

# The First Level Control System for European Territorial Cooperation Programmes in Cyprus

Competent Authority for Controllers Designation  
Verifications and Certification Directorate  
Treasury of the Republic  
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# Responsibilities of MSs under Shared Management

*CPR 1303/2013 Articles 72, 73, 74 & 122*



Set up a sound management and control system



Prevent, detect and correct **irregularities** including fraud



Recover amounts unduly paid including interest on late payment



When amounts unduly paid to a beneficiary cannot be recovered (as a result of **fault or negligence on the part of member state**), the member state reimburses amounts concerned to the Union budget



Notify the Commission of irregularities that exceed EUR 10.000 in contribution from the Funds and keep it informed of significant progress in related administrative and legal proceedings

# Main Features of the MCS for ETC Programmes



Decentralised System of First Level Controls



Functions delegated according to competency and expertise

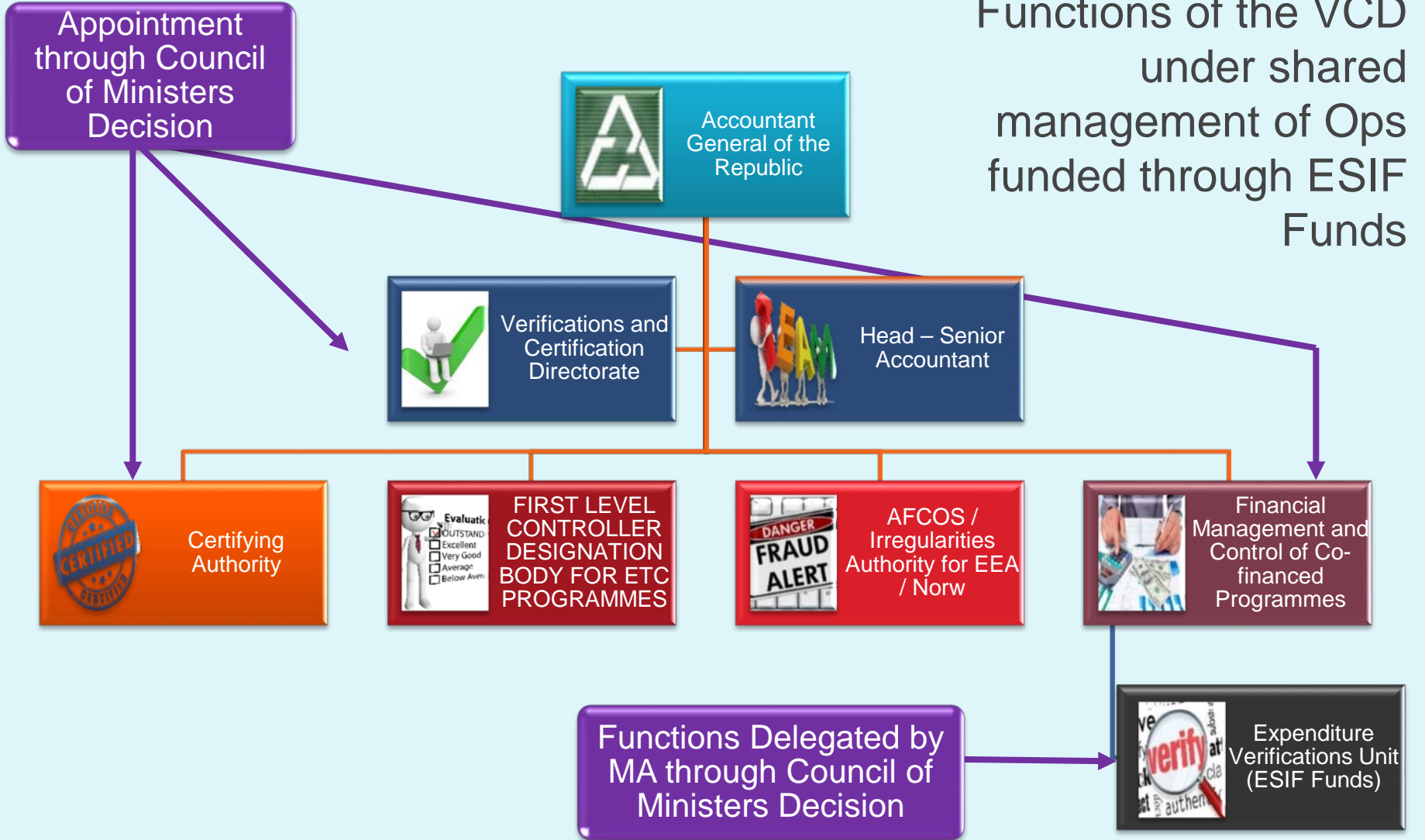


Functions delegated monitored



Single set of rules

# Functions of the VCD under shared management of Ops funded through ESIF Funds



# 5 ETC Programmes with Cyprus Partners ]

Cross-Border Cooperation Programme  
**Interreg V-A Greece - Cyprus 2014-2020**

Transnational Cooperation Programme  
Balkan-Mediterranean 2014-2020 – **Interreg V – B Balkan Med**

Transnational Cooperation Programme MED 2014-2020 –  
**Interreg V-B MED**

Interregional Cooperation Programme  
**INTERREG EUROPE 2014-2020**

Cross-Border Cooperation Programme Mediterranean Basin  
**ENI Med 2014-2020**

# Some Volumes ]

167

- Projects

111

- Partners

48

- First Level Controllers
- 2 internal – 46 external

# FLC Designation Procedure

Submission by project promoter to the Designation Body:

- **First Level Controller Designation Checklist**  
(Designation Checklist)
- **First Level Controller Designation Declaration**  
(Designation Declaration)

Following the project approval and before the expiration of the first reporting period

# 1. Designation Checklist - minimum qualification criteria for an FLC :



professional skills and capabilities



independence



Participation of the FLC and the Control Team in Trainings concerning the management verification process



## 2. Designation Declaration -

Incorporates the commitment of the  
the FLC and the Control team for:



his/her independence from the unit that is responsible for the activities and the financial management of the project,



participation in relevant trainings / workshops,



completion of the verification work within deadlines set by the Programme Authorities and the regulations and



all possible penalties in case weaknesses, errors or non-compliance are identified.

# FLC approval procedure



# Verification of relevant professional skills and abilities



statutory audit firm  
registered on the  
**registrar of  
statutory  
auditors**

# Professional skills and abilities of the FLC - **Control Team Conditions:**

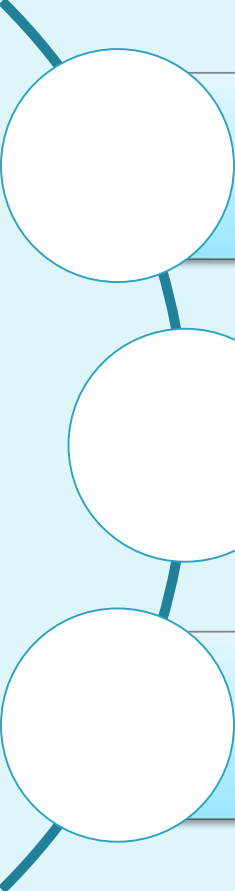
## **Controller – Audit Partner:**

- Holds a professional title from a Professional Accounting-Audit Body / Association and
- Is listed in the relevant Register of the Cyprus Public Audit Oversight Board (CyPAOB).

## **Control Team Manager (Manager/ Supervisor) (where applicable):**

- Holds a professional title from a Professional Accounting-Audit Body / Association

# Professional skills and abilities of the FLC - Trainings



Required to participate in at least one (1) training / workshop

up to 3 years before the designation of the Controller as a first level controller for the specific project

The Controller and/or the Control Team (where applicable) must have participated

# FLC Independence is ensured with:



with the signed assurance of the project partner and the Controller of their independence from the former, from the implementation of project activities and the financial management of the project,



the Designation Body checks that the Controller is a member of a national or internationally recognized Professional Association of Accountants / Auditors, which obliges its members to follow a code of ethics,



the Designation Body performs on-the-spot verifications where it deems necessary.

# Controller Responsibilities



administrative verifications **in relation to 100% of the expenditure** included in each payment claim of the project



on-the-spot verifications **during the implementation and/or at the completion** of the project, in order to obtain reasonable assurance regarding the implementation / delivery of the co-financed products and services



# Administrative verifications

Based on examination of the payment claim submitted and the accompanying supporting documents:

invoices

delivery notes

bank statements

progress reports



# Administrative verifications – what is checked regarding expenditure



# On-the-spot Verifications- Checked on-site:



the execution and delivery of the co-financed products and services



the physical progress achieved and



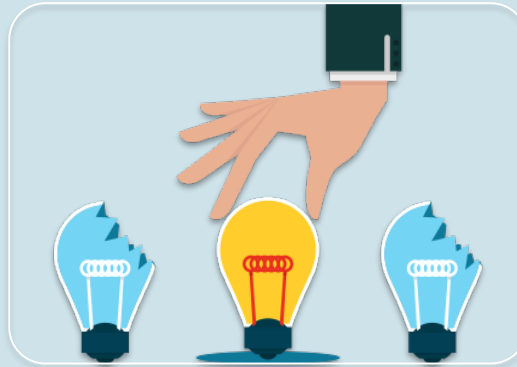
the compliance with Union information and publicity measures

# On-the-spot verifications – frequency and scope



1 on the spot verification for every project

- during the course of its implementation
- and / or upon its completion.



cover a sample of the work / project **activities** and / or a sample of original **documents** that have been audited administratively



Controller should keep records that:

- describe and document the sampling method,
- specify the operations or **transactions** selected for verification.

# Sample selection Methodology for on-the-spot verifications performed by FLCs

The sample size is determined per project taking into account inter alia:

the level of risk identified for the type of beneficiary and type of project concerned

the level of expenditure included in payment applications to be verified,

the frequency of previous verifications,

the results of previous verifications and audits of other competent bodies and

the inherent risk assigned to the activities subject to verification

# On-the-spot verifications – complement administrative verifications



The accuracy and compliance with the conditions for treating net revenue set in the Funding Agreement (net revenue generated either during the course of the project implementation or after the project completion)



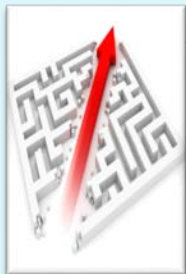
the existence and accuracy of the original documents supporting the expenditure declared in the payment declarations, selected on a sample basis,



the existence of procedures for maintaining supporting documents for a period of two years from the 31st December following the submission of the accounts in which the expenditure of the operation is included or longer period is required from the Programme.



the operation does not, within five years from the final payment to the beneficiary, undergo substantial modification



correct application of simplified cost option methodologies involving physical progress (verify quantities reported),

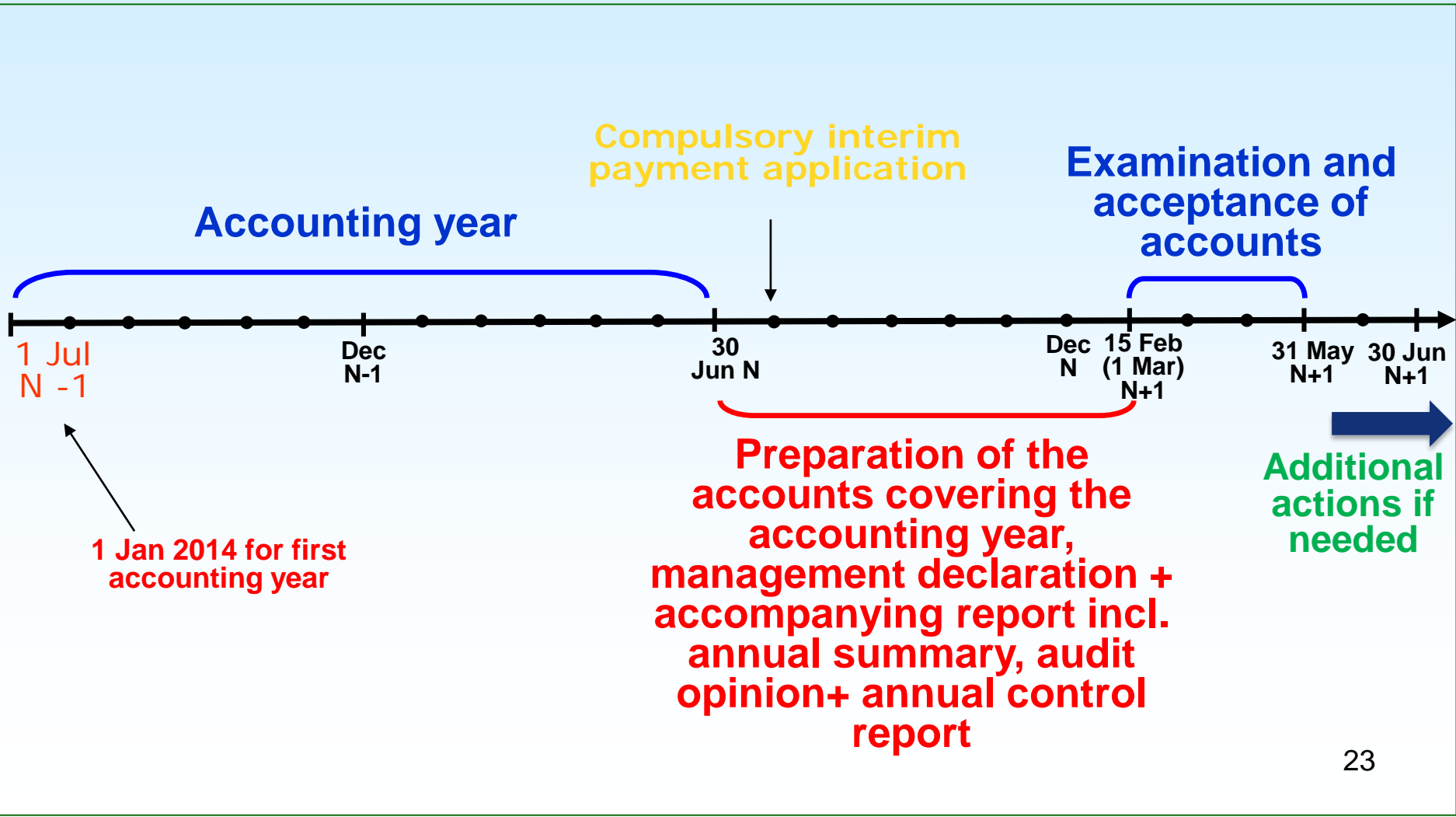


ensure no double funding.

- Timing of Quality Checks
- Sample selection for Quality Check
- Quality Check Procedure
- Quality Check Results
- Designation Body Training Activities

# **QUALITY CHECKS PERFORMED BY THE DESIGNATION BODY**

# Annual accounts: Timeline for the submission, examination and acceptance of accounts



# Timing of Designation Body Quality checks ]

prior to the submission of the final application of interim payment to the Commission in July year N.

In case it is not possible to complete the quality checks on time, they are completed no later than the date of preparation of the preliminary draft Accounts for the accounting period where expenditure will be recorded **(December)**.



# Sample selection for Designation Body Quality Checks ***RISK BASED***

The **sample size** (% of expenditure and controllers) varies for each Programme and is based on an assessment of the Management and Control System applicable to each ETC Programme.

As a minimum 5% of the expenditure declared within each accounting year and 5% of the total number of FLCs involved in verifications of expenditure declared within the programme during the specific accounting year.

The **risk factors** to determine the sample size of the population of projects / partners / controllers:

project budget / declared expenditure,

inherent risk based on the type of beneficiary,

findings - experience from previous checks on a partner level and on an FLC level

# The Quality Check Process

## – What is checked?



the administrative work performed by the Controller for verifying and certifying the expenditure declared in each payment application submitted



the sampling methodology applied (where applicable) for on-the-spot verifications



the correct completion and documentation of the verification checklist and verification reports,



the conclusions on the eligibility, legality and regularity of expenditure



the submission and correct documentation of the verification performed in the Monitoring Information System of the Program

# Quality check process – When are on-the-spot checks performed?

- The Designation Body carries out **on-the-spot-quality checks on a sample basis** at the Beneficiary / Partner level, at the project implementation premises, where this is deemed necessary.
- following the identification of major or systemic weaknesses during
  - administrative quality checks performed,
  - other audits performed by other control bodies, or
  - on the basis of a specific sampling methodology (e.g. horizontal quality checks)

# Quality check process – Communication of findings

The Designation Body informs the Beneficiary / Partner and the Controller of its findings and of the remedial actions necessary to ensure compliance with the National and European Regulations, through standardised Quality Check Reports.

- A pro-forma quality check report is sent and a period of 5 working days is given to the Controller and/or partner for replying before the report is finalised.
- The Managing Authority and the Joint Secretariat of each Programme are copied on final reports issued.
- Either the Designation Body or the FLCs monitor any remaining open findings, until their resolution.

# Designation Body Quality Check Results – Handling of irregularities and financial corrections

## Irregularities detected

- the Managing Authority, the Certifying Authority of the Programme and the European Union Services where applicable, are immediately notified

## Financial Corrections arise from irregularities detected

- deducted from the final application of interim payment to be submitted to the European Commission, following correspondence with the Managing Authority and the Joint Secretariat of the Programme

## Financial corrections determined **after** submission of the final interim payment application

- (as a result of the resolution of open findings)
- the Certifying Authority of the Programme is informed of the requirement to apply financial corrections on the Accounts for the accounting year under verification, or in the next interim payment claim to be submitted to the European Commission

# Quality Check Results – Weaknesses identified or non-compliance of FLCs

identified weaknesses in respect of the compliance of the Controller with the Designation Body and the Programme Guidelines and procedures issued

- the designation of the Controller is suspended, until the Controller and/or the Control team participate in workshops / trainings / seminars organized by the Designation Body.

the Controller and/ or the Control team systematically lack compliance with the instructions and guidelines issued by the Designation Body and the Programme Authorities, resulting in the loss of Community funding

- the Designation Body may cancel the designation of the Controller for the entire programming period.

## Quality Check Results– Weaknesses identified or non-compliance of FLCs

significant / systemic weaknesses in the work performed by the Controller

- the designation of the Controller is suspended and the Controller will be reported to the Cyprus Public Audit Oversight Board (CyPAOB) for further penalties / suspension.

suspicion for fraud either at the level of the project partner or at the level of the Controller

- the case will be reported to the Attorney General's Office for further investigation / penal action.

# Training Activities for Controllers organised by the Designation Body

Why should FLCs (Controllers and / or the Control Team) participate?

- To ensure the quality of the first level controls undertaken and their timely completion

Who will organise trainings?

- In cooperation with other responsible Programme Authorities (MA/JS, INTERACT)

Other forms of Support provided to FLCs:

- Personal meetings to provide clarity on specific areas of concern.
- Exchange of emails covering issues such as legality, regularity and verification procedures for which controllers request clarifications.
- National Guidelines issued, in case it is deemed necessary.



# Designation Body Training Activities for Controllers

The participation is mandatory and a prerequisite for the granting of the First Level Controller Designation.

Controllers confirm their (or their team's) attendance to relevant seminars organised:

either before their assignment as an FLC for a project, or

at the latest by the time of verification of the first payment application submitted by the partner

# Non-participation of FLCs at Designation Body Training Activities

The controller's designation certificate will be temporarily suspended (or not issued) until their participation in a training event for the Programme can be certified

Non-respect of the above condition will imply non-eligibility of the expenditure declared by the Partner

Thank you for your attention

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