

CA network meeting

14/May/2019

Nice, France

Minutes

Introduction

Interact welcomed the participants and presented shortly agenda of the meeting and current state of financial implementation of programmes which are represented by respective CAs during the meeting.

Allocations vary from less than 20% up to 110% of total programme budgets, percentage of claims are between less than 2% up to more than 35%.

The data on the financial situation, programme by programme is available here:

<https://cohesiondata.ec.europa.eu/programmes>.

2019 annual accounts submission

Slovenian experience

Katarina Vidmar-Nair from Slovenia presented three CBC programmes (Slovenia with Hungary, Croatia and Austria) experience regarding preparation, submission and acceptance of the latest annual accounts.

Slovenian CA does not repeat any of JS or MA controls, but have additional controls, like e.g. checks of controllers' work, financial corrections implemented or fulfilment of audit recommendations.

There were no major problems with preparations of accounts, and they were all accepted by the EC without any comments. The remaining issue is when the negative balance of annual accounts should be paid back. UK explained they got the repayment deadline and it was set for July 2019.

The reimbursements of payment claims are also quicker than during the last perspective, the timing was ca 2 weeks. Central Baltic added they experienced once 2 days only as waiting time for reimbursement.

So far, Slovenia does not face any liquidity problems, also due to the fact they are having savings from the 2007-2013 period, and they are using these resources to cover any cash flows shortages.

Spain asked about the practices on payment to the projects, in their case it was decided to pay to the partners and not to the lead partners as in the previous perspective they faced situations where LPs were not transferring money to partners. Slovenia pays to the LPs and have no problems; Grand Region asks partners if they got money and when, if they claim lack of transfer, the lead partners will not get its reimbursement.

Another challenges related to cash flow is a fact that current funds are eligible until 31.12.2023, in the view of EC proposal for post 2020 and lack of existence of CA – who will do the accounts for 2024 and 2025?

Where are we regarding submission of accounts?

Participants were asked to indicate which category programmes they are CAs for fall in, and the current situation looks as below.

Programmes with only "zero" accounts so far	2019 was the first year of submission of "non-zero" accounts	Many "non-zero" accounts
Italy – Switzerland Adrion UIA Slovakia – Czech Republic Slovakia - Austria	Espon Alcotra Urbact Slovenia – Croatia Slovenia – Austria Croatia – Serbia Croatia – Bosnia and Herzegovina – Montenegro Germany – Belgium – Netherlands Latvia – Lithuania Central Europe 2 Seas Iterreg Europe Romania – Hungary Romania – Serbia France – Belgium North West Europe Poctefa	BSR Central Baltic Peace Germany – Denmark France – England Upper Rhine Bulgaria – Serbia Bulgaria – Turkey Bulgaria – North Macedonia Poland – Slovakia Interact Northern Ireland – Ireland Northern Ireland – Ireland – Scotland Romania – Bulgaria SUDOE MED North Sea Flanders – Netherlands Poland – Saxony South Baltic

The "zero" accounts programmes were approved very late or in case of UIA the format of accounts was approved late by the EC, however all programmes submitted already first payment claims, thus will submit "non-zero" accounts in February 2020.

Some of first timers submitted only TA expenditures, some delayed a bit claims not to submit accounts already in 2018.

The challenges regarding submission of accounts reported were tight timing, late delivery by AA, ongoing assessment influencing error rate, different interpretations of rules, contradictions between the EC opinion and AA opinion.

Urban Innovative Actions experience

Katarzyna Schonborn from UIA presented the initiative experience. It can be concluded as the following summary, Initiative:

- is not a programme but bases its control and management system on Interreg
- is not result oriented but they finance the risk (the innovation)
- is indirectly managed by the EC
- uses pre-payments (they pay 50% of their budget at the moment of the signature of their subsidy contract. 2nd advance is 30% when the project reaches the 70% of its first milestone. The remaining 20% are paid at the end of the project)
- decided for the full control systems: FLC, SLC and other types of controls (including CA quality checks), private, external companies were contracted for that purpose.

Irregularities – how does it work?

Paulina Almeida, Polish CA presented the experience Polish programmes had with irregularities so far.

The low amount of irregularities comes from good training and education offered towards beneficiaries. Another offer is ex-ante assessment of public procurement (beneficiaries can but don't have to use this option) when public procurement documentation can be presented to controllers before publication.

Option of errors below 250 € is used by Poland; however it requires more resources of CA to monitor it properly.

Another challenge is cooperation with AA, as basing on previous experience CA and MA may be of opinion that some AA's findings are not final and would like to keep it as ongoing assessment while AA keeps it in the final control report. Such situation took place recently, annual accounts were accepted by the EC, but at the same time, the EC sent a warning such situation cannot be repeated next years.

The following issues were further discussed in groups:

- main sources of irregularities
- are there any issues with reporting of irregularities
- how can we improve and limit irregularities for post 2020.

There were following conclusions collected during plenary discussion:

- the main sources of irregularities are procurement and staff costs (real costs), Urabact mentioned also travel and accommodation as a potential source of irregularities
- the ideas on improvements:
 - sometime having all authorities in the same country may help (Spanish example)
 - it is not a case of CA in Flanders and MAs in France, communication is a key, sharing the same language helps also the willingness to compromise and seek solutions together
 - use as much SCOs as possible
 - use ex-ante controls
 - more clean and clear regulations help and limit interpretations
 - simplification and harmonisation of rules between programme would help beneficiaries in prevention of irregularities
 - improving professionalism of controllers, considering external experts contracted by a programme to be controllers (UIA example)
 - balance control and achievements.

Any other business

The following topics, gathered during registration to the event, were discussed:

Beneficiary in debt of national authority and its reimbursement

Italian CA shared their example of beneficiary being in debt and looked for advice or good practice. The case: according to the accounting department of the region if a beneficiary has a debt against the region and the region has to pay anything to this beneficiary they need to offset this debt against any payment.

However according to the art. 132 of CPR such offset is not legal. Spanish CA had a similar case and convinced their accounting department and AA that EU regulations are above national or regional law, therefore hierarchy of rules maybe a guidance here.

Negative interest rate

BSR CA presented the case: they have to pay now negative interest rates (fees) for the account; it is on average 80k per year for 5 accounts. It can, most probably be treated as administrative costs for the account and paid from the TA budget. However, as TA is going to be so low in the next period, we would prefer to find a different solution.

Belgium CA had the similar case, as UIA has over 100 m €, they agreed with Belgium bank to freeze 250k for 1 year and this is how they agreed to avoid negative interests. In addition, it is possible to have 20 m € per account for free, so currently CA operates 64 accounts and they move money to saving accounts constantly.

CA from Denmark is in similar to German situation; they have been paying negative interests for the last 2-3 years already. No solution found unfortunately, nor financing from anywhere yet available.

eMS, SFC

The rounding differences between eMS (2 digits) and SFC (10 digits) were shortly discussed.

CA of Euroregio Meuse-Rhine asked about the possibility to monitor in eMS also additional / increased projects / programme investments (as sound financial management implies that one should report to the Commission the total amount partners/projects invest to realise their goals. If this means more than the budget, it should be transparent in the figures and is part of program investments, because partners invested it/it was necessary to realise the project). However, the eMS was not designed to follow up on non EU co-financed expenditures and as no other programme ever expressed a wish to monitor privately co-financed costs after the project reaches the full amount of allocated co-financing, such a solution will not be introduced.

Irregularities below 250€

It was shortly discussed and confirmed such irregularities are considered eligible amount and left as eligible in the accounts that is why these irregularities are not to be taken into account when calculating the error rate.

Post 2020

After short presentation by Interact on main changes proposed by the EC and EP on post 2020 finances, the discussion in groups leading to panel discussion was held. The main points /issues / ideas discussed were:

- less money for TA will reduce control and let projects to have more resources for achievements of results
- N+2 may speed absorption of funds or just opposite may lead to bigger decommitments and less resources for projects
- the proposed changes put pressure on MS to ensure additional resources, old and new MS having different possibilities may create risks to separate Europe even more
- programmes and MS would need to learn on how to be more efficient
- as currently 4 or so claims are enough for majority of programme why worry about proposed limitations of 4 or 6 claims a year
- if CA is going to be part of MA, MA would need additional skills (resources), moreover turning CA into accounting function is pure downgrading, there is no separation of functions, so accounting people will just have to do what MA says
- simplification is a good thing, the less authorities the better for a programme, let's MA take all responsibilities and have AA as separate function
- no recoveries sounds great, but anyway it is only about communication about recoveries to the EC, the whole work anyway has to be done as corrections have to be done
- TA as a flat rate is great, this is major simplification.

Next CA network meeting

It will be held in 2020 and Interact will communicate the date and place in due time.