(expenditure declared for a project partner within an accounting year – i.e. grouped payments claims of a partner)

Possible sampling design – preliminary reflections

Stratification: by programme

Optional stratification (to be decided by AA before each sampling exercise): by MS within an ETC programme

In the case of countries outside EU co-financed from external financing instrument: obligatory stratification by country (this obligatory stratification by country relates only to part of the ETC programme implemented outside the EU)

Possible sampling design – preliminary reflections

Selection method: equal probability selection (Simple Random Sampling)

High value stratum:

- Decided by the Commission at the EC level
- Optional: possibility to add a high value stratum decided by the AA at the programme level

Possible sampling design – preliminary reflections

Minimum sample sizes by stratum are proposed to be:

- ▶ For cross-border programmes
 - ▶ 3 for OPs with less than 500 partners
 - ▶ 5 for OPs with 500 or more partners(If additional, optional stratification by MS: min. 3 per MS)
- ▶ For transnational & interregional programmes
 - ▶ 3 for OPs with less than 50 partners
 - ▶ 5 for OPs or MSs with 50 or more partners
- ▶ For countries outside the EU area: 5 sampling units

Possible sampling design – preliminary reflections

Sub-sampling:

As a general rule, all the invoices of the selected partner shall be subject of verification.

However, in line with the current practice, in case of large number of invoices the audit authority could audit the expenditure of the partner using sub-sample of invoices.

Possible sampling design – preliminary reflections

Negative population:

The EU level ETC sample will be focused on the positive population based on which an extrapolated error rate is calculated.

At this stage, the EC does not plan to introduce any specific arrangements concerning audit of negative sampling units applicable to ETC programmes covered by EU level sample.

Regardless whether the positive population will be covered by the common sample or not, the audit of negative sampling units could be included by the AAs in the audit of accounts (as in the current programming period).

Actions to be taken when material level of errors

Global TER and residual error rate above 2%:

No automatic extrapolated corrections

- First step: assessment of audit results, determination of the problem
- Targeted additional audit work required to concerned OPs
- Eventually targeted additional financial corrections
- No strict time frame (conclusions from additional audit work available by the end of reporting year)

Share of tasks between AA and Commission in the case of a common sample

- AA carries out reconciliation of expenditure and submits the data for sample selection to Commission.
- EC selects the sample.

While selecting its sample the EC shall take into consideration the optional elements of sampling design proposed by AA if relevant – such as additional stratification by MS. The AAs are not requested to analyse their population to determine the sampling design. (They are expected to follow the minimum requirements determined by EC: optional elements are available to interested AAs.)

- AA carries out the audits and reports on audit results within ACR.

Share of tasks between AA and Commission in the case of a common sample

- Commission calculates extrapolated error/residual risk based on information from the AAs following reception of ACRs (i.e. after 15 February N)

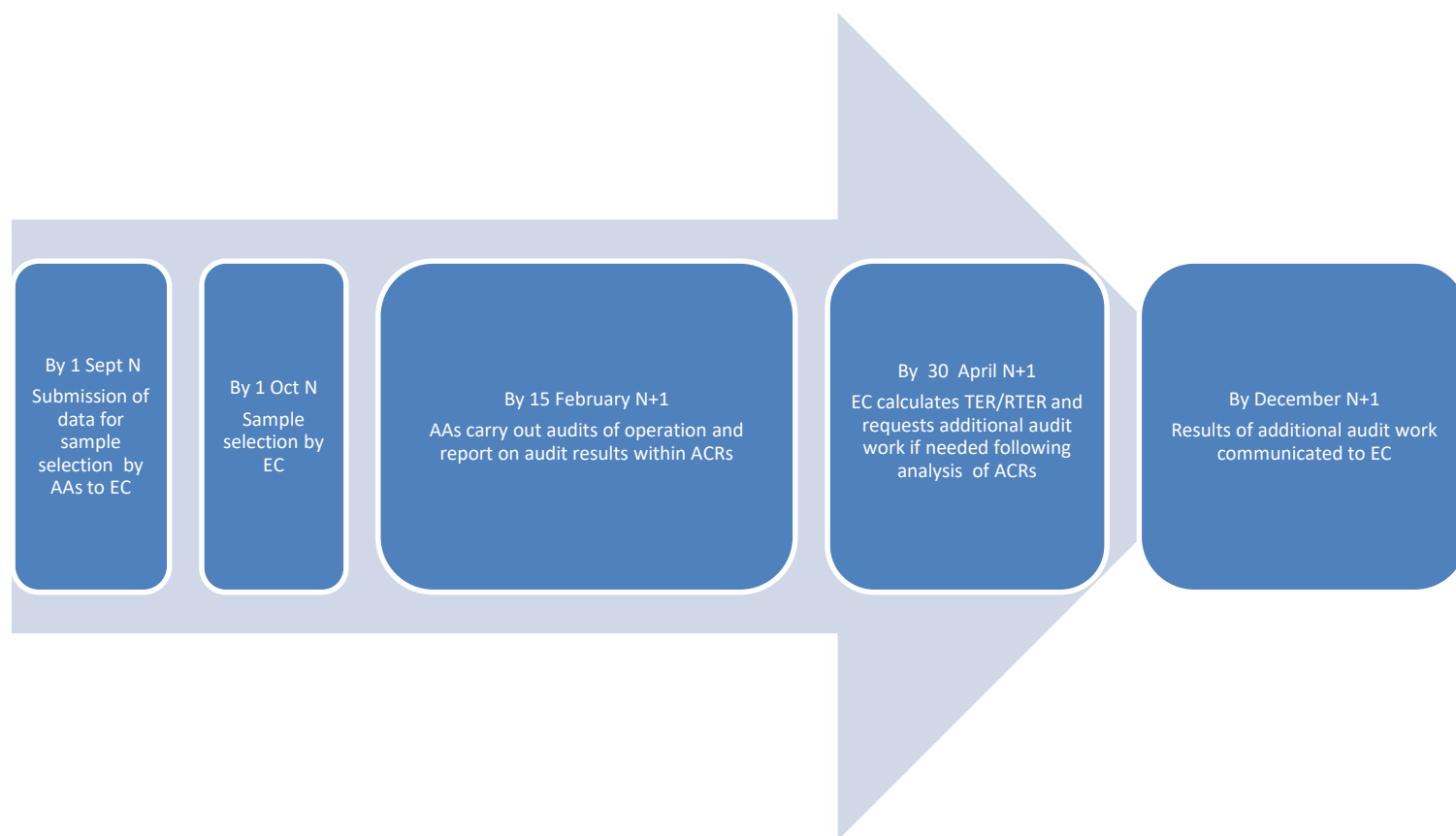
The AA are not involved in extrapolation of error from the main sample. However, if the AA applies sub-sampling, it is expected to report to the Commission the error of the partner. It means that the errors found in the sub-sampled invoices should be extrapolated by the AA to the level of partner to get most likely error for the selected partner.

- If needed, the national authorities carry out additional controls/audit work and implement financial corrections following assessment of the results by the Commission (conclusions from additional audit work to be provided by the end of reporting year)

Summary information on time frame related to audits of operations

- Submission of data for sample selection: by 1 September following the end of an accounting year (1 Sept. N)
- Sample selection by the Commission: by 1 October N
- Reporting on audit results: 15 February N+1 (in ACR & SFC/equivalent IT tool)
- In the case of material error/systemic deficiencies, the EC will ask for additional audit work following assessment of ACRs (after 15 February N+1)
- Targeted additional audit work if needed in the concerned OPs – no strict time frame: conclusions to be provided by the end of reporting year (December N+1)

Standard time frame – sample selection following regulatory deadlines



Optional time frame – sample selection following additional deadline for data submission



List of data to be submitted to EC

Sample selection

OBLIGATORY INFORMATION BY OP

- a) aggregated data on positive population in the accounting year
 - total number of partners for which expenditure was declared
 - total amount of the expenditure declared
- b) list of sampling units (partners) of the positive population listing:
 - name of the partner/ ID number of partner in IT monitoring system
 - MS/country of the partner
 - identification number of operation
 - cumulative expenditure declared to the EC in the accounting year for the partner
- c) list of negative items
- d) reconciliation information: In case the positive population adjusted for negative items is not equal to the total amount of the expenditure declared to the EC, clarification on the difference should be provided.

List of data to be submitted to EC

Sample selection

ADDITIONAL OPTIONAL INFORMATION

a) Information on optional stratification by MS

If the AA would apply stratification by MS, this should be indicated and the list of sampling units should be presented separately for each MS.

b) Information on optional high value stratum

If the AA decides, based on professional judgement, to apply a high value stratum, the sampling units of HV stratum should be indicated in the submitted list of sampling units.

c) If the AA would wish to increase the number of sampling units above the sample size calculated by the EC, such information should be indicated while submitting the data.

In most cases the sample size per OP would probably be 3 units, the AA could indicate that it is planning to increase it (for example to 5 per OP or 5 per MS in case of optional stratification by MS).

List of data to be submitted to EC Reporting on results

While reporting on audit results, the AA should indicate per each audited sampling unit:

- the error in EUR (as input to calculate the global extrapolated error rate)*
- information whether financial correction was implemented or not and its amount in EUR (as input to calculate the global residual error rate).

* If sub-sampling was applied for invoices checked, the AA should report the error at the level of the sampling unit – partner (i.e. after extrapolation to the partner level). The ACR should clarify the methodology used for sub-sampling and its extrapolation.

Thank you for your attention!