

# Challenges regarding 2021-2027

## Accounting function

Przemyslaw Kniaziuk | Interact programme | 23.04.2024

**Interact**



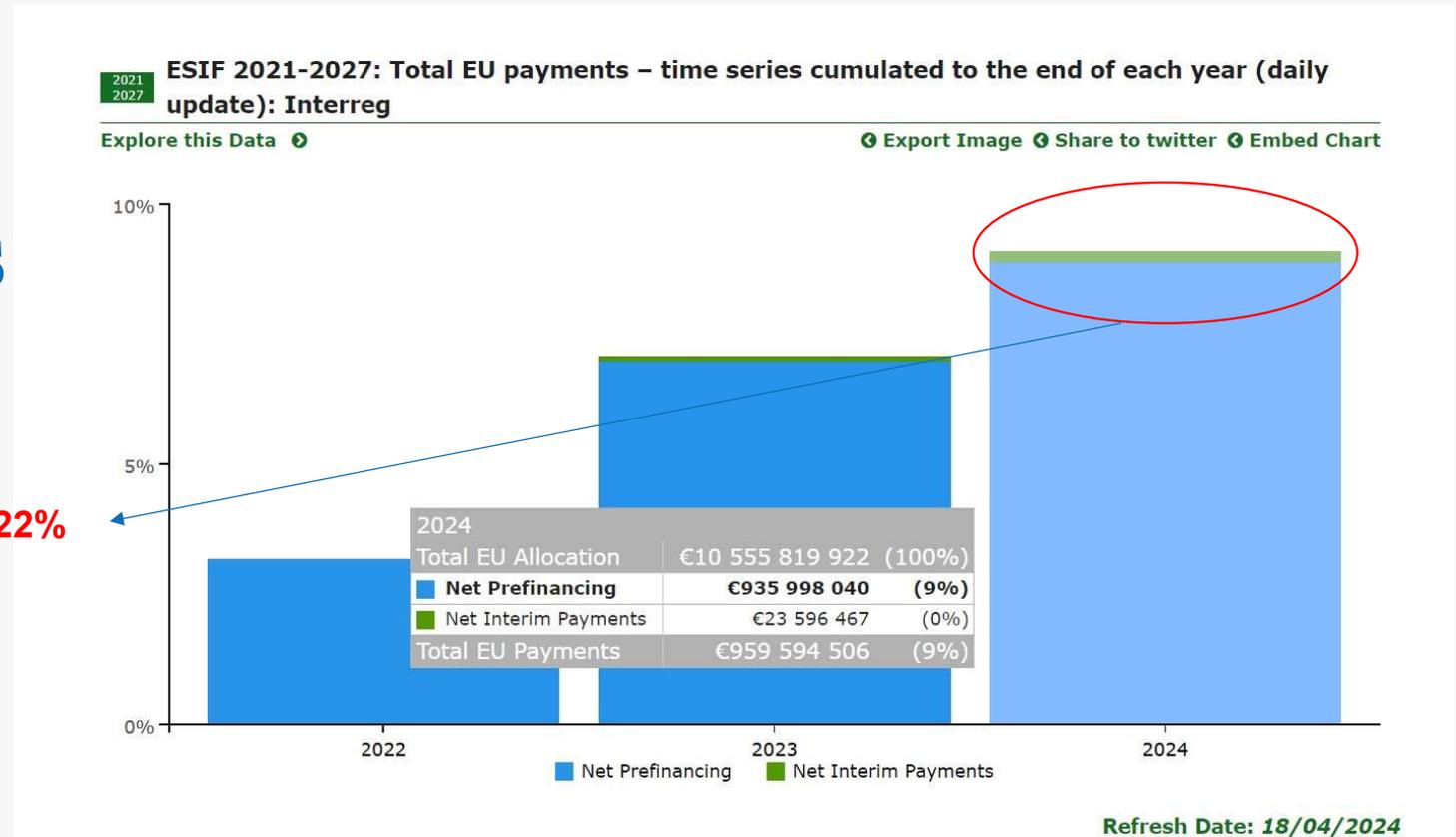
Co-funded by  
the European Union  
Interreg

# Overview

- Where are we?
- Payment applications
- Checklists for BAF?
- System audits and BAFs?
- Accounts
- Irregularities
- Recoveries in Interreg
- Common sample

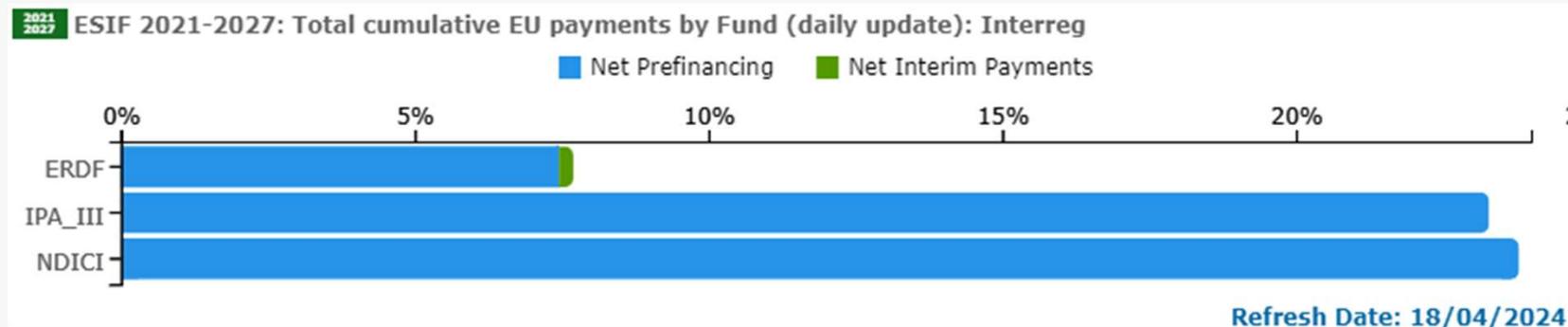
# Total EU payments

Net Prefinancing: 8,76 %  
 Net Interim Payments: 0,22%



# Total cumulative

ERDF: EUR 718  
million + 23,6 million  
IPA: 93 million  
NDICI: 124,8 million



To remember: 31 December 2025 first decommitment target for 2021-2027 ([decommitment calculator](#))

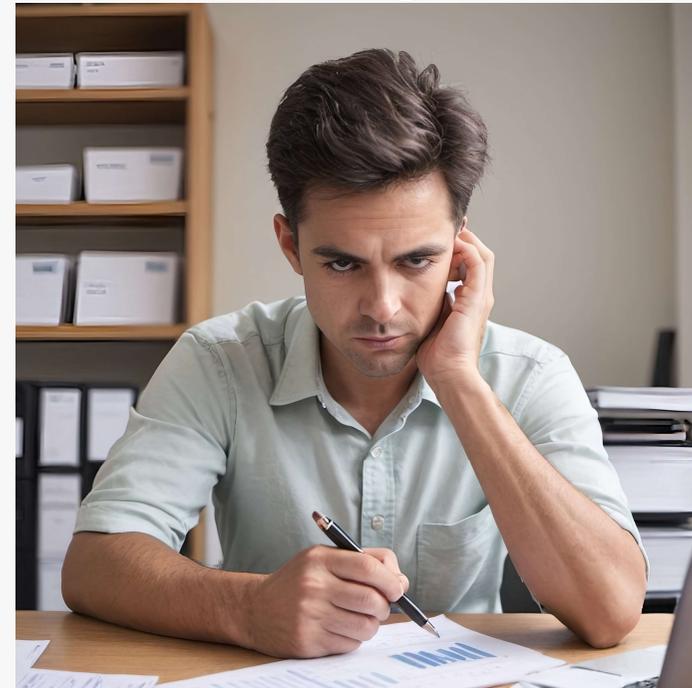
# 2<sup>nd</sup> accounting year

## 1 July 2022 – 30 June 2023

Recent related deadline (15 February 2024)

No Interreg programme submitted an assurance package for the 2022-2023 accounting year, related to the 2021-2027 programming period

Descriptions of MCS following KRs were to be submitted by 30 June 2023 😊?



# 3<sup>rd</sup> accounting year 1 July 2023 – 30 June 2024

System audits

First payment applications submitted

Data for the common sample to be submitted by 1 July / 1 August 2024

Assurance package to be submitted by 15 February 2025

(the accounts, management declaration, annual audit opinion and annual control report) – no annual summary



# Payment application (Annex XXIII)

Pri-ri-ty	Calcula-tion basis	Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with point (a) of Article 91(3) and point (c) of Article 91(4)	Total amount of Union contribution pursuant to points (a) and (b) of Article 91(4)	Amount for technical assistance in accordance with point (b) of Article 91(3)	Total amount of public contribution made or to be made in accordance with point (c) of Article 91(3)
Priorit y 1	(A)	(B)	(C)	(D)	(E)
	Total	<p>Total amount of accepted expenditure at programme level (manual entry): Programme-beneficiary real costs and SCOs from Article 53 (Forms of grants)</p> <p>= Article 91(3)(a) – total amount of eligible expenditure incurred by beneficiaries – real costs;</p> <p>Article 91(4)(c) – SCOs.</p> <p><b>Real costs + SCOs from programme-beneficiary level</b></p> <p><b>Always filled in!</b></p>	<p>Total amount of Article 94 &amp; 95</p> <p>programme SCOs and FNLC</p> <p>4 programmes using these SCOs.; Belgium-the Netherlands, Slovenia-Hungary, Slovenia-Austria, Slovenia-Croatia</p> <p><b>Filled in for them only!</b></p>	<p>Basis = column (B) + column (C)</p> <p>Calculated automatically</p> <p><b>Filled in by EC Front Desk</b></p>	<p><b>Always filled in!</b></p>

# Programme example – Central Baltic Programme

# System audits

# Overview KR's

## Comparative

'14-'20		Authority	'21-'27		Authority
KR1	Organisation, tasks, responsibilities, separation of functions	MA	KR1	Organisation, tasks, responsibilities, separation of functions	MA
KR2	Selection	MA	KR2	Selection	MA
KR3	Information to beneficiaries	MA	KR3	Information to beneficiaries	MA
KR4	Management Verifications	MA	KR4	(R)BMV	MA
KR5	Audit trail	MA	KR5	Audit trail	MA
KR6	IT system for recording and storing data	MA	KR6	IT system for recording and storing data	MA
KR7	Anti-fraud measures	MA	KR7	Anti-fraud measures	MA
KR8	Management Declaration	MA	KR8	Management Declaration	MA
KR9	Adequate separation of functions and adequate system	CA	KR9	Procedures to ensure L&R of expenditure in the accounts	MA
KR10	Preparation/submission of payment applications	CA	KR10	Preparation/submission of payment applications and accounting	MA / BAF
KR11	Accounting records	CA			
KR12	Procedures and records of amounts recoverable, recovered and withdrawn	CA			
KR13	Drawing up and certifying accounts	CA			
KR14	Separation of functions and independant AA	AA	KR11	Separation of functions and independant AA	AA
KR15	Adequate system audit	AA	KR12	Adequate system audit	AA
KR16	Appropriate audits of operations	AA	KR13	Appropriate audits of operations	AA
KR17	Appropriate audits of accounts	AA	KR14	Appropriate audits of accounts	AA
KR18	Procedures for ACR and AO	AA	KR15	Procedures for ACR and AO	AA

**Essential KR's:** MA (KR 2, 4, 5 and 9) and AA (KR 12, 13 and 15)

Deficiency in an essential KR **cannot be counterbalanced** by a better classification of the other KR's per authority

**KR10 – MA/BAF**

# Programme example – Urban Initiative Action

# Checking-in checklists and system audits



Checklists (CL) – do you use them?

CL in the monitoring system – Should they be implemented in the monitoring system?

System audits – Have you had them? If not, when?

# System audits

compulsory system audit (within **21 months** of the date of the adoption of the programme by the EC) where a new managing authority or a new authority in charge of the accounting function was identified (Article 78(1) CPR);

otherwise – system audit to ensure the effective functioning of the MCS according to the audit strategy

COM constantly assesses the situation at MS level – not respecting the deadline a breach of the legal provisions – deficiency

if COM concludes - a serious deficiency, for which no corrective measures have been taken, it could potentially launch the procedure to interrupt the payment deadline

A case by case decision depending on the result of the assessment

No provision in the CPR impeding the MA to submit a payment claim if the system audit is not finished in time

# System Audits Tools

[Roadmap to assurance package in 2021-2027](#)

[MN for the assessment of the MCS in MS](#)

[Interreg System Audit Checklists:](#)

- Result of **AAs**-MAs-JSs Working Group
- KR 1 – KR 10 covered
- The checklists contain example questions – inspiration for AAs

**Accounts  
Irregularities  
Clerical and technical mistakes  
Withdrawals and deductions  
Financial corrections**

# Preparation of Accounts

Appendix 1	<ul style="list-style-type: none"><li>• Amounts entered into the accounting system of the body carrying out the accounting function</li></ul>
Appendix 2	<ul style="list-style-type: none"><li>• Amounts withdrawn during the accounting year</li></ul>
Appendix 3 ( <i>ex-Appendix 6</i> )	<ul style="list-style-type: none"><li>• Amounts of programme contributions paid to financial instruments</li></ul>
Appendix 4 ( <i>ex-Appendix 8</i> )	<ul style="list-style-type: none"><li>• Reconciliation of expenditure</li></ul>
Appendixes 5/6 <b>(NEW!)</b>	<ul style="list-style-type: none"><li>• Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled</li></ul>
Appendix 7	<ul style="list-style-type: none"><li>• Advances paid in the context of State aid under Article 91(5)</li></ul>

# Appendix 1 – Expenditure declared

!! NO payments to beneficiaries

ACCOUNTS (ACC) - Article 98(1)(a)			
APPENDIX 1 - Amounts entered into the accounting system of the body carrying out the accounting function, Article 98(3)(a)			
Priority / Specific objective	Total amount of eligible expenditure entered into the accounting systems of the body carrying out the accounting function which has been included in payment applications for the accounting year in accordance with point (a) of Article 98(3)	The amount for technical assistance in accordance with point (b) of Article 91(3)	Total amount of the corresponding public contribution made or to be made in accordance with point (a) of Article 98(3)
	(A)	(B)	(C)

ACC C ≤ ACC A

automatic in SFC2021

PAP B + C = ACC A

PAP D = ACC B

PAP E = ACC C

PAYMENT APPLICATION (PAP) - Article 91(3)					
Priority	Calculation basis (public or total)	Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with point (a) of Article 91(3) and point (c) of Article 91(4)	Total amount of Union contribution pursuant to points (a) and (b) of Article 91(4)	Amount for technical assistance in accordance with point (b) of Article 91(3)	Total amount of public contribution made or to be made in accordance with point (c) of Article 91(3)
	(A)	(B)	(C)	(D)	(E)

automatic in SFC2021

# Irregularities

**Irregularity** means any breach of applicable law, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget;

**Established irregularity** when the costs have been claimed in the payment application to the EC

subject of a first written assessment by a competent authority, either administrative or judicial,  
-> irregularity has been committed

**Annex XII to CPR** + Handbook on requirement to report irregularities, COCOLAF/23-05-17/8.2/EN  
before Delegated Regulations 2015/1970 and 2015/1974



# Withdrawals and deductions in 2021-2027

**Withdrawals** financial corrections for irregular expenditure corrected (withdrawn) in the next payment application

Applicable to the current or previous accounting years

**Deductions** financial corrections for irregular expenditure corrected (deducted) in the accounts

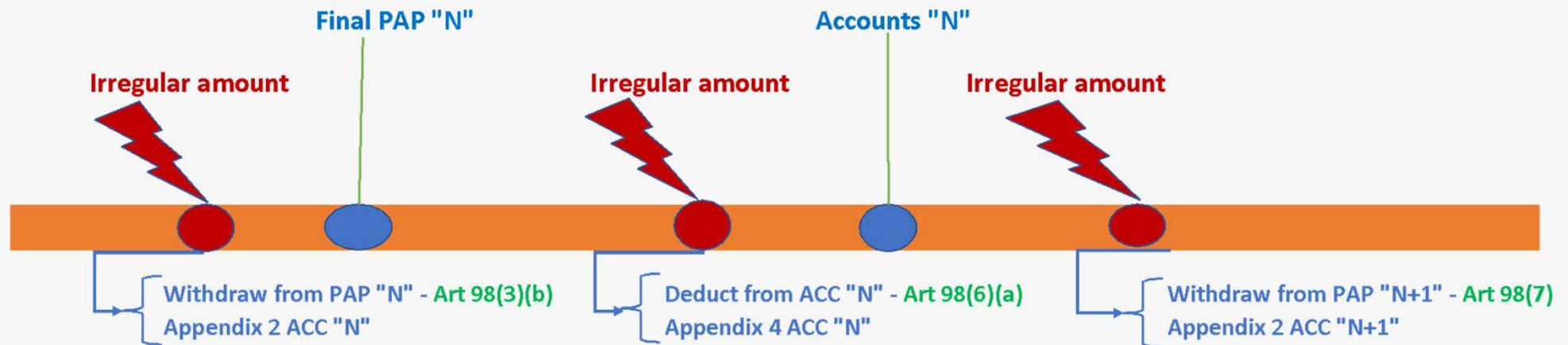
Applicable only to the current accounting year

Always negative amounts



# Financial Corrections

- Timeline for applying Financial Corrections (FC) cf. Art 103 **Definitive**



- Other amounts deducted from the Accounts
  - amounts under ongoing assessment – **Art 98(6)(b) Temporary**
  - amounts to reduce the RER below 2% – **Art 98(6)(c) Definitive**

# Appendix 2 – Withdrawals

Priority / Specific objective	Withdrawals	
	Total amount of expenditure included in payment applications	Corresponding public contribution
	(A)	(B)
Priority (category of region)		
Split of amounts withdrawn during the accounting year by accounting year of declaration of the corresponding expenditure		
In relation to accounting year ending 30 June XX ... (total)		
Out of which amounts corrected as a result of AA audits		
Out of which accounts corrected as a result EC and ECA audits and OLAF investigations		

- **Withdrawals** = corrections for irregular expenditure during the accounting year



- Broken down per accounting year
- **NO Recoveries (incl. Amounts be recovered, Irrecoverable amounts)**
- Interreg Art. 52 Recoveries - No information needs to be provided to the Commission

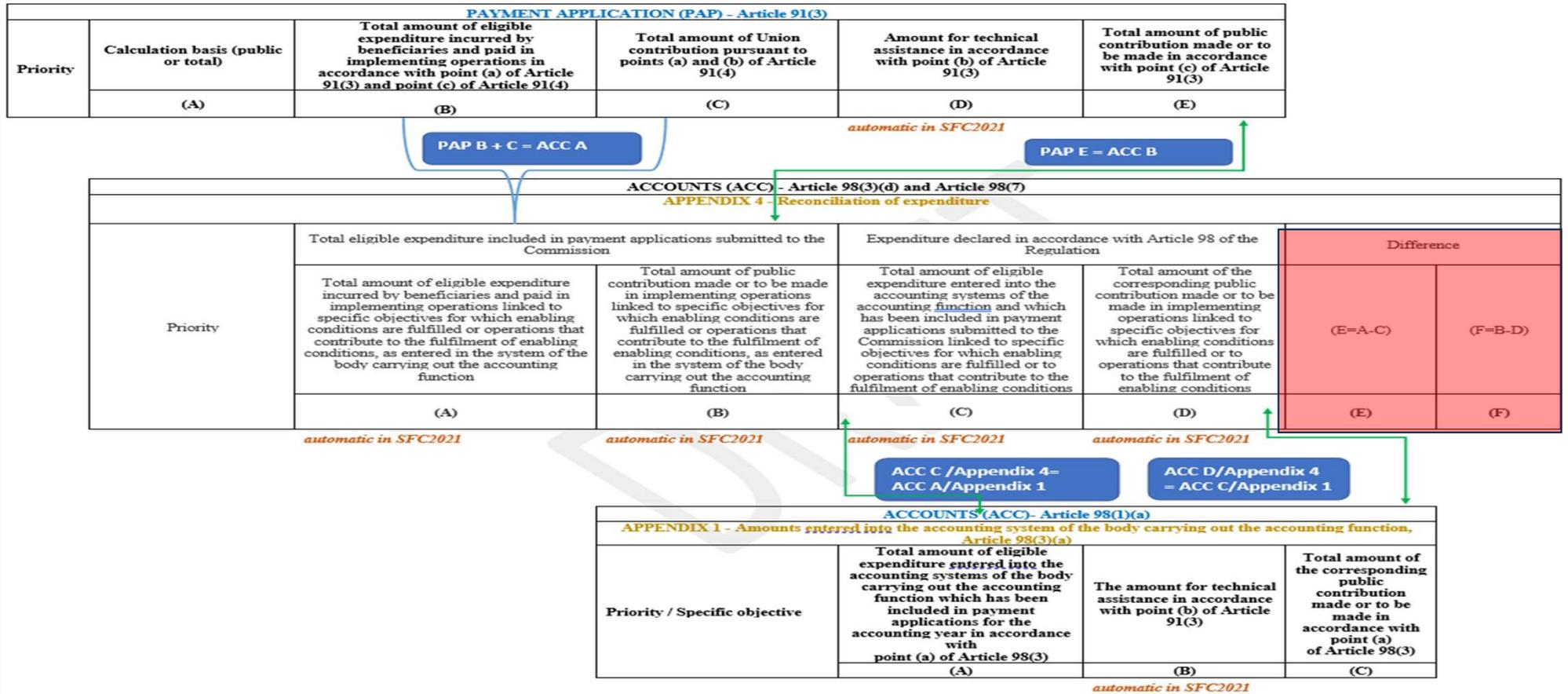
# Clerical and technical mistakes

Corrections other than irregular expenditure (e.g. clerical or technical mistakes) implemented in the payment applications via withdrawals should not be disclosed in Appendix 2!

## **2 possibilities:**

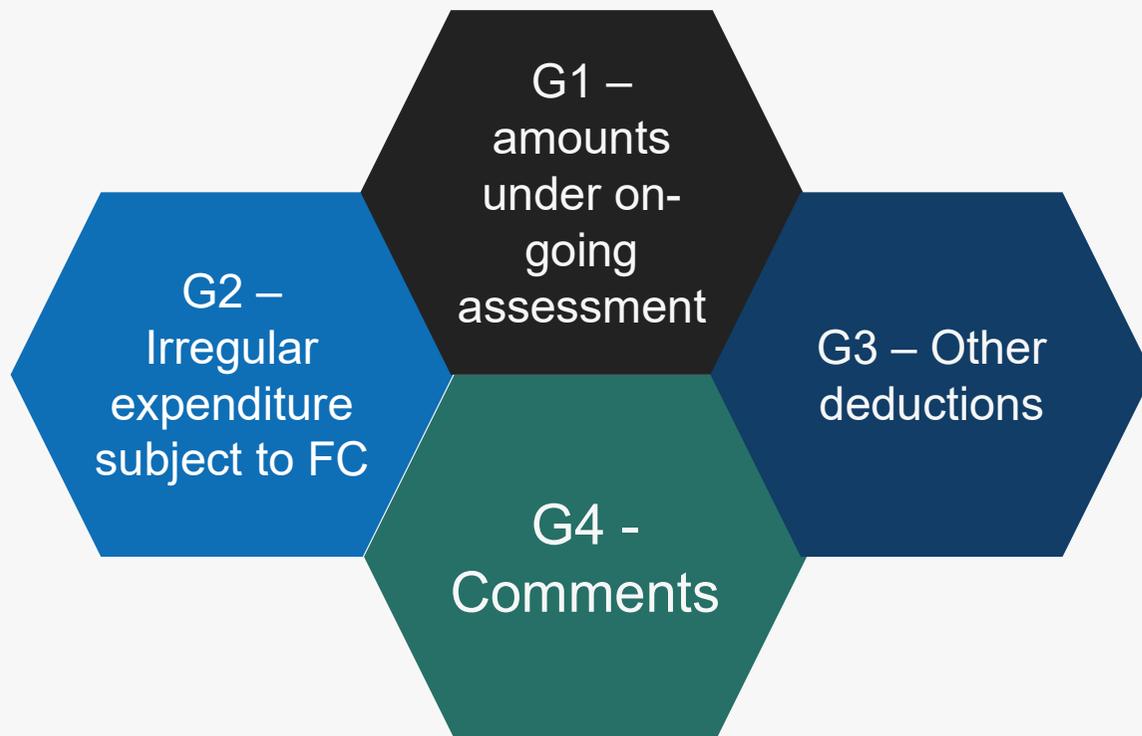
- 1) They are deducted from payment applications for the current accounting year. In this case, they will be automatically reflected in Appendix 1 of the Accounts (there is no need to reflect the withdrawal not related to irregularities in Appendix 4);
- 2) They are deducted directly from the accounts. In this case, they will have to be reflected in column G3 of Appendix 4.

# Appendix 4 – Mapping ACC and PAP



# Appendix 4 – Reconciliation ACC and PAP

- ! NEW** Explain differences col. E • Total amounts broken down per priority/specific objective



Out of which

AA audits      EC ECA OLAF

- **Deductions from Accounts ONLY for the current accounting year**
- **ONLY negative differences (ACC < PAP)**

# Art. 103 Corrections in Jems

<u>Scenario</u>	<u>Action</u>
<b>Scenario 1</b> (irregularity below 250 EUR)	No correction in the accounts or payment applications
<b>Scenario 2</b> (irregularity detected before 31 July)	Withdrawal in the following payment application <b>Withdrawn</b> in Appendix 2
<b>Scenario 3</b> (irregularity detected after the submission of the last payment application, but before the submission of the accounts)	Reduce the expenditure presented in Appendix 1 <b>Deducted</b> in Appendix 4 (Col. G2 - Irregular expenditure subject to financial corrections)
<b>Scenario 4</b> (irregularity is subject to an ongoing assessment at the time of submission of the accounts)	Reduce the expenditure presented in Appendix 1 <b>Deducted</b> in Appendix 4 (Col. G1 - Expenditure which is subject to an ongoing assessment )
<b>Scenario 5</b> (irregularity detected after the submission of the accounts of the accounting year)	Financial corrections implemented via withdrawal in a payment application of the subsequent accounting year(s) <b>Withdrawn</b> in Appendix 2 N+1

# Accounts, Annual Control Report Tools

[MN on the Preparation, Submission, Examination and Audit of  
Accounts programming period 2021-2027](#)

[MN on the annual control report, audit opinion and treatment of errors](#) +  
Annex IV - Audit findings (typology of findings - used as basis in Jems)

# Recoveries in Interreg – example Central Baltic Programme

# Most common types of irregularities in Interreg (ACRs)

Category	2021-2022	2020-2021	2019-2020	2018-2019
Public Procurement	19.29%	19,90%	21,9%	14,1%
State aid	0.51%	0,59%	0,2 %	0,5%
Missing supporting information or documentation	19.67%	18,42%	17,3%	22,4%
Accounting and calculation errors at project level	12.18%	13,00%	11,3%	13,7%
Ineligible project/Ineligible expenditure	38.45%	42,66%	43,3%	43,3%
Sound financial management	4.31%	3,84%	3,3%	2,4%
Other categories	5.58%	1,58%	2,7%	3,6%

# Financial impact of irregularities in Interreg (ACRs)

Category	2021-2022	2020-2021	2019-2020	2018-2019
Public Procurement	42.20%	47,49%	67,9%	26,0%
State aid	0.00%	0,02%	0,0%	0,0%
Missing supporting information or documentation	3.64%	9,65%	2,2%	19,1%
Accounting and calculation errors at project level	7.52%	1,58%	5,6%	14,1%
Ineligible project/Ineligible expenditure	42.69%	40,76%	23,3%	39,2%
Sound financial management	2.58%	0,40%	0,1%	0,1%
Other categories	1.37%	0,10%	0,9%	1,5%

# Irregularities in 2021-2027

## Detailed rules for the reporting of irregularities

Report irregularities within two months following the end of each quarter from their detection or as soon as additional information on the reported irregularities becomes available.

## Template for electronic reporting via the Irregularity Management System (IMS)

IMS access usually coordinated by national Anti-Fraud Coordination Service (AFCOS)

IMS used in 35 countries (EU+IPA)

Non fraudulent / fraudulent irregularities



# Irregularities in 2021-2027

## Who reports?

The Member State in which the irregular expenditure is incurred by the beneficiary and paid in implementing the operation shall be responsible for reporting

For programmes under the European territorial cooperation goal (Interreg), the reporting Member State shall inform the managing authority and the audit authority of the programme.

# Irregularities in 2021-2027

## Irregularities to be reported

1. have been the subject of a first written assessment by a competent authority, either administrative or judicial
2. give rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of fraud or other criminal offences (suspected fraud)
3. preceding a bankruptcy;
4. for which the Commission submits a written request for information to the Member State following the initial reporting from a Member State

# Irregularities in 2021-2027

## Irregularities not to be reported

1. for an amount lower than EUR 10 000 in contribution from the Funds, BUT if interlinked and total amount > EUR 10 000 have to be reported
2. Consist solely of failure to execute an operation included in the co-financed programme owing to the non-fraudulent bankruptcy
3. cases reported to MA / BAF by the beneficiary voluntarily and before detection by either authority, whether before or after the payment of the public contribution, BUT suspected fraud YES
4. cases which are detected and corrected by the managing authority before inclusion in a payment application submitted to the Commission, BUT suspected fraud YES

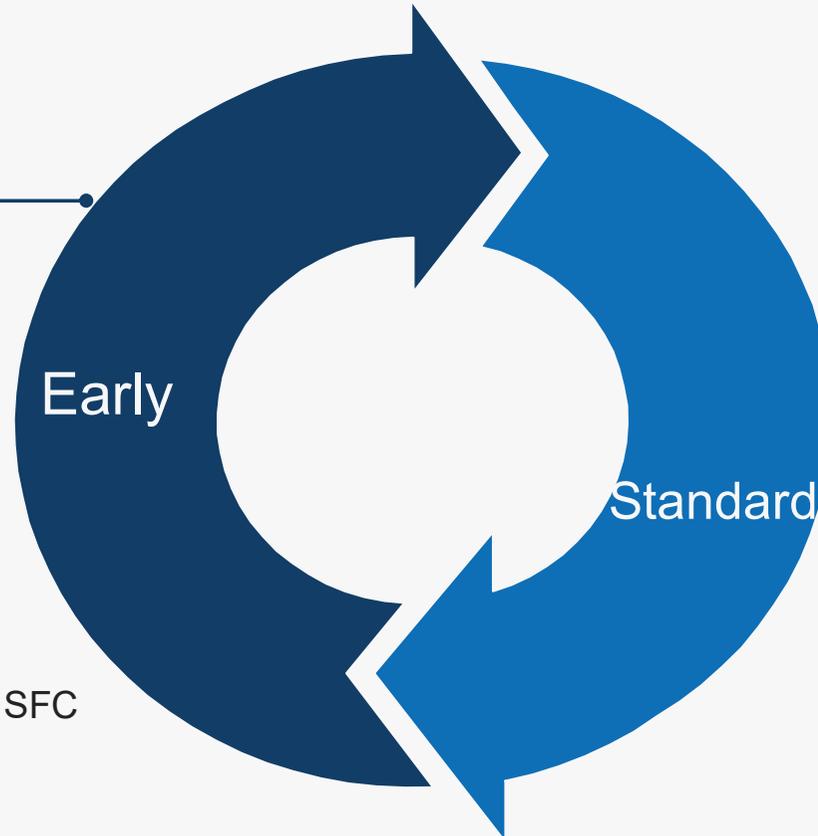
# Common sample



# Common sample submission of data

## Early submission

- By 1<sup>st</sup> of July
- EC sends sample in 15 working days



## Standard submission

- By 1<sup>st</sup> of August
- EC sends sample by 1<sup>st</sup> of September

Tools:

[Interact Q&A on Common sample](#)  
and the [data exchange template](#)

Any authority can submit the data in SFC  
But reconciliation beforehand!

# Data for common sample

Table on a positive population and expenditure declared to Commission for the programme by sampling unit (partner)<sup>1</sup>

A	B	C	D	E	F	G	H	I	J=G-H	K=J-I
Operation ID <sup>2</sup>	Partner acronym	Partner name (original)	Partner name (Latin letters)	Country (EU Abb.)		<b>All positive amounts declared to the EC in the given accounting year (€)</b>	<b>Amount withdrawn related to expenditure declared in the given accounting year (€)</b> This is expenditure which was declared to the EC in the given accounting year, but has been later corrected/deducted in the same accounting year (de-certified) (this does not concern any corrections carried out by the MA or through management verifications BEFORE declaration)	<b>Amount withdrawn related to expenditure declared in previous accounting year(s) (€)</b> This is expenditure which was declared to the EC in previous accounting years, but is corrected/deducted in the given accounting year (de-certified)	Amount in the positive sampling population (€)	Final expenditure declared to EC in the given accounting year (€) (for information)
		To be completed if available and different from column E				<b>This is cumulative expenditure of a project partner included in payment applications to the EC in the given accounting year</b>			This is expenditure in the sampling population (€) used by the EC for sample selection and extrapolation	Final net amount declared to EC in the given accounting year used by the AA for reconciliation with expenditure declared to the EC (for completeness reason)
						Sum of amounts G	Sum of amounts H	Sum of amounts I	Total sampling population for OP	Total expenditure declared to EC for OP

- HOME
- STRATEGIC PLANNING
- PROGRAMMING
- MONITORING
- EXECUTION
- AUDIT**
  - National audit report [IJG ETC](#)
  - National audit report [EMFAF](#)
  - National audit report [AMIF ISF BMVI](#)
  - Annual control report [IJG ETC](#)
  - Annual control report [EMFAF](#)
  - Annual control report [AMIF ISF BMVI](#)
  - Action plans [EAGF EAFRD](#)
  - Costs of controls [EAGF EAFRD](#)
  - Interreg common sample**
  - EC audit report
  - Annual coordination meeting
- EVALUATION
- CLOSURE
- UTILITIES

# Common sample



1. Drawn by the EC



2. Sample unit: partner

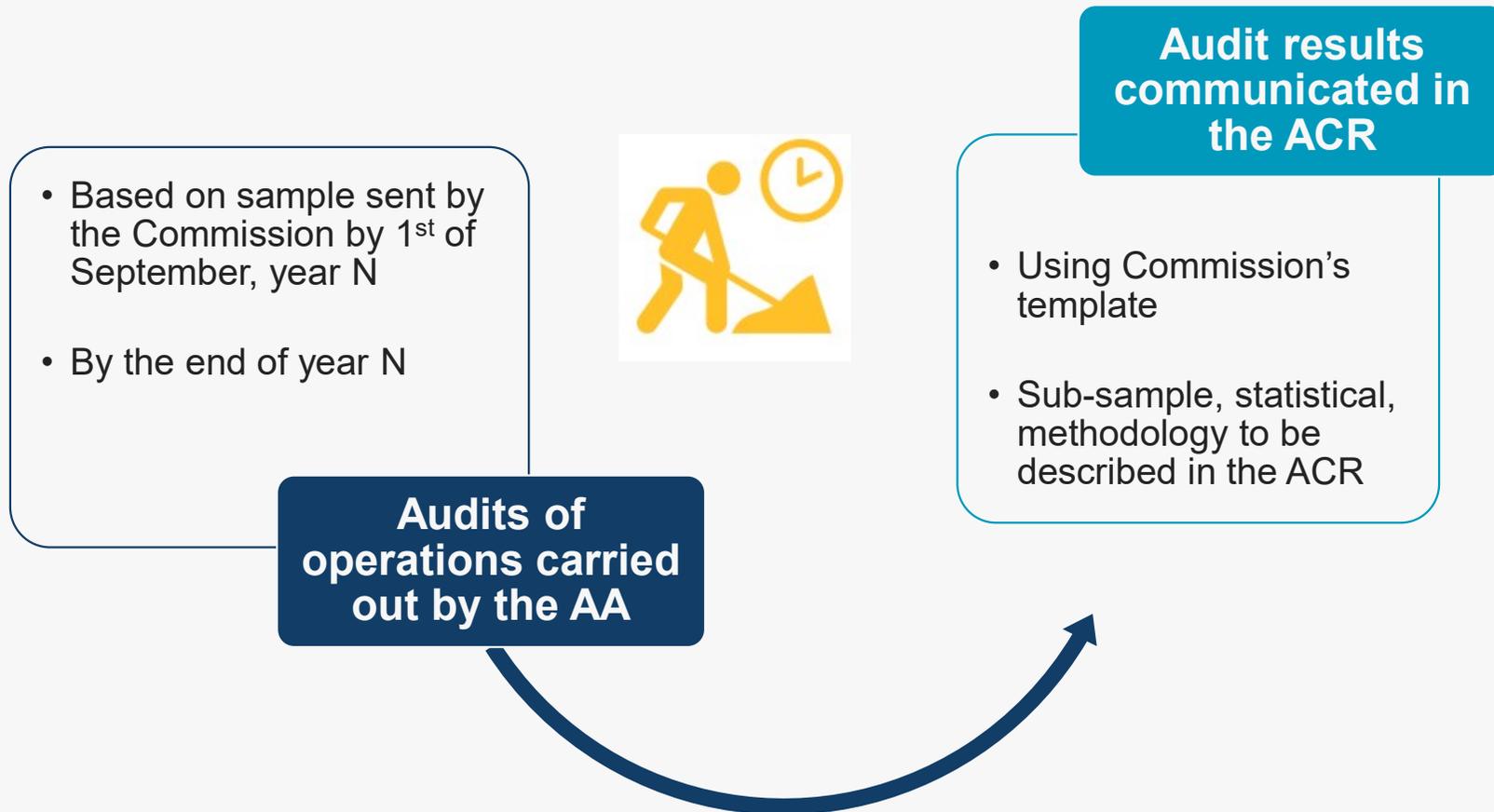


3. Equal probability  
selection (SRS)



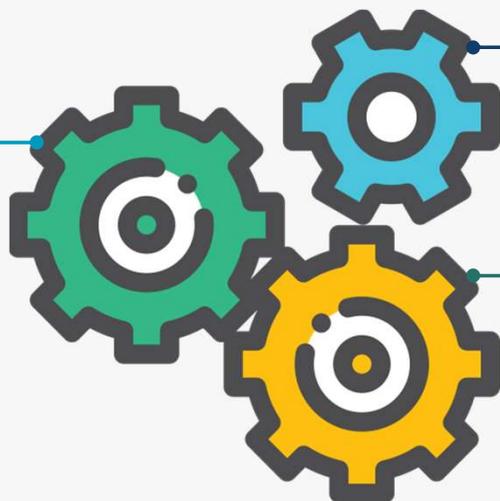
4. Minimum sample  
per programme:  
- 3 for < 500 partners  
- 5 for  $\geq$  500 partners

# Audit Authorities' work and ACRs



# Calculation of TER and RTER by EC

Communication of  
the global Interreg  
TER and RTER by  
end of May N+1



Relevant financial corrections  
taken into account

If global RTER > 2% : Analysis of  
the concentration of errors and  
additional audit work

# Timeline

