

Annual Accounts – piece of cake or a deal breaker?

Annual Accounts
Florence | 21 March 2018
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Contents

- Programme information
- Expenditure review
- Roadmap to Annual Accounts
- Experiences
- Challenges
- Need for clarification

Programme information (1)

Funding cooperation

for a more **innovative**, better

accessible and **sustainable**

Baltic Sea region

interreg-baltic.eu

Managing Authority/Joint Secretariat:
Investitionsbank Schleswig-Holstein (IB.SH)

€ 283 MILLION

to find joint solutions to common problems

263.8 ERDF | 8.8 ENI | 6.0 NOR | 4.4 RUS plus national co-financing

→ about € 349.8 million total Programme volume

ERDF – European Regional Development Fund

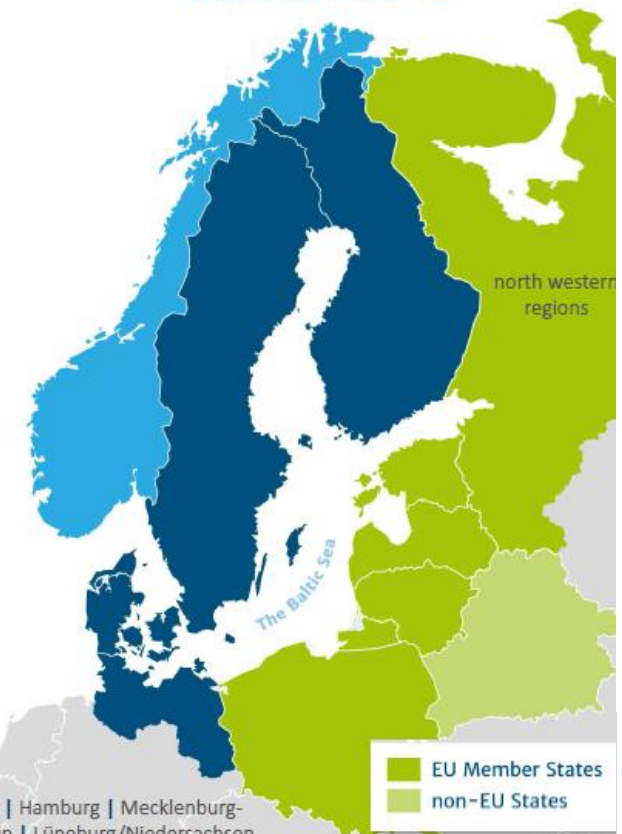
ENI – European Neighbourhood Instrument

NOR – Norwegian national funding

RUS – Russian national funding

Cooperation

around the Baltic Sea



One of
15

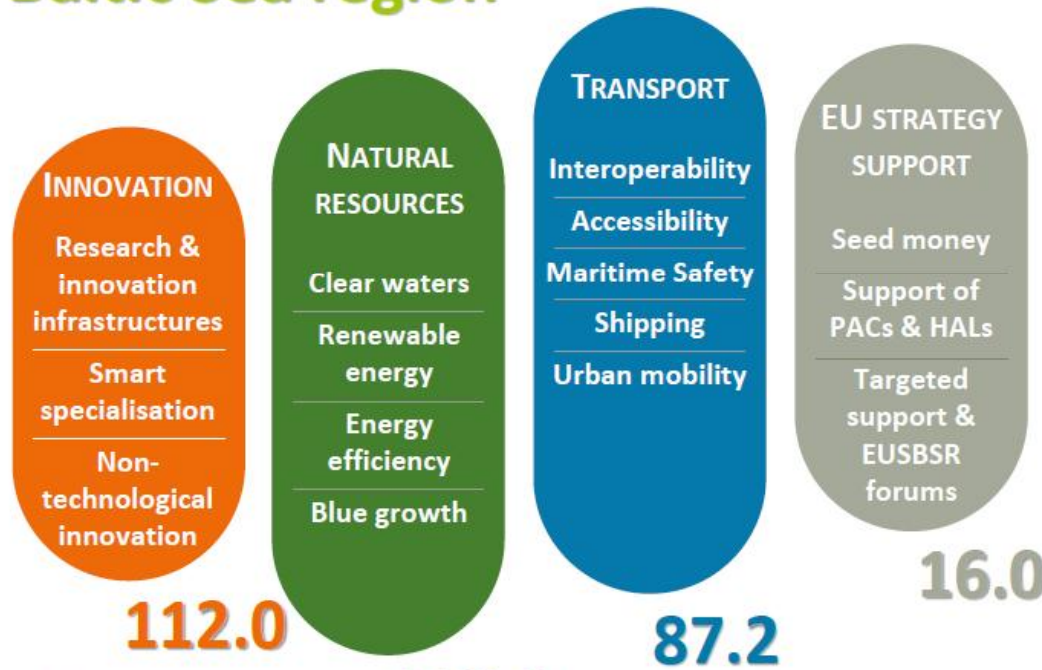
transnational
Interreg Programmes
for 2014-2020

Berlin | Brandenburg | Bremen | Hamburg | Mecklenburg-
Vorpommern | Schleswig-Holstein | Lüneburg/Niedersachsen

Programme information (2)

At the core of the Programme:

Developing the Baltic Sea region



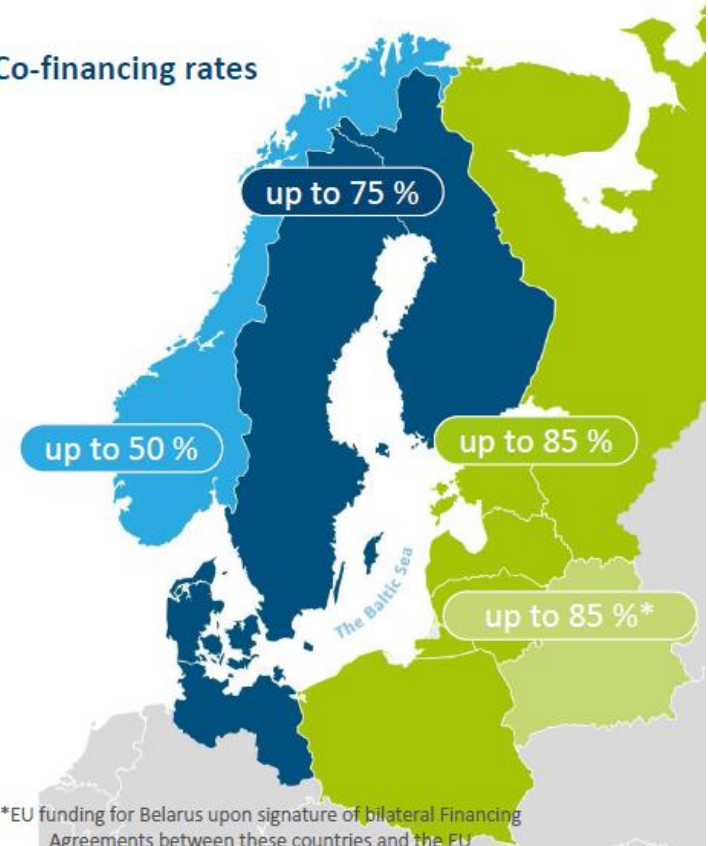
Million €
total investment
Programme funding
+ expected project co-financing

Minimum partnership
3 organisations from
different countries

Stimulating cooperation

between
local | regional | national level public authorities
research & training institutions
sectoral agencies & associations
NGOs | enterprises

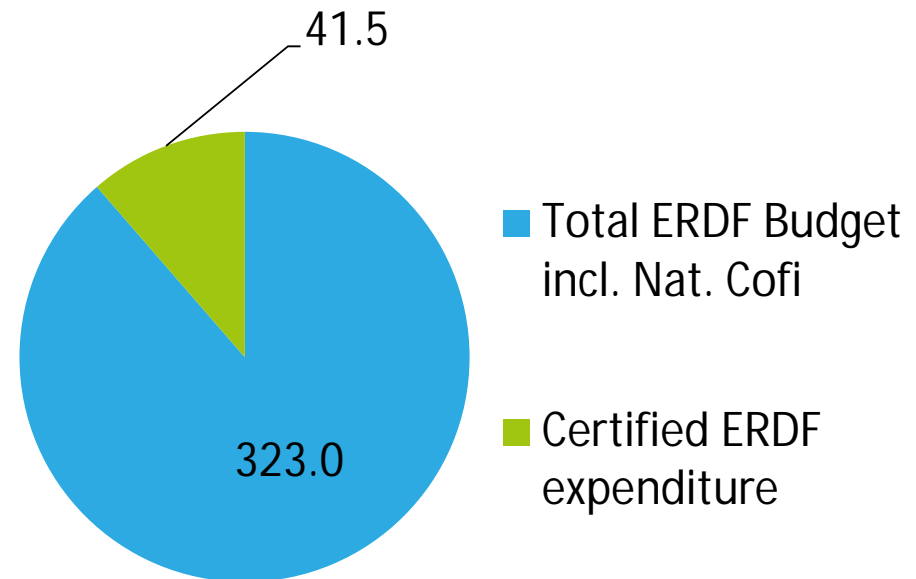
Co-financing rates



*EU funding for Belarus upon signature of bilateral Financing Agreements between these countries and the EU

Expenditure review (as of March 2018)

- Total amount of ERDF expenditure reported to COM = EUR 41.5 million
- Spending rate of total programme budget = 12.85%



Roadmap to Annual Accounts



Experiences

- Good cooperation/time management between MA/JS and AA
- SFC 2014 database functional, but guidance insufficient
- COM guidance not self-explanatory and partly unclear
- Detailed entries per funding source
- Annual summary template adapted to programme needs

- Main challenge: Reconciliation of accounts – Appendix 1 + 8
- Final results partly by trial and error

Challenges – specific example

Appendix 1

Priority axis	Fund	Total amount of eligible expenditure entered into the accounting systems of the certifying authority and which has been included in the payment applications submitted to the Commission	Total amount of the corresponding public expenditure incurred in implementing operations	Total amount of corresponding payments made to beneficiaries under Article 132(1) of Regulation (EU) No 1303/2013
Total	ERDF	9,374,810.47	9,009,480.38	7,340,869.22
Grand total		9,374,810.47	9,009,480.38	7,340,869.22

Appendix 8

Priority axis	Fund	Total eligible expenditure included in payment applications submitted to the Commission(1)		Expenditure declared in accordance with Article 137(1)(a) of Regulation (EU) No 1303/2013(2)		Difference		Comments
		Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations (A)	Total amount of public expenditure incurred in implementing operations (B)	Total amount of eligible expenditure entered into the accounting systems of the Certifying Authority and which has been included in the payment applications submitted to the Commission (C)	Total amount of the corresponding public expenditure incurred in implementing operations (D)	(E) = (A - C)	(F) = (B - D)	
5	ERDF	316,483.09	316,483.09	316,483.09	316,483.09	0.00	0.00	To be recovered/ detected after the final interim payment claim, but before the annual accounts (has been balanced with the following project progress report)
Total	ERDF	9,379,071.90	9,013,731.33	9,374,810.47	9,009,480.38	4,261.43	4,250.95	To be recovered/ detected after the final interim payment claim, but before the annual accounts (will be balanced with next project progress report)
Grand total		9,379,071.90	9,013,731.33	9,374,810.47	9,009,480.38	4,261.43	4,250.95	To be recovered/ detected after the final interim payment claim, but before the annual accounts (pending recovery from the project)
Out of which amounts corrected in the current accounts as a result of audits of operations according to Article 127(1) of Regulation (EU) No 1303/2013						4,261.43	4,250.95	

Challenges – for the actors involved

- Workload – short period left for sampling and SLA audits after the end of an accounting year, plus time needed for
 - ü Mandatory SLA contradictory/appeal procedures
 - ü Potential recovery procedures
 - ü Reconciliation of all figures prior submission
- Potential work-around – earlier ‘last’ payment claim BUT after that no new payment requests possible anymore!

Challenges – for the liquidity

- Early 'last' payment claim = liquidity risk for remaining months
 - Payment requests: only 90% of the EU-funds paid
 - Remaining 10% paid at "balance of the corresponding annual accounts"
- BUT balance can happen up to two years after costs occurred

à Risk of liquidity shortage

à Only solution: more frequent payment requests

Need for clarification

- Interdependence of data in SFC
 - Annual Accounts
 - Financial Data
 - Payment Application
 - Implementation Report
- Distinction between 'recovery' and 'withdrawal'
- Timing of SFC reporting vs detection date of error (SLA report)
- Common understanding of SFC database table headers

Second level audit

Accounting year July 2016-June 2017

- 6 out of 35 projects selected
- 16 out of 271 project partners audited
- 1.1 out of 9.4 million Euro checked (12%)
- Total ineligible expenditure EUR 4,261
 - Ø BL1 EUR 3,089
 - Ø BL2 EUR 463
 - Ø BL3 EUR 121
 - Ø BL4 EUR 587

ü Error rate 0.37%

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*Interreg Baltic Sea Region believes
in an integrated and prosperous Europe for all*

Corinna Günther

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