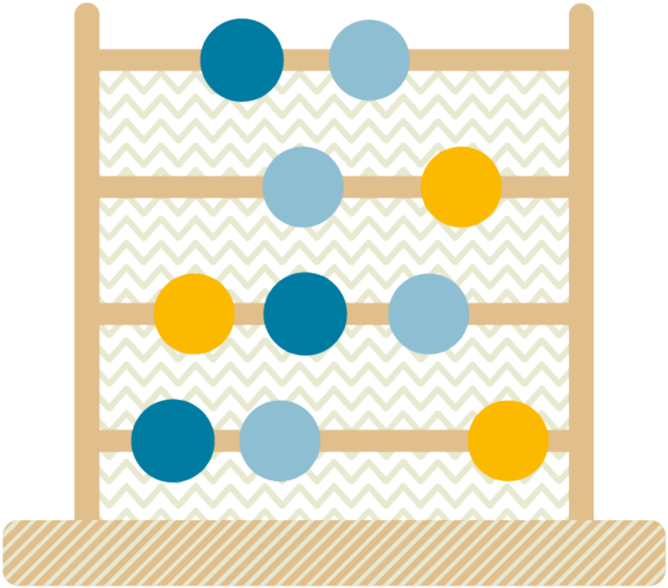
Road map for annual accounts

January 2019



European Regional Development Fund

Please note: To use of the internal links within this document, which provide easy access to and from the road map and the various sections, it is recommended to use a downloaded version of the file.

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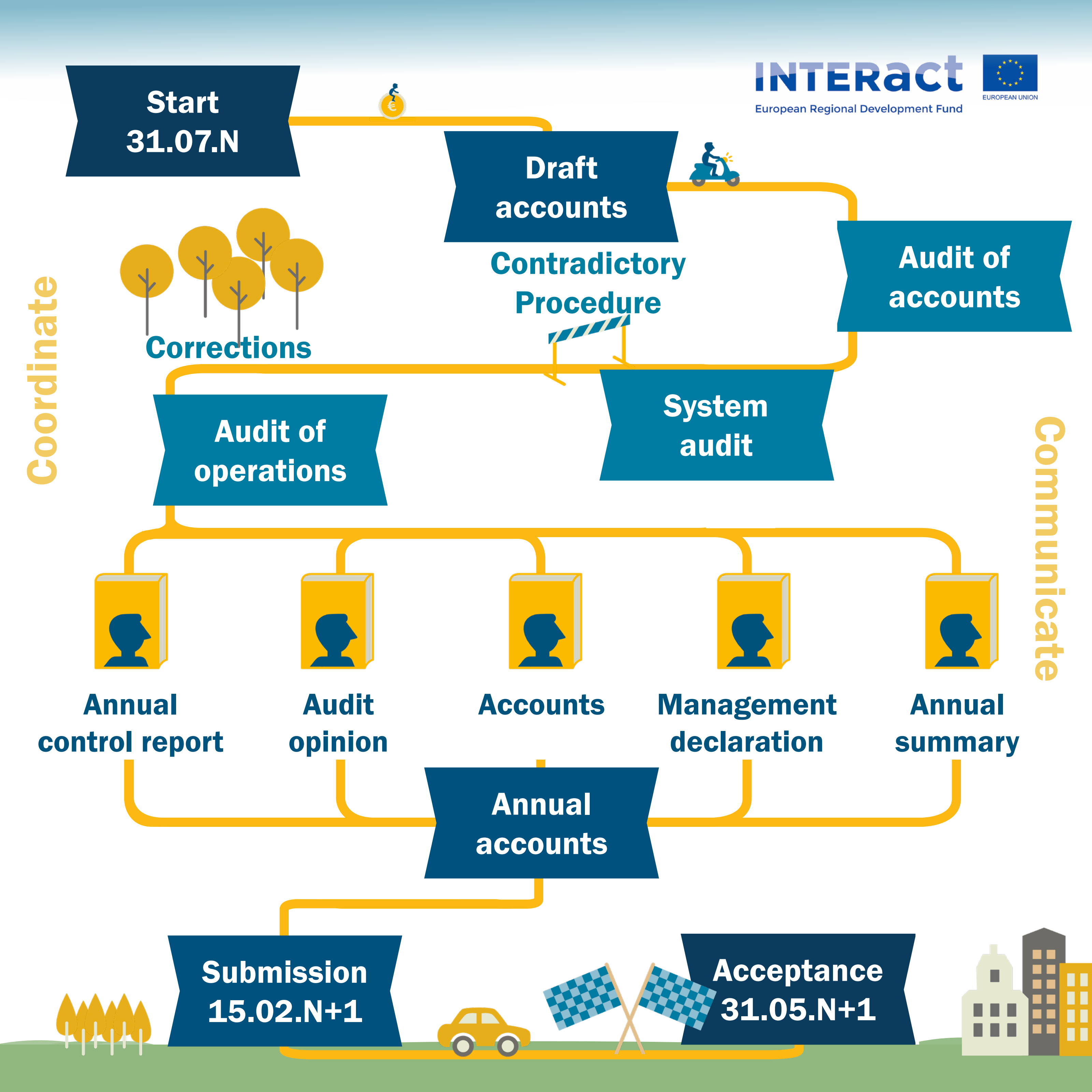

INTERact
European Regional Development Fund
EUROPEAN UNION
Start
31.07.N
Draft
accounts
Contradictory
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Submission
15.02.N+1
Acceptance
31.05.N+1

Start
31.07.N

Explanation

The deadline for the submission of the final payment application to the European Commission (EC) and the starting point of preparation of annual accounts is 31 July.

Practices and points of attention

In order to give more time to auditors to deliver audit of operations, some programmes have introduced the so-called ‘early cut-off’ date: programmes do not claim any ‘new’ expenditure from the EC after April or May. In that way, the sample of operations to be audited can already be chosen in spring. Audit and preparation of annual accounts can start sooner than in August.

Legal background, guidance or supporting publications

Article 135 and Article 137 of Regulation (EU) No 1303/2013 (CPR)
EGESIF Guidance for Member States on Preparation, Examination and Acceptance of Accounts

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Draft accounts

Explanation

The draft accounts are prepared by the certifying authority after results of the audit of operations are known.

Practices and points of attention

Some programmes agree upon the deadline for the preparation of the draft of accounts, in some cases national law regulates deadlines (e.g. in Poland).

It is crucial to have deadlines agreed and to respect them.

It is important to have a reliable and user-friendly monitoring system, which provides the necessary data. The amount of information to process is too big to work manually without an appropriate tool.

Practitioners have highlighted on several occasions, that due to differences in the electronic monitoring systems used, a lot of time is spent reconciling data.

Legal background, guidance or supporting publications

Articles 126, 135 and 137 of [Regulation (EU) No 1303/2013 (CPR)]

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Audit of accounts

Explanation

Once accounts are prepared by the certifying authority, and all necessary corrective measures are implemented by the managing authority, the audit authority has to check the accuracy of information provided in the annual accounts.

Practices and points of attention

This is usually the last part of the trilogy of audits, because this audit needs to take into consideration results of the system audits and the audit of operations, as well as information from the management declaration and the annual summary. Notably, some of the sources of information might only be available in a draft version at the point of the audit.

Due to the tight timeline, some programmes have agreed that this audit happens in two steps:

- all expenditure registered in the accounts;
- updated accounts after corrections of audit findings.

With these steps the bulk of the check can be confirmed and, in case of any problems, there is more time to address them.

Legal background, guidance or supporting publications

Article 137 of Regulation (EU) No 1303/2013 (CPR)
Article 29 of Commission Delegated Regulation (EU) No 480/2014
EGESIF Guidance for Member States on the Annual Control Report and Audit Opinion
EGESIF Guidance for Member States on Audit of Accounts

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Audit of operations

Explanation

An audit authority has to check if amounts claimed from the EC are eligible. The audit authority chooses the sample size, sampling methodology and the unit. The minimum size of the sample is defined by the Regulation.

Financial errors found during the audit of operations contribute to the 'error rate' of the programme. This should not be above 2% - known as the materiality level. The sum of all financial errors constitute the total error rate (TER). If financial corrections were carried out, a residual total error rate (RTER) – TER diminished by financial correction – is calculated.

Practices and points of attention

Some programmes decided to draw two samples to speed up the process of audit of operations. Auditors can start working before summer on the first sample and audit the second sample, less populated than the whole accounting year sample, in autumn. The size of the sample is important as it influences the overall error rate of the programme. Generally, the bigger the sample the lower the chance to exceed the 2% error rate.

In order to give more time to auditors to deliver the audit of operations, some programmes introduced the an early cut-off date: programmes do not claim any new expenditure from the EC after April or May. In that way, the sample of operations to be audited can be chosen already in spring. The audit and the preparation of annual accounts can also therefore start sooner than in August.

Due to the challenging timeline, and to guarantee a smooth implementation of audits of operations, programmes put a lot of effort on preparing beneficiaries. Meetings and preparatory checklists are some tools used by programmes. Others make sure that all supporting documents are included in their monitoring system and are made available to audit authorities before the on-the-spot check.

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Legal background, guidance or supporting publications

Articles 127 and 137 of Regulation (EU) No 1303/2013 (CPR)
Articles 27 and 28 of Commission Delegated Regulation (EU) No 480/2014
EGESIF Guidance for Member States on the Annual Control Report and Audit Opinion

System audit

Explanation

An audit authority is responsible for ensuring that a programme has a proper and well-functioning management and control system.

Practices and points of attention

Within the system audit the audit authority is requested to check more than 10 key requirements. However, the audit authority is not expected to check all key requirements for every system audit. Depending on the scope of a specific key requirement, the audit of it might be carried out at a specific moment of the programme implementation or even only once during the life cycle of a programme.

Legal background, guidance or supporting publications

Articles 135 and 137 of Regulation (EU) No 1303/2013 (CPR)
Annex IV of Commission Delegated Regulation (EU) No 480/2014 (CDR) (key requirements)

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Contradictory procedure

Explanation

In general, all findings by the audit authority should be made available in a draft report to the auditees (e.g. project partner or managing authority or certifying authority), which then have the chance to react to findings (e.g., providing additional documents, clarifications). This procedure should be established along well defined rules and timeline. Once the contradictory procedure is finalised, the final audit report is issued by the audit authority.

Practices and points of attention

It is crucial for all authorities to closely cooperate with each other.

In case of disagreements between authorities; the managing authority decides on recoveries from beneficiaries and the certifying authority decides what should be reported in accounts as eligible. If the audit authority decides some amount is irregular, the managing authority might disagree and not recover from the beneficiary. In any case the amount needs to be reported to the EC and repaid to the EU budget.

Rules of procedures for the group of auditors (sometimes also in the management and control system description or the audit strategy) regulate the timeframe for the contradictory procedure. In most cases, it is possible to stick to this timeframe. However, there might be challenging cases in which flexibility is required and usually all parties involved are able to cooperate to find solutions.

Fun fact: The terminology ‘contradictory procedure’ does not exist in the English language. In fact, a more suitable technical term would be an *adversarial* procedure, which is also used by the court of auditors. Nevertheless, the terminology contradictory procedure has been well established in Interreg.

Legal background, guidance or supporting publications

EGESIF Charter on good practices promoted by the audit community when carrying out audits

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Accounts

Explanation

The certifying authority of a programme is responsible for drawing up the annual accounts.

The accounts model is pre-defined and information should be provided via SFC, the e-monitoring system of the EC. The accounts have eight appendices:

Appendix 1	Amounts entered into the accounting system of the certifying authority
Appendix 2	Amounts withdrawn and recovered during the accounting year
Appendix 3	Amounts to be recovered at the end of the accounting year
Appendix 4	Recoveries effected pursuant to Article 71 of Regulation (EU) No 1303/2013 during the accounting year
Appendix 5	Irrecoverable amounts as at the end of the accounting year
Appendix 6	Amounts of programme contributions paid to financial instruments
Appendix 7	Amounts paid in the context of state aid
Appendix 8	Reconciliation of expenditure

Practices and points of attention

Column C in Annex VII of Commission Implementing Regulation (EU) No 1011/2014: the purpose of column C was to check if beneficiaries are usually paid within the regulatory deadline of 90 days. There are no plans to keep the column C for the period 2021-2027. This column has a purely informative character and should only contain (ERDF) payments to projects done within 90 days.

Legal background, guidance or supporting publications

Article 59(5) of Regulation (EU, EURATOM) No 966/2012 (Financial Regulation)
Article 126 of Regulation (EU) No 1303/2013 (CPR)
Article 7 of Commission Implementing Regulation (EU) No 1011/2014

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Management declaration

Explanation

The management declaration has to be 'signed' and submitted by the managing authority. It comprises two parts:

1. The declaration itself, which contains three elements linked to accounts: the use of expenditure entered in these accounts, the legality, and regularity of this expenditure; and
2. A confirmation by the managing authority of the effective and compliant functioning of the management and control system.

Practices and points of attention

One of the issues regularly discussed is who signs what first?

Should the managing authority sign the management declaration before the audit authority signs off on the annual control report and annual audit opinion, or should this be first, or should it be simultaneously?

There seems to be no clear rule coming from the Regulation or the guidance. Hence, programmes are free to find their individual solution.

Legal background, guidance or supporting publications

Article 125(4) of Regulation (EU) No 1303/2013 (CPR)
Article 7 of Commission Implementing Regulation (EU) No 1011/2014
EGESIF Guidance for Member States on the Drawing of Management Declaration and Annual Summary

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Annual summary

Explanation

The managing authority has to provide a global picture of audits and controls performed during the accounting year.

Practices and points of attention

There is no need to include information in the annual summary already available in the annual control report, prepared by audit authority.

It is recommended to cross reference both documents.

Important: the managing authority is expected to report in the annual summary on findings through management verifications (first level control) and audits. To do so in a more systematic way, the EC has proposed a guidance typology of errors for both areas, via the Expert Group on European Structural and Investment Funds (EGESIF).

This typology has been recently updated, based on a compulsory list for audits (to be reported by the audit authority) and an indicative (shorter) list for management verifications. Some programmes regard the timing of this change unfortunate, while others are welcoming the systematic and harmonized approach.

In any case, it is important to keep in mind that the relevant sections of the annual summary are of narrative nature.

Legal background, guidance or supporting publications

Article 125(4) of Regulation (EU) No 1303/2013 (CPR)
EGESIF Guidance for Member States on the Drawing of Management Declaration and Annual Summary

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Audit opinion

Explanation

The audit authority has to provide an overall opinion on legality and regularity of expenditure and proper functioning of the management and control system.

This opinion comes in form of a scoring:

1 (Unqualified): all good;
2 (Qualified): minor improvements needed;
3 (Qualified): significant improvements needed;
4 (Adverse): not good.

More details

Practices and points of attention

Based on its assessment and own calculations, the EC might 'correct' the opinion of the audit authority.

Legal background, guidance or supporting publications

Article 124(2) of Regulation (EU) No 1303/2013 (CPR)
Article 5 of Commission Implementing Regulation (EU) No 1011/2014
Article 7(2) and Annexes VIII of Commission Implementing Regulation (EU) No 2015/207
EGESIF Guidance for Member States on the Annual Control Report and Audit Opinion

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More details

Audit opinion on legality and regularity of expenditure and proper functioning of the management and control system	Audit authorities assessment on		
	Functioning of the management and control system (results from system audits)	Total error rate (TER) (results from audits of operations)	Implementation of the required corrective measures by the managing authority
1 (Unqualified): all good	Category 1 or 2	and TER ≤ 2%	Corrections (e.g. errors in the sample) implemented
2 (Qualified): minor improvements needed	Category 2	and/or 2% <TER≤ 5%	Except if adequate corrective measures (including extrapolated financial corrections) are implemented to bring the residual total error rate (RTER) below or equal to 2% (unqualified opinion possible)
3 (Qualified): significant improvements needed	Category 3	and/or 5% <TER ≤ 10%	Corrective measures not fully implemented (including if extrapolated financial corrections are implemented to bring the RTER below or equal to 2% but system deficiencies remain)
4 (Adverse): not good	Category 4	and/or TER > 10%	Corrective measures not fully implemented (including if extrapolated financial corrections are implemented to bring the RTER below or equal to 2% but system deficiencies remain)

Source: EGESIF Guidance for Member States on the Annual Control Report and Audit Opinion

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Back to audit opinion

Annual control report

Explanation

The annual control report reflects on the audit work carried out. It is submitted for each accounting year from 15/02/2016 onwards. The last annual control report is due on 15/02/2025, related to the accounting year 01/07/2023 - 30/06/2024.

Besides information on audits of operations, system audit and audit of accounts, it should reflect on relevant changes in the management and control system, including changes on the audit strategy.

Legal background, guidance or supporting publications

Article 124(2) of Regulation (EU) No 1303/2013 (CPR)
Article 4 of Commission Implementing Regulation (EU) No 1011/2014
Article 7(3) and Annexes IX of Commission Implementing Regulation (EU) No 2015/207
EGESIF Guidance for Member States on the Annual Control Report and Audit Opinion

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Annual accounts

Explanation

The annual accounts comprise the following five documents:

Annual control report

Audit opinion

Accounts

Management declaration

Annual summary

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Corrections

Explanation

If the audit authority, managing authority, or certifying authority finds amounts claimed from the EC via payment claims which are not eligible, these amounts must be deducted from accounts. The corrections flow chart provides guidance on how to do this.

To the corrections flow chart

Practices and points of attention

All amounts taken out from the accounts because of ongoing assessment must be treated as a potential error and, therefore, taken into account when calculating programme error rate. It is, therefore, not optimal for a programme and might lead to unpleasant consequences if the 2% error is exceeded. Please note that in case your error is above 2% and there is a need for an extrapolated correction on programme level, it is considered final and not ongoing. Expenditure cannot be re-claimed if the conclusion of the ongoing assessment shows no actual errors.

Amounts under ongoing assessment should be deducted directly from accounts and not from the interim payment application anymore. Otherwise it would lead to deducting the amounts twice. Expenditure under ongoing assessment can be claimed again via interim or final interim payment application to the EC (if confirmed to be eligible). Irregularities deducted from payment applications are final and cannot be re-introduced.

Irregular amounts below €250 do not have to be deducted from certified amounts, however they do need to be included in the total error rate (TER) calculations, if detected through audit of operations.

The threshold of €250 is to be calculated by operation and by accounting year.

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Submission 15.02.N+1

Explanation

The submission of annual accounts is an upload of all parts to the SFC, the e-monitoring system of the EC. Only once all parts are uploaded, it is possible to submit the whole package to the EC.

Practices and points of attention

It is important to double check if information provided in all appendices is aligned, e.g. consistency between information reported in Annual Summary and Appendix 8.

That is why some programmes assigned one staff member to check if the data presented in all parts of accounts match.

If, by mistake, a draft version of the documents is submitted, the EC sends them back annual and requests the upload of the final version of documents.

Legal background, guidance or supporting publications

Article 59(5) of Regulation (EU, EURATOM) No 966/2012 (Financial Regulation)
Article 126 of Regulation (EU) No 1303/2013 (CPR)
Article 7 of Commission Implementing Regulation (EU) No 1011/2014

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Acceptance 31.05.N+1

Explanation

After the submission of the annual accounts, the EC performs a first admissibility check and all clerical mistakes are clarified via an informal email exchange.

If the quality checks require corrections, the EC will issue an official letter to the programme. Necessary improvements and corrections have to be implemented by the end of May N+1. Before the end of May the balance of accounts is calculated and the EC issues an acceptance letter.

Practices and points of attention

If only draft documents are submitted the EC will send them back via SFC, the e-monitoring system, and request submission of final versions.

The option to offset the negative annual balance against the next interim payment applications will be introduced to avoid too many payments between the EC and a programme.

Legal background, guidance or supporting publications

Article 59(5) of Regulation (EU, EURATOM) No 966/2012 (Financial Regulation)
Article 126 of Regulation (EU) No 1303/2013 (CPR)
Article 7 of Commission Implementing Regulation (EU) No 1011/2014

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Communicate

Explanation

The process of preparation and submission of the annual accounts is continuous, complicated and engages 3 authorities, which, without talking to each other, will never succeed.

The work to be carried out is not a linear process, where one brick is built upon the next one. Different elements have to happen in parallel and are interdependent, they need to be amended and streamlined at different moments. The work requires a constant exchange between managing authority, certifying authority and audit authority.

Practices and points of attention

How to strengthen the cooperation between authorities:

- Update the timeline regularly, if needed, and make sure all authorities respect it;
- Do not count on prolongations from the EC, it is max. 2 weeks and nothing more can be counted on;
- Meetings are important, phone calls and emails are not always sufficient; it is important to meet during the whole year to discuss and especially closer to the end of the year;
- Use a joint digital space as a tool and do not only rely on email exchange to make sure that everybody always works with latest versions. Tools should always show changes, often authorities do not notice changes and things do not match in the end;
- Regular communication with the EC, follow up meeting with the EC in autumn to clarify things for next year to make things easier for programmes and for the EC. Common understanding is the key;
- Plan and set deadlines for each authority; plan some additional buffers as initial deadlines rarely match the reality.

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Coordinate

Explanation

As many different people are engaged in the process of preparation and submission of the annual accounts, it is crucial that the managing authority coordinates all the activities.

Practices and points of attention

Although it is the managing authority's responsibility to submit the annual accounts on time, it cannot be done without a close cooperation and communication with the other authorities.

Clear allocation of responsibilities among different authorities is crucial to get the work done. Also, continuity in terms of staff is an important point. While the task remains complex, people with experience from former years working on it helps to establish the routine.

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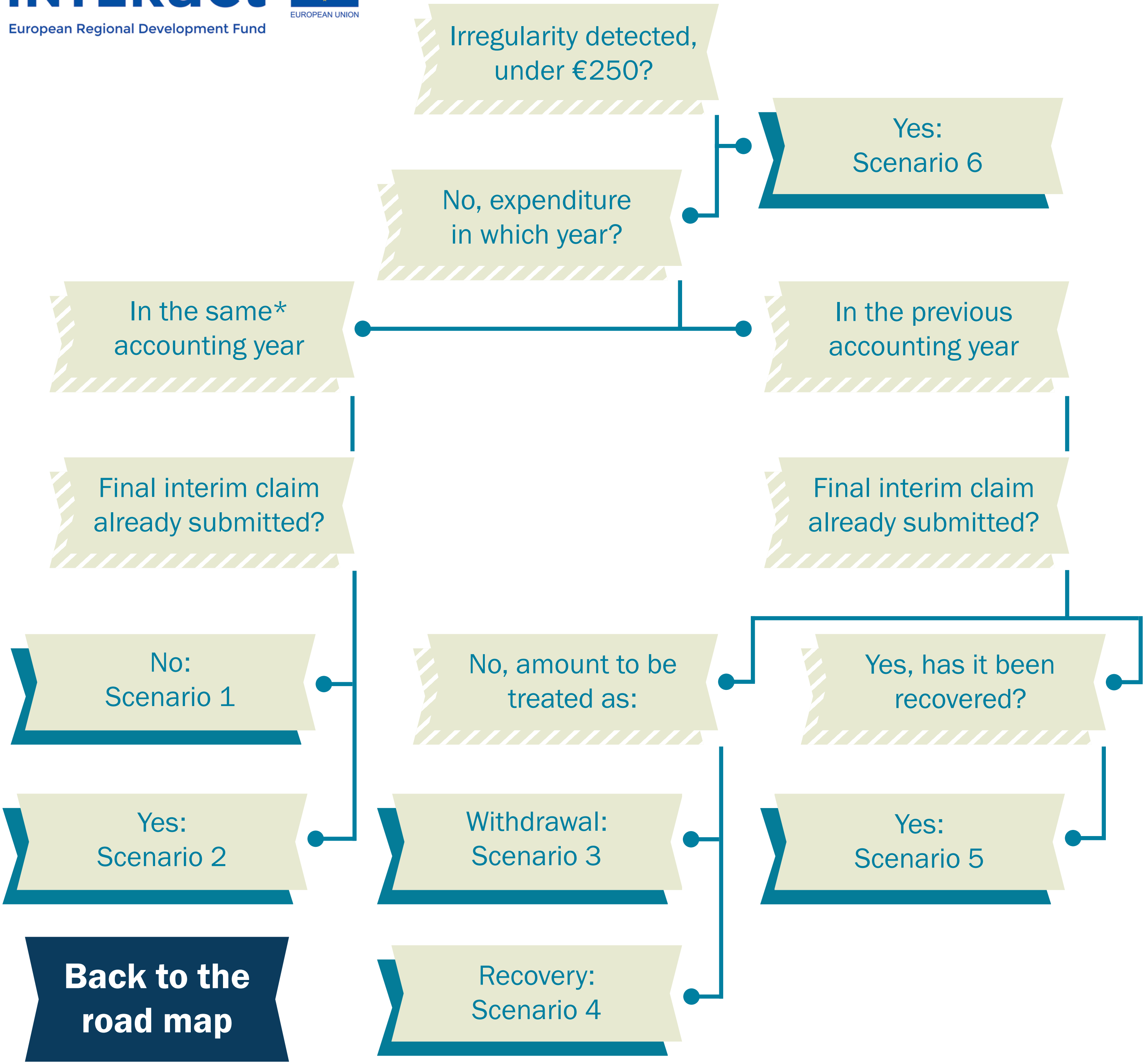

* 'Same accounting year' means either in year, or including the period between 30th June and 15 February (preparation and submission of annual accounts), e.g. the accounting year 2017-2018 will also include the period between 1 July 2018 and 15 February 2019.

Scenario 1

- An interim payment application is submitted to the European Commission (EC) in the same accounting year N.
- An irregularity is detected before the final interim payment application is submitted to the EC in the accounting year N.
- The irregularity can be a withdrawal or a recovery (including recovery according to Article 71 CPR). In any case, it must be immediately removed from the common budget of the EU either as withdrawal (before it is recovered from the beneficiary) or as recovery (if it was already repaid by the project).

How to organise a workflow

1. For late recovery add interest on late repayment

2. Irregularity

3. Interim/ final interim payment application to the EC (year N)

4. Accounts for the accounting year N

5. Reporting on irregularity as withdrawal or recovery (Art 71 CPR)

- In case of recovery, an interest on late repayment (if any) should be added to the irregular amount.
- An irregularity should be included in the interim payment application or directly in the final interim payment application to the EC for the accounting year N.
- The final interim payment application to the EC including the relevant findings will be transferred to accounts for the accounting year N. There is no difference between the final interim payment and accounts and, therefore, no need to provide additional explanations in accounts (column G of Appendix 8 to Annex VII CIR).
- The irregularity should be reported as withdrawal or recovery (Appendix 2 to Annex VII CIR) or recovery according to Article 71 CPR (Appendix 4 to Annex VII CIR) for the accounting year N.

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Scenario 2

- An interim payment application is submitted to the EC in the same accounting year N.
- Irregularity is detected after submission of the final interim payment application to the EC of year N but before submission of accounts for the accounting year N.
- The irregularity should be deducted directly from accounts for the accounting year N.
- The irregularity should not be reported to the EC.

How to organise a workflow

- The irregularity needs to be deducted directly from accounts for the accounting year N.
- Therefore, there will be a difference between the amount included in the final interim payment application for the year N and accounts. The difference needs to be explained in accounts (column G of the Appendix 8 to Annex VII CIR).
- The irregularity is not reported in recoveries, withdrawals, etc.

1. Irregularity

2. Interim/final interim payment application to the EC (year N)

3. Accounts for the accounting year N

4. Reporting on irregularity

If there are any doubts about regularity of any amounts before closure of accounts and the contradictory procedure is not closed yet, the certifying authority needs to deduct amounts from accounts, keeping the right to re-introduce them in the subsequent accounting years in case the expenditure(s) turns out to be regular.

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Scenario 3

- An interim payment application is submitted to the EC in the previous accounting year(s) (year N-n).
- Certifying authority decides that the irregularity is a withdrawal (it is immediately withdrawn from the common budget of the EU).

How to organise a workflow

- The irregularity should be included in the interim payment application to the EC or directly in the final interim payment application to the EC for the accounting year N.
- The final interim payment application to the EC will be transferred to accounts for accounting year N. There is no difference between the final interim payment and accounts and, therefore, no need to provide additional explanations in accounts (column G of Appendix 2 to Annex VII CIR).

1. Irregularity
2. Interim/final interim payment application to the EC (year N+n)
3. Accounts for the accounting year N
4. Reporting on irregularity as withdrawal

- The irregularity will be reported as withdrawal for the accounting year N (Appendix 2 to Annex VII CIR).

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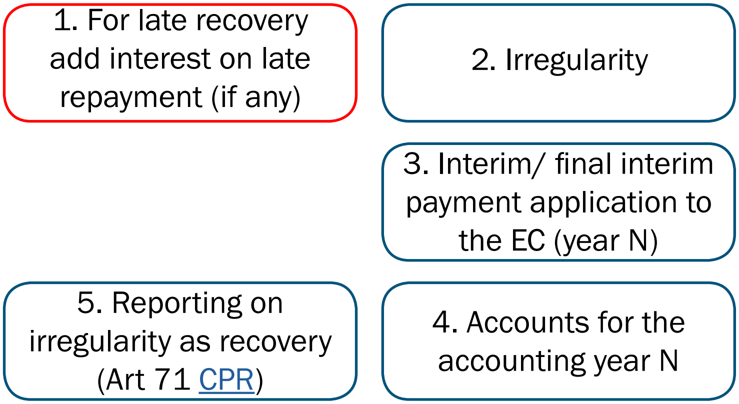
Scenario 4

- An interim payment application is submitted to the EC in the previous accounting year(s) (year N-n).
- An irregularity is recovered by the programme in year N.
- Certifying authority decides that the irregularity is a recovery (including recovery according to Article 71 CPR). This means that the amount was already recovered from the beneficiary during the accounting year where it was discovered. It is, therefore, immediately reported as recovery without being the 'amount to be recovered' first.

How to organise a workflow



- An interest on late repayment (if any) should be added to the irregular amount.
- The irregularity should be included in the interim payment application to the EC or directly in the final interim payment application to the EC for the accounting year N.
- The final interim payment application to the EC will be transferred to accounts for accounting year N. There is no difference between the final interim payment and accounts and, therefore, no need to provide additional explanations in accounts (column G of the Appendix 2 to Annex VII CIR).

The irregularity will be reported as recovery (Appendix 2 to Annex VII CIR) or recovery according to Article 71 CPR (Appendix 4 to Annex VII CIR) for the accounting year N.

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Scenario 5

- An irregularity detected in the accounting year N is linked to the expenditure included in the application to the EC in the previous accounting year(s) (year N-n).
- Certifying authority decides that the irregularity will be recovered first. The irregularity is not closed during the accounting year and is, therefore, reported as the amount to be recovered.

How to organise a workflow

- The irregularity will go neither to the interim payment application to the EC, nor to the final interim payment application to the EC, nor to accounts for the accounting year N.
- The irregularity will be reported as amount to be recovered (Appendix 3 to Annex VII CIR) for the accounting year N, but will stay charged from the common budget of the EU.

1. Irregularity

2. Interim/final interim payment application to the EC (year N+n)

3. Accounts for the accounting period of year N

4. Reporting on irregularity as amount to be recovered

IMPORTANT: This scenario requires a follow up in the next accounting year(s). There are three sub-scenarios, outlined below.

Has the irregularity been recovered?

No: Scenario 5a

Irrecoverable: Scenario 5c

Yes: Scenario 5b

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Scenario 5a

Should be used for follow up of Scenario 5 case:

- The amount reported as amount to be recovered in the accounting year N was not yet recovered in the accounting year N+n

How to organise a workflow

- The irregularity will be again reported as amount to be recovered (Appendix 3 to Annex VII CIR) for the accounting year N+n.

IMPORTANT: This scenario requires a follow up in the next accounting years.

It is necessary to follow up the scenario 5a each year until the amount is either recovered or becomes irrecoverable.

For more information see the other scenarios in the flow chart.

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Scenario 5b

Should be used for follow up of Scenario 5 or Scenario 5a case:

- The amount reported as amount to be recovered in the accounting year N was recovered in the accounting year N+n.
- The irregularity becomes recovery (Appendix 2 to Annex VII CIR) or recovery according to Article 71 CPR (Appendix 4 to Annex VII CIR).

How to organise a workflow

- An interest on late repayment (if any) should be added to the irregular amount.
- The irregularity should be included in the interim payment application to the EC or directly in the final interim payment application to the EC for the accounting year N+n.
- The final interim payment application to the EC will be transferred to accounts for the accounting year N+n. There is no difference between the final interim payment and accounts and, therefore, no need to provide additional explanations in accounts (column G of the Appendix 8 to Annex VII CIR).
- The irregularity will be reported as recovery (Appendix 2 to Annex VII CIR) or recovery according to Article 71 CPR (Appendix 4 to Annex VII CIR) for the accounting year N+n.

1. Scenario 5 in year N or Scenario 5a

2. Interim/final interim payment application to the EC (year N+n)

3. Accounts for the accounting year N+n

4. Reporting on irregularity as recovery (Art 71 CPR)

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Scenario 5c

5c, EC decision programme pays?

No: Scenario 5c (a)

Yes: Scenario 5c (b)

Should be used for follow up of Scenario 5 or Scenario 5a case:

- The amount reported as amount to be recovered in the accounting year N cannot be recovered in the accounting year N+n (i.e. is irrecoverable).
- The irregularity becomes irrecoverable amount.

How to organise a workflow

- The irregularity will go neither to the interim payment application to the EC nor to the final interim payment application to the EC, nor to accounts for the accounting year N+n.
- The irregularity will be reported as irrecoverable amount (Appendix 5 to Annex VII CIR) for the accounting year N+n. It will stay charged from the common budget of the EU until a decision is made who should cover its costs.

IMPORTANT: This scenario requires a follow up in the next accounting years.

1. Scenario 5 in year N or Scenario 5a
2. Interim/final interim payment application to the EC (year N+n)
3. Accounts for the accounting year N+n
4. Reporting on irregularity as irrecoverable amount

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Scenario 5c (a)

Should be used for follow up of Scenario 5c case:

- In the accounting year N+n+1 the EC decides that the programme does not have to repay the irrecoverable amount to the common budget of the EU. In that case, it is the EU and not the Member State taking costs of the irrecoverable amount. The amount does not have to be repaid by the programme.

How to organise a workflow

- Nothing happens, the amount will no longer be reported as irrecoverable and the workflow is closed.

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Scenario 5c (b)

Should be used for follow up of Scenario 5c case:

- In the accounting year N+n+1 the EC decides that the programme has to repay the irrecoverable amount to the common budget of the EU. In this case, it is the Member State that needs to cover costs of the irrecoverable amount and reimburse it to the common budget of the EU.
- Irregularity becomes a withdrawal.

How to organise a workflow

- The irregularity should be included in the interim payment application to the EC or directly in the final interim payment application to the EC for the accounting year N+n+1.
- The final interim payment application to the EC will be transferred to accounts for the accounting year N+n+1. There is no difference between the final interim payment and accounts and, therefore, no need to provide additional explanations in accounts (column G of the Appendix 8 to Annex VII CIR).

1. Scenario 5c (year N+n)

2. Interim/final interim payment application to the EC (year N+n+1)

3. Accounts for the accounting year N+n+1

4. Reporting on irregularity as withdrawal

- The irregularity will be reported as withdrawal (Appendix 2 to Annex VII CIR) for the accounting year N+n+1. The workflow is closed.

IMPORTANT: This scenario requires a follow up in the next accounting years.

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Scenario 6

Should be used when:

- An irregularity detected is below €250 (counted at the level of operation in one accounting year).
- Such irregularity does not have to be recovered from the beneficiary or reported to the EC as being irregular.

How to organise a workflow

- There is no need to recover from the project or to report such irregularity to the EC. The certifying authority needs to make sure that no other irregularities are discovered by the beneficiary by the operation in the accounting year.

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