

# Programme implementation – cash flow

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Interreg Programme Management for Beginners

19 – 20 April 2017 | Stockholm, Sweden

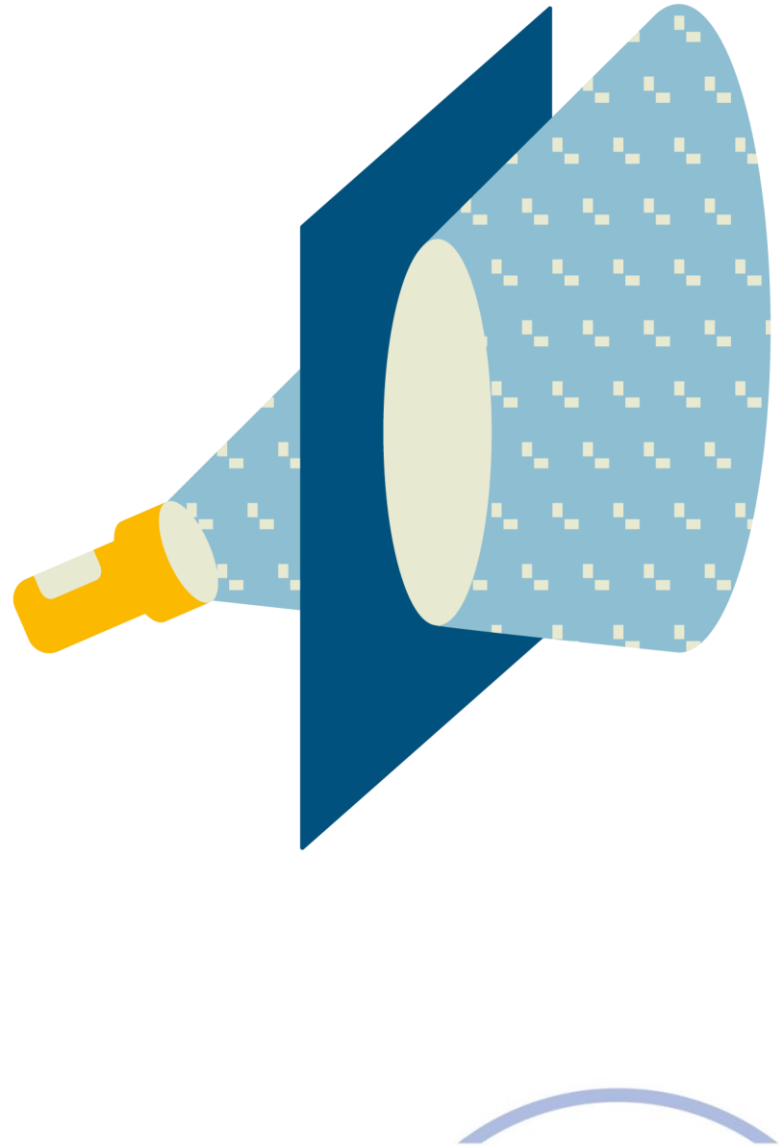
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# Source of information

EC Regulation 1303/2013, (CPR) e.g:

- Art 125(4) management declaration
- Art 130 interim payments up to 90%
- Art 134 advance payments
- Art 135 accounting year
- Art 136 de-commitment
- Art 137 preparations of accounts



# Source of information

EC Implementing Regulation 1011/2014, (IR):

- Art 2 model for transmission of financial data
- Art 6 model for the payment application
- Art 7 model for the accounts
- Annex II – model for transmission of financial data
- Annex VII – model for the accounts
- Appendixes of Annex VII



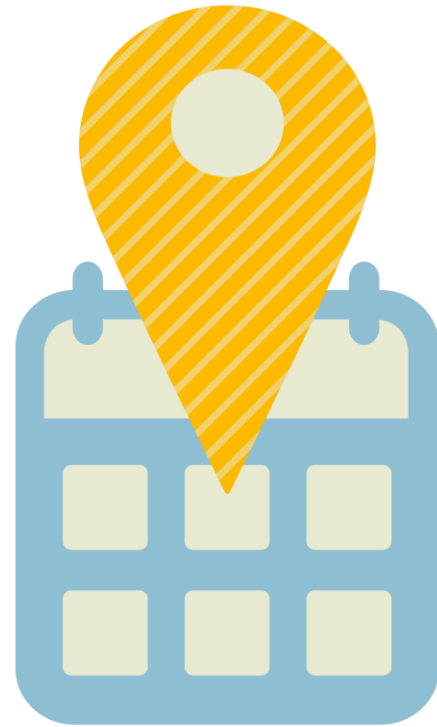
# Accounting year

The accounting year will be as follows:

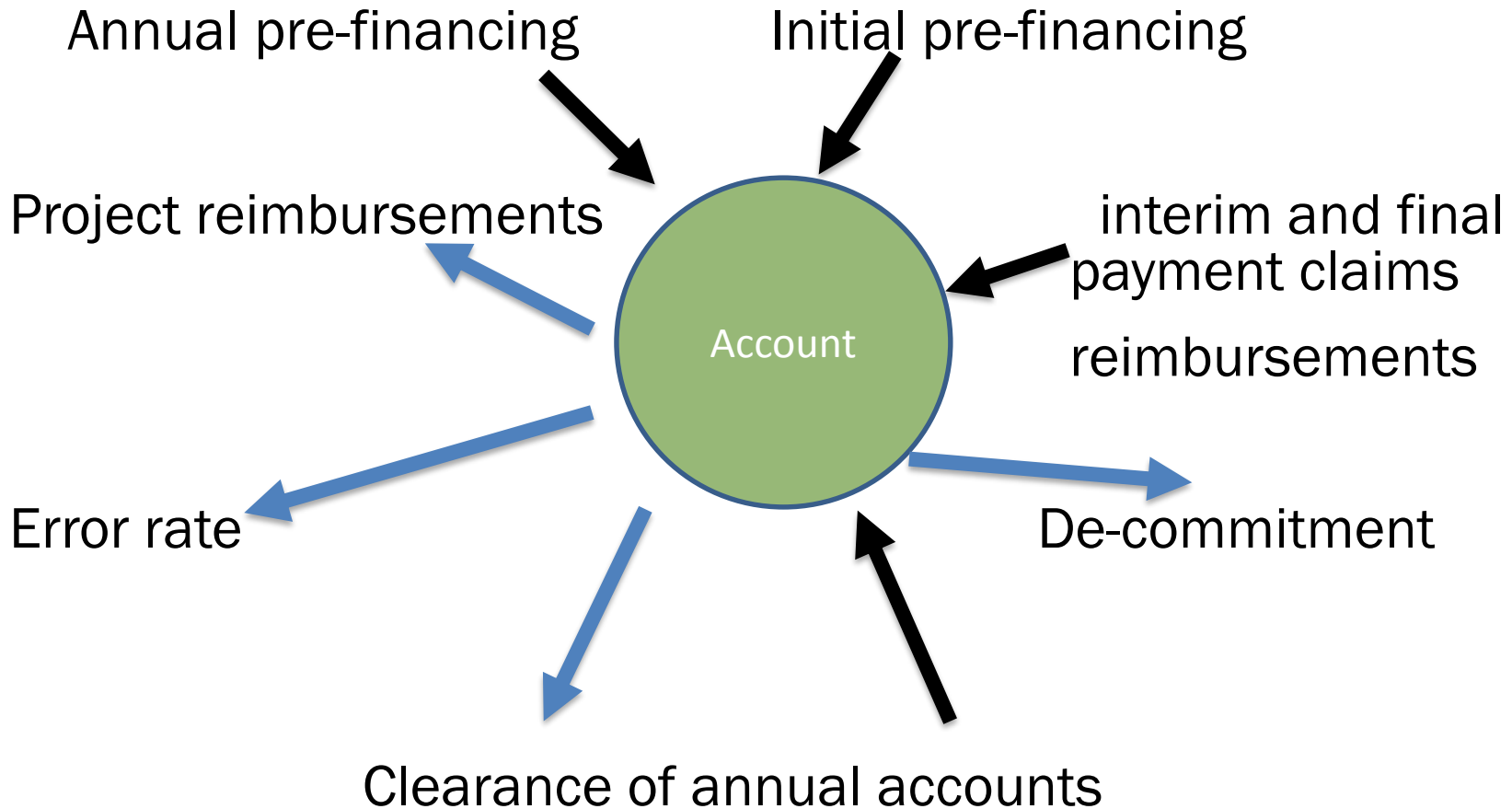
**(1 July N – 1) to (30 June N)**

The first accounting year is:

**1 January 2014 – 30 June 2015**



# Cash flow at programme level



# Initial pre-financing

- Initial pre-financing
- 1% of total fund for each year: 2014, 2015, 2016
- Should be only helping beneficiaries (art. 81 CPR)
- Available for whole period – must be spent (accounted for) by the end of 2023 and thus at final closure (art. 82 CPR)



# Annual pre-financing

|      |         |
|------|---------|
| 2016 | 2,00 %  |
| 2017 | 2,625 % |
| 2018 | 2,75 %  |
| 2019 | 2,875 % |
| 2020 | 3,00 %  |
| 2021 | 3,00 %  |
| 2022 | 3,00 %  |
| 2023 | 3,00 %  |

- For years 2016 – 2023
- Paid before 1 July each year
- Designed to assist with the annual accounting and the change to interim payment (90%)
- They do count as expenditure against N+3 automatic de-commitment rule
- They must be accounted for (cleared) each year – in effect by the end of accounting year – so they are not available for the whole programming period (art. 139.7 CPR)



# Interim payment claims

- Total eligible expenditure incurred by beneficiaries, paid for implementing operations, and entered into the CA accounting system (art. 131 CPR)
- Interim payments claim can be submitted even monthly
- Certification of expenditures of every payment claim (and not just annual accounts)
- $\text{Payment} = (\text{eligible expenditure} \times \text{priority co-finance rate}) \times 90\%$





# Final payment claim

- Final interim payment application (basis for preparation of the accounts assurance) needs to be submitted for each accounting year

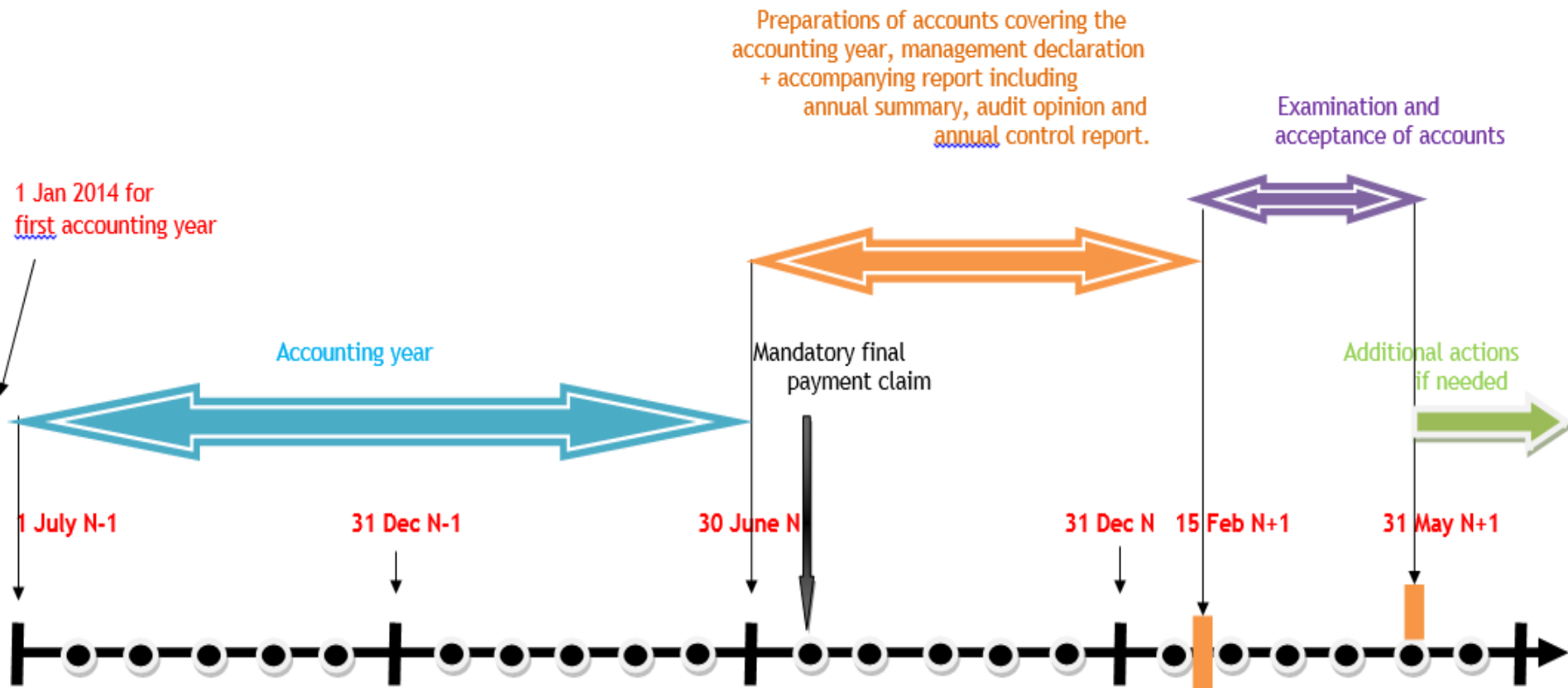
(1 July N – 30 June N+1) until **31 July N+1**

The first payment claim not before:

- EC adoption of the Programme
- Notification of designation of authorities (MA and CA) submitted to the EC



# Timing



# Annual Accounts

Appendix 1 of Annex VII to IR 2011/ 2014

Accounts submitted for programme at the level of each priority axis including:

- Total eligible expenditure by beneficiaries to 30 June (in final payment claim by 31 July)
- Corresponding public expenditure
- Corresponding payments made to beneficiaries
- Amounts withdrawn/recovered/to be recovered, recoveries and irrecoverable amounts
- Reconcile final payment claim for the accounting year, and accounts



# Annual Accounts – submission

Submission by **15 February N+1** of:

- Certified accounts (CA)
- Management declaration (MA)
- Annual Summary of controls (MA)
- Annual Control Report (AA)
- Audit Opinion on Accounts (AA)



# **Annual Accounts – roles of programme authorities - CA**

- Reconciliation of annual accounts (Appendix 8 of Annex VII to IR 2011/ 2014)
- Final payment claim reconciled with the accounts
- Any correction applied since the final payment claim till the submission of the accounts (31 July – 15 February N+1) to be reconciled in the accounts
- If CA excludes expenditure that is subject of the assessment on regularity or legality it may include it in the future payment applications if found to be regular



# **Annual Accounts – roles of programme authorities - MA**

Submission of :

- The management declaration (model in Annex VI to IR 2011/2014)
- The Annual Summary of the Controls (no model in regulations, but proposed model is the Annex 1 to the Guidance on the drawing of Management Declaration and Annual Summary (EGESIF\_15-008-01))

Annual Implementation Report is not a part of annual accounts submission, to be submitted 31 May or 30 June for 2017 and 2019 (art 50(1) of CPR).



# **Annual Accounts – roles of programme authorities - AA**

- Delivers audit of annual accounts
- The Annual Control report
- The Audit Opinion

Implementing Regulation 2015/207 – Annex IX

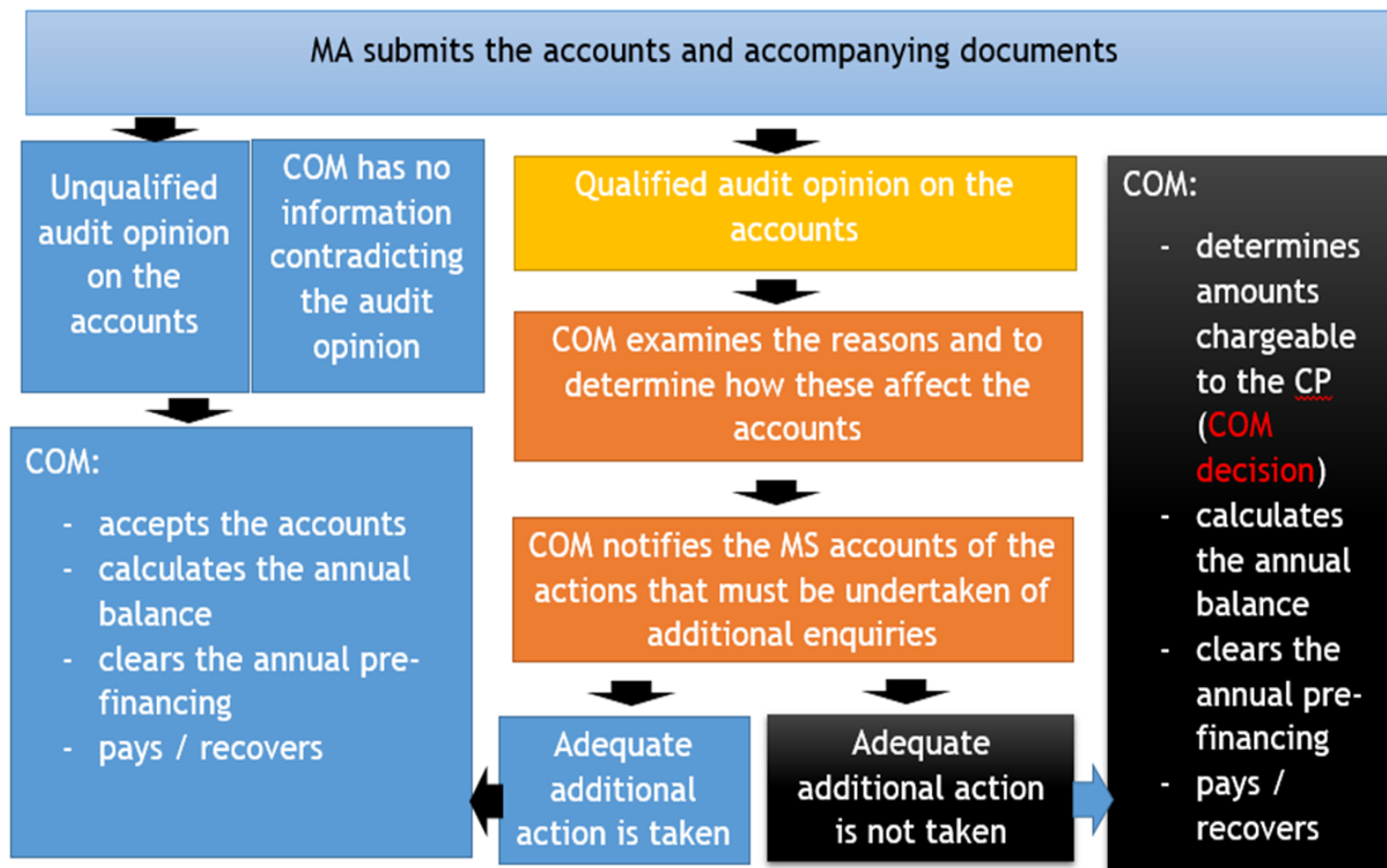
Guidance for Member States on the Annual Control Report and Audit Opinion (EGESIF\_15-0002-02)

Designated body (MA) responsible for:

- Submission of documents annually by 15 February following the accounting year via SFC



# Examination and acceptance of annual accounts





# First submission of annual accounts

|  | CP adopted<br>MA and CA designated<br>before 31 July 2015 | CP adopted, MA and<br>CA designated<br>before 15 February<br>2016 | CP adopted, MA and<br>CA not designated<br>before 15 February<br>2016 |
|--|---|---|---|
| Final application for<br>interim payment           | yes   | no  | no  |
| Submission of annual<br>accounts by 15 Feb<br>2016 | yes   | yes   | no  |
| Management<br>Declaration                          | yes   | yes   | no  |
| Annual Summary                                     | yes   | yes   | no  |
| Audit Control Report                               | yes   | yes   | yes   |
| Audit Opinion                                      | yes   | yes   | yes   |



|            | required implementation<br>to reach n+3 rule |                  | ERDF<br>Payments         | ERDF<br>Pre-financing | National<br>Pre-financing  | ERDF<br>Payment Applications |               | ERDF<br>Accounts |               | cash at the end of<br>each month |
|------------|--|------------------|--------------------------|-----------------------|----------------------------|------------------------------|---------------|------------------|---------------|----------------------------------|
|            | target<br>amount                             | actual<br>amount | paid to<br>Beneficiaries | paid by<br>EC         | paid by<br>MS, Region, ... | sent to<br>EC                | paid by<br>EC | sent to<br>EC    | paid by<br>EC |                                  |
|            | 1  | 2                | 3                        | 4                     | 5                          | 6                            | 7             | 8                | 9             | 10                               |
| 3.Q. 2015  |  |                  | -                        | 4 697 000             |                            |                              |               |                  |               | 4 697 000                        |
| 4. Q 2015  |  |                  | -                        | 4 697 000             |                            |                              |               |                  |               | 9 394 000                        |
| 31.1.2016  |  |                  | 2 000 000                | 4 697 000             |                            |                              |               |                  |               | 12 091 000                       |
| 29.2.2016  |  |                  | 2 000 000                |                       |                            |                              |               |                  |               | 10 091 000                       |
| 31.3.2016  |  |                  | 2 000 000                |                       |                            |                              |               |                  |               | 8 091 000                        |
| 30.4.2016  |  |                  | 2 000 000                |                       |                            | -                            |               |                  |               | 6 091 000                        |
| 31.5.2016  |  |                  | 2 000 000                | 9 394 000             |                            |                              |               |                  |               | 13 485 000                       |
| 30.6.2016  | Final Date of Accounting Year 2015           |                  | 2 000 000                |                       |                            |                              | -             |                  |               | 11 485 000                       |
| 31.7.2016  |  |                  | 3 000 000                |                       |                            | 10 000 000                   |               |                  |               | 8 485 000                        |
| 31.8.2016  |  |                  | 3 000 000                |                       |                            |                              |               |                  |               | 5 485 000                        |
| 30.9.2016  |  |                  | 3 000 000                |                       |                            |                              | 9 000 000     |                  |               | 11 485 000                       |
| 31.10.2016 |  |                  | 3 000 000                |                       |                            | 8 000 000                    |               |                  |               | 8 485 000                        |
| 30.11.2016 |  |                  | 3 000 000                |                       |                            |                              |               |                  |               | 5 485 000                        |
| 31.12.2016 |  |                  | 3 000 000                |                       |                            | 6 000 000                    | 7 200 000     |                  |               | 9 685 000                        |
| 31.1.2017  |  |                  | 4 000 000                |                       |                            |                              |               |                  |               | 5 685 000                        |
| 28.2.2017  |  |                  | 4 000 000                |                       |                            | 6 000 000                    | 5 400 000     | -                | -             | 7 085 000                        |
| 31.3.2017  |  |                  | 4 000 000                |                       |                            |                              |               | -                |               | 3 085 000                        |
| 30.4.2017  |  |                  | 4 000 000                |                       |                            | 8 000 000                    | 5 400 000     | -                |               | 4 485 000                        |
| 31.5.2017  |  |                  | 4 000 000                | 12 329 625            |                            |                              |               | -                | 9 394 000     | 3 420 625                        |
| 30.6.2017  | Final Date of Accounting Year 2016           |                  | 4 000 000                |                       |                            |                              | 7 200 000     |                  |               | 6 620 625                        |

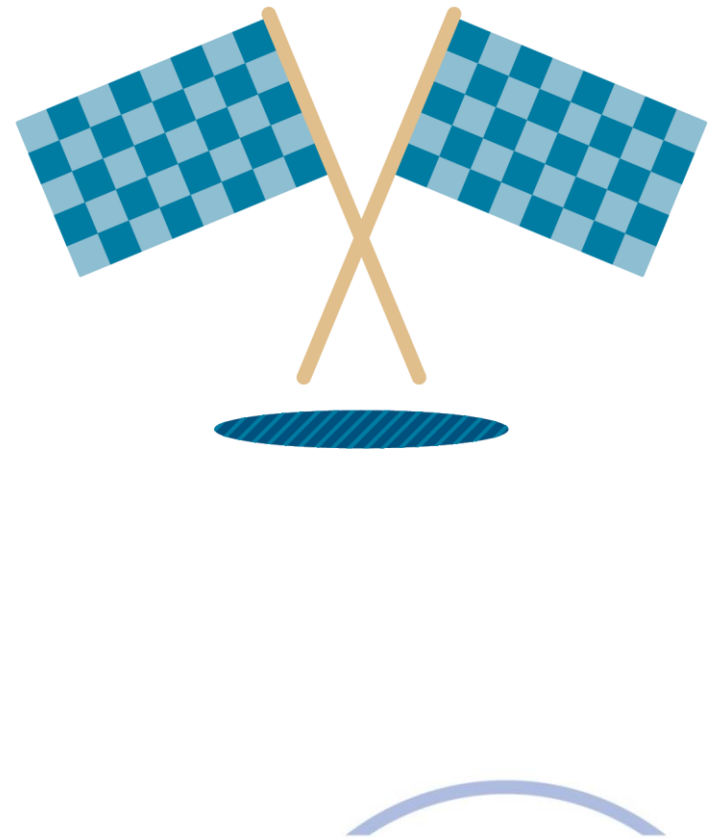
# Balance of annual accounts

Calculation of annual balance

Eligible amount claimed – COM reimbursement – annual pre-financing = balance

If no claim, no COM reimbursement

And a programme must pay back the annual pre-financing



# De-commitment 2007 - 2013

De-commitment was faced by:

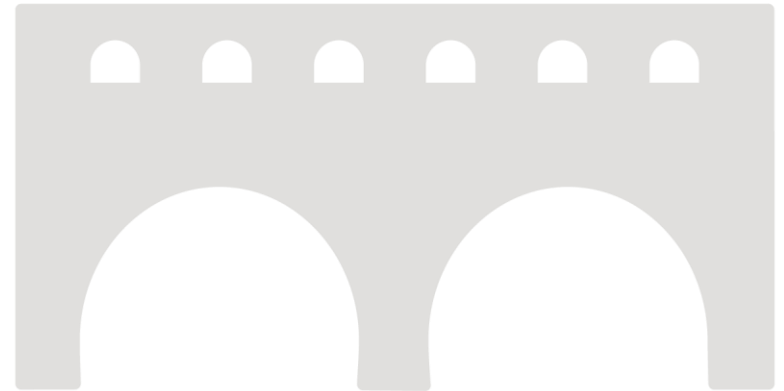
8 CBC programmes

- 2 programmes de-committed once
- 5 programmes de-committed twice
- 1 programme de-committed three times

4 transnational programmes

- 3 programmes de-committed once
- 1 programme de-committed twice

2 IPA CBC programmes



# Main reasons of de-commitment

- Limited capacity
- At the beginning of the 2007-2013 period : problems linked to the interpretation of the regulation, too cautious co-financing approach (limitation of co-financing rate for certain beneficiaries/projects)
- Force majeure (art. 94 EU Reg. 1083/2006)
- Legal proceedings and administrative appeals (art. 95 EU Reg. 1083/2006)



# De-commitment 2014 - 2020

Main change

**N + 3 for all programmes**

However stays as **calendar** and not accounting year target

As a consequence the programme spending has to be monitored in regards to:

- Pre-financing and annual accounts clearance (**accounting** year)
- De-commitment targets (**calendar** year)



# De-commitment - calculations

| Calendar year  | ERDF allocation<br>(Table 15 of OP) | N+3 | Deduct initial pre-financing 3% | Deduct annual pre-financing 3% | Calendar year (N+3) = total must be claimed form COM by 31 December | (N+3) cumulative |
|----------------|-------------------------------------|-----|---------------------------------|--------------------------------|---|------------------|
| 2014           |                                     |     |                                 |                                |   |                  |
| 2015           | 100                                 |     |                                 |                                |   |                  |
| 2016           | 100                                 |     |                                 |                                |   |                  |
| 2017           | 100                                 |     |                                 |                                |   |                  |
| 2018           | 100                                 | 100 | -18                             | -44,25                         | 37,75   | 37,75            |
| 2019           | 100                                 | 100 |                                 | -17,25                         | 82,75   | 120,5            |
| 2020           | 100                                 | 100 |                                 | -18                            | 82  | 202,5            |
| 2021           |                                     | 100 |                                 | -18                            | 82  | 284,5            |
| 2022           |                                     | 100 |                                 | -18                            | 82  | 366,5            |
| 2023<br>(2024) |                                     | 100 | 18                              | 115,5                          | 233,5   | 600              |
| total          | 600                                 | 600 |                                 |                                | 600   |                  |



# Irregularities

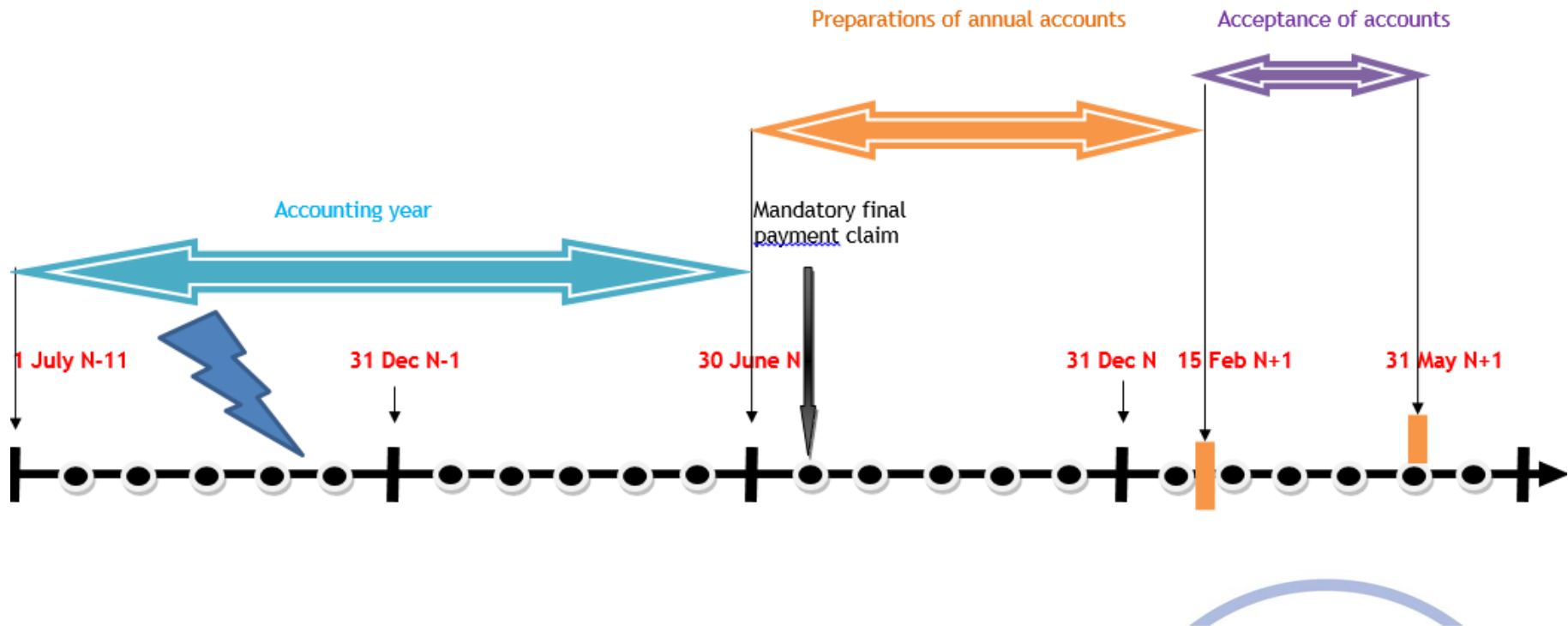
Definition (Art 2 (36) CPR)

- Any breach of Union law or national law relating to its application
- Resulting from an act or omission by an economic operator
- Involved in the implementation of the ESI Funds, which has or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union
- Most financial irregularities due to formal or administrative error, not fraud
- All Irregularities > €10,000 (EU contribution) must be reported to European Anti-fraud Office (OLAF)
- Systemic irregularities - definition (Art 38 CPR)

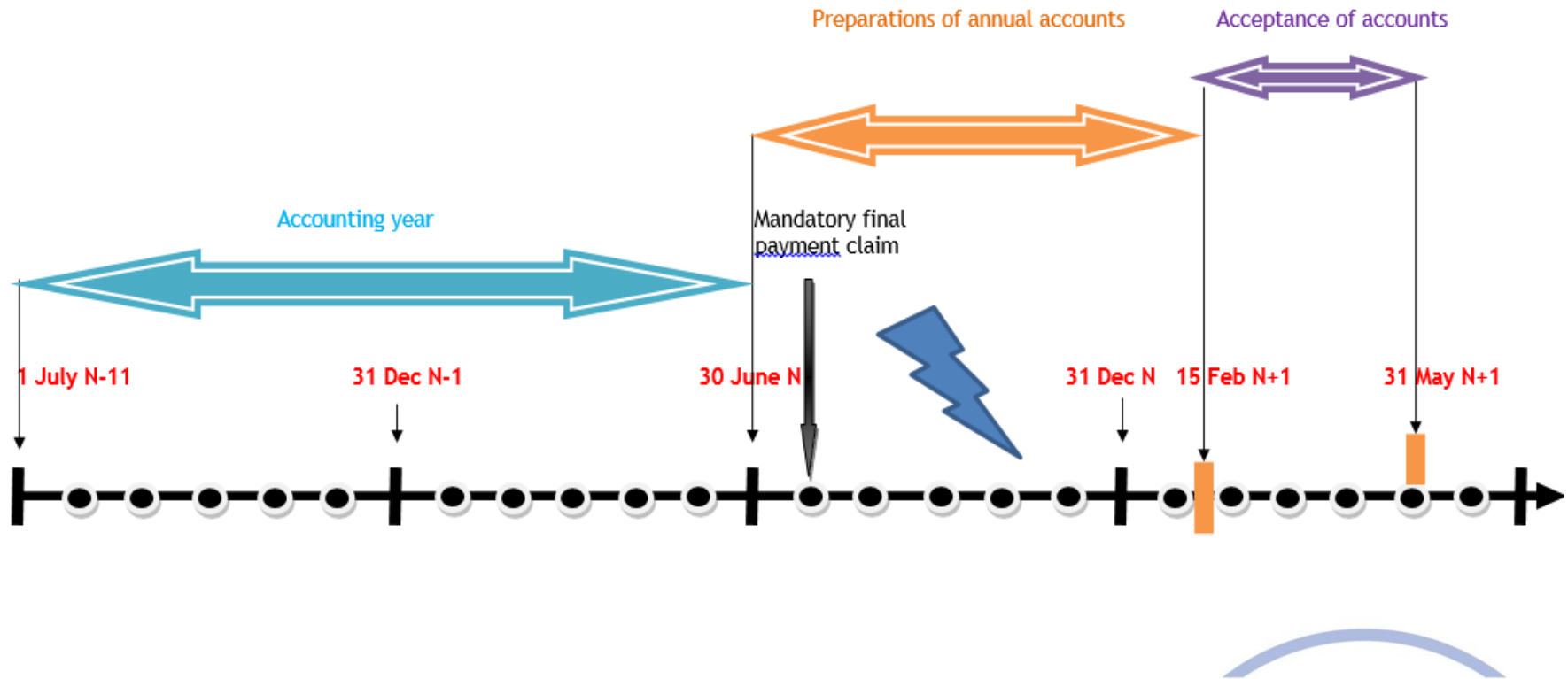




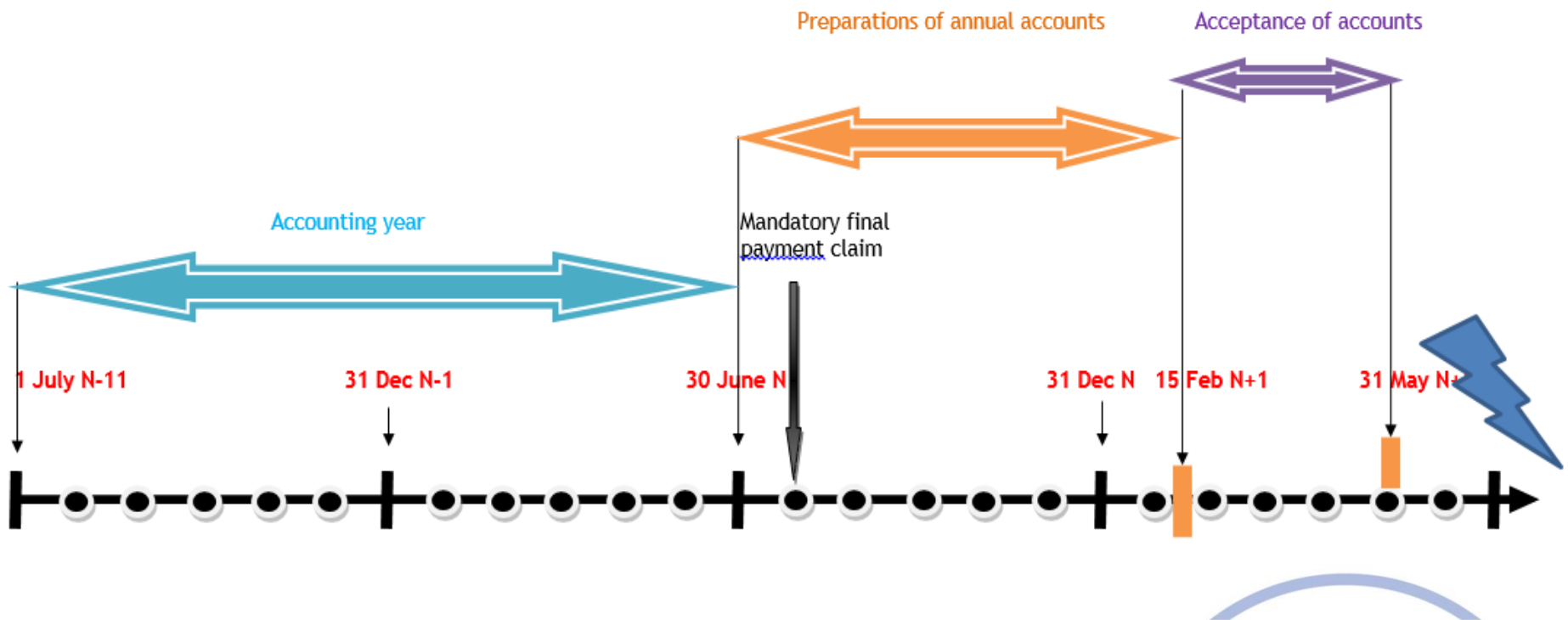
Irregularities referring to the expenditure certified in a given accounting year and **detected before submission of the final interim payment** application should be treated as withdrawals or recovered amounts, and should therefore reduce expenditure declared in final interim payment application and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

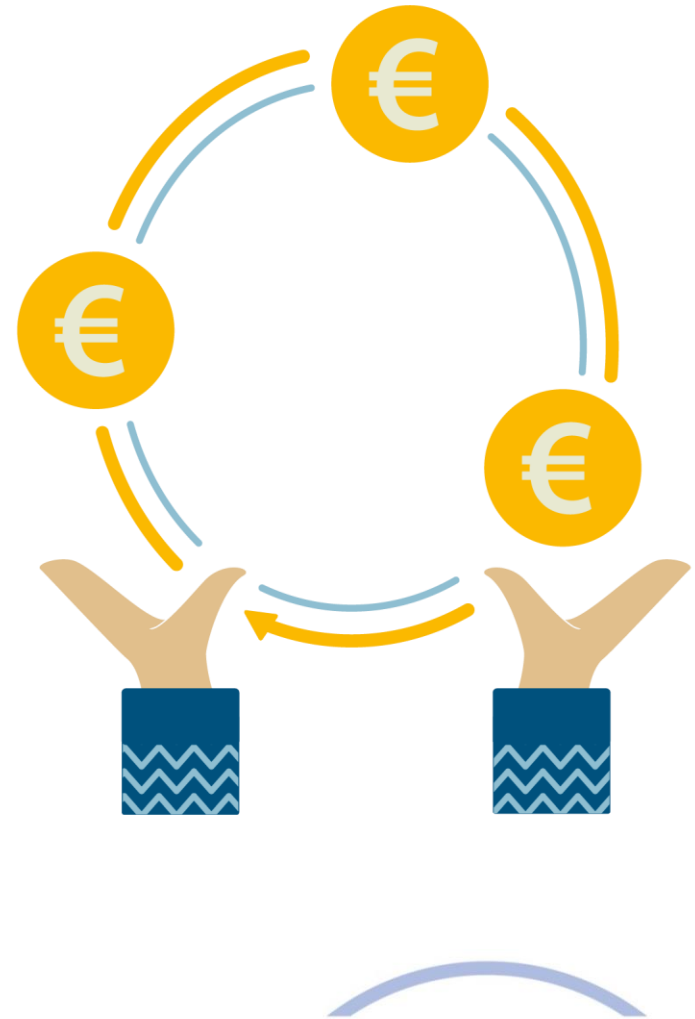


Irregularities detected **after submission of the accounts** may be treated as withdrawals or recovered amounts and should be deducted from an interim payment application of the accounting year in which the irregularity is detected and should be presented in Appendix 2 in the accounting year when the 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.

# Error rate

In case of Audit Authority, during audit of operations or system audit detects and reports:

- Error rate of more than 2%
  - Caused by irregularities
  - Serious deficiencies
- It may lead to programme:
  - Interruptions
  - Suspensions



# Interruptions

Payment deadline for interim payment claim may be interrupted for a maximum of 6 months when:

- Clear evidence suggesting a significant deficiency in the functioning of management and control system
- COM has to carry out additional verifications following information alerting that expenditure in a request for payment is linked to a irregularity having serious financial consequences
- There is a failure to submit one of the documents required (i.e. accounts, management declaration, annual summary, audit opinion, ACR)



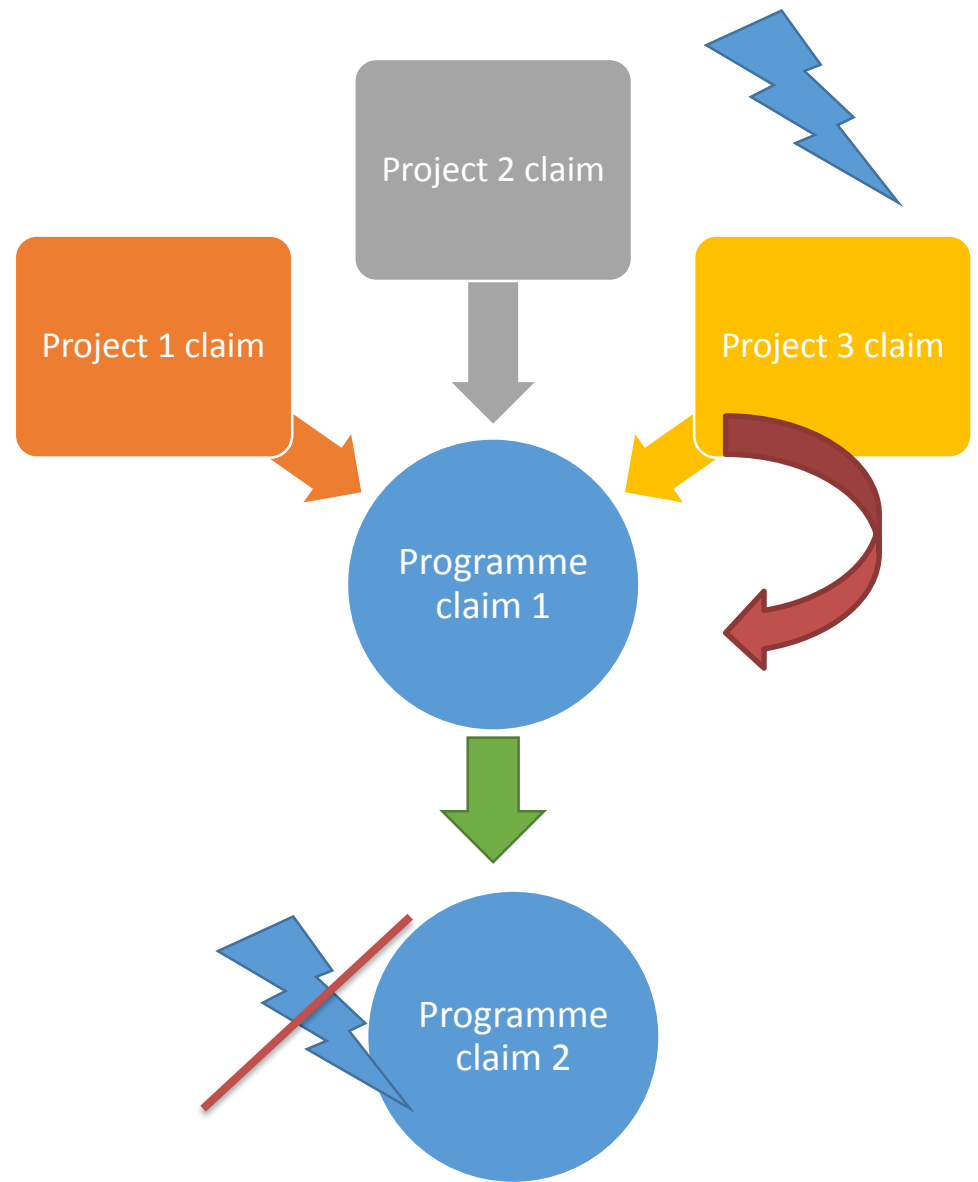
# Suspensions

- The Commission may suspend all or part of the interim payments at the level of priorities or programme, if one or more conditions are met:
- Serious deficiency in the management and control system and corrective measures not taken
- Serious irregularity in the statement of expenditure which has not been corrected
- MA fails to remedy the situation leading to interruption



# Withdrawals

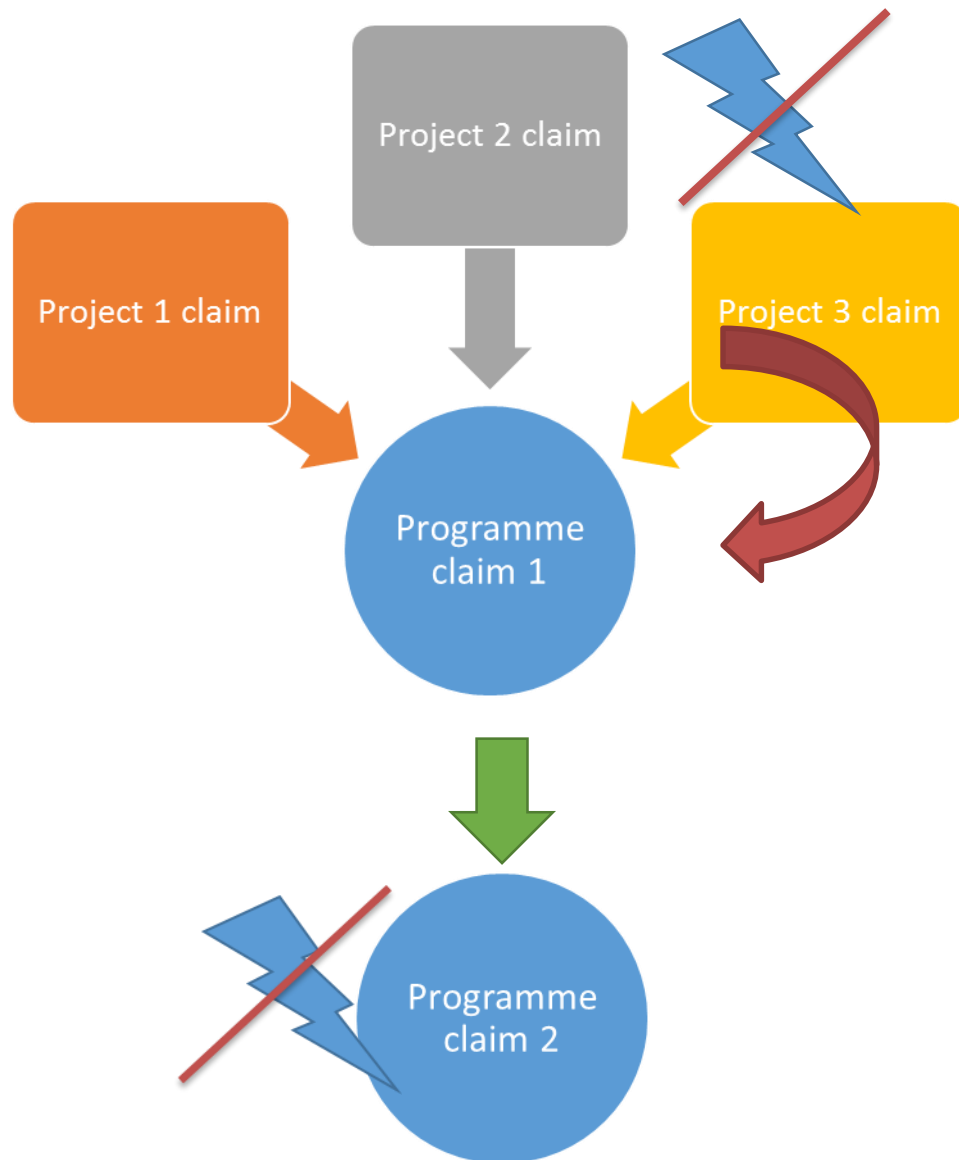
withdrawing the irregular expenditure from the programme immediately when it has been detected, by deducting it from the next interim payment application





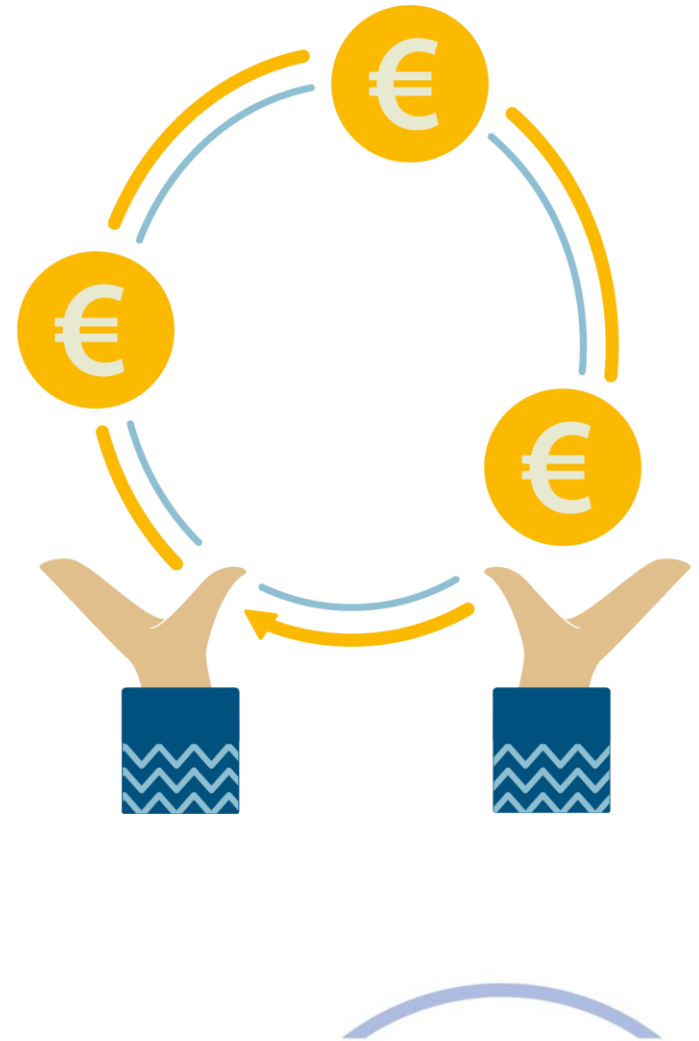
# Recoveries

leaving the expenditure, for the time being in the programme, pending the outcome of proceedings to recover the unduly paid grant from the beneficiaries, and deducting the expenditure from the next interim payment application only once recovery is effective



# Recovery from a beneficiary

- repayment to the programme authorities by the beneficiary of the amount received unduly or
- offsetting, whereby the amount to be recovered is deducted from a subsequent payment due to the beneficiary.



# Cooperation works

All materials will be available on:

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

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