

# Annual accounts

21/March/2018  
Florence, Italy

## Minutes

### Introduction

Interact presented the current state of programmes financial implementation (ca 8 % of ERDF budgeted claimed from the Commission until the end of 2017) and some basic statistics on submission of annual accounts by Interreg programmes.

Only 28 programmes submitted the non-zero annual accounts in February 2018, two programmes asked for the deadline prolongation as the audit of accounts took longer than expected.

In case programme submitted zero accounts, after admissibility check the accounts are automatically forwarded to the acceptance stage.

### Sharing experience

Different programmes and authorities were asked to present their experience with preparation and submission of annual accounts.

#### Slovenian MA

Three Interreg programmes managed by Slovenia have submitted only zero accounts so far, but it has been a good opportunity to cooperate closely with Audit and Certifying Authorities and to harmonise understandings and approaches. However, since annual accounts did not replace any of the existing obligations (like e.g. annual implementation report) but were added on top, the process of preparation and submission of accounts is perceived as additional task and significant burden for relatively small programmes.

Another worrying factor is potential programmes liquidity problems, one of the programmes (SI – AT) decided to use saving from 2007-2013 period to cover liquidity gaps.

#### Baltic Sea Programme (MA/CA perspective)

BSR has claimed around 13% of programme funds so far (including the last payment claim from March 2018). The last interim payment included in the annual accounts 2016-2017

was submitted mid-April 2017, the final payment claim was zero additional money not to add to the AA sample basis.

During November and December 2017 audits results were discussed, by 31 December the audit was finalised, so January was used to do annual summary and to fill out the reconciliation tables. By end of January Annual Control Report was ready and annual accounts were finalised by beginning of February. They were submitted before the deadline.

The SFC is functional, however the guidance on how to fill it in is not sufficient, moreover, it was challenging as BSR has more than one funds, and as the result, BSR has to implement the whole exercise twice, for each fund separately.

Annual summary seemed to be redundant, as it is a repetition of the finding that were already covered by the auditors.

One of the main challenges was the reconciliation of the accounts as the amounts must match and differences must be explained.

Another challenge is time; tight schedule is a big constraint for authorities. It is difficult to have enough time to fulfil all tasks and then to reconcile all the figures. In addition, the problems with liquidity are worrying and the only solution seems to be more frequent payment claims, however it is also necessary to cut off early to let the AA do their work. The programme will not get any bridge funding from Member States so BSR is looking into options to ensure liquidity once there are problems.

#### Central Baltic Programme (CA perspective)

Central Baltic submitted non-zero accounts already for the second time. The programme submits payment claims very frequently, lately every month to avoid liquidity problems and they even consider increasing the frequency of claiming from Commission.

For this year's annual accounts, the AA decided to draw two samples, beginning of the year one part and after the final interim payment claim a second sample. The first AA reports were delivered in October and the majority during December. Last ones were also some delivered with some delay in early February, and that is why the programme was not be able to submit accounts by 15 February, hence requested an extension of the deadline and submitted by 1 March.

The positive experiences of submission of annual accounts are appreciated, in particular the close cooperation between authorities. It is helpful that all relevant programme bodies are located in the same office and only limited human resources (one CA person, one AA person, and 3 persons in MA) are available.

The main challenges are late second level audit caused by tight schedule, errors below 250 EUR and difficulties with understanding of guidance and templates.

However, the most worrying is the lack of programme liquidity caused by 10% of retention and annual clearance of annual pre-financing.

## Belgian CA

The Belgian CA serves six programmes, including one action (Urban Initiative Action). For the preparation of annual accounts, they agreed to stop interim payment claims by 31 March for most of the programmes. One programme keeps claiming until May. By 31 October, the draft accounts are submitted and the final draft accounts are ready by 31 December.

If MAs or AAs do not finish their checks, the non-verified amounts are perceived by the CA as on going and are treated as potential error to be removed from the accounts. AA of the programmes insisted on removing on-going assessments from the accounts, because according to their opinion such amounts would negatively influence the programme error rate.

This is a challenging situation for the programme, especially if the authorities disagree. According to the guidance, the CA cannot include any amount that might potentially be irregular and has to therefore remove the funds that are under ongoing evaluation. This might actually lead to a situation where this discrepancy (total reported expenditure vs actual (not yet finalised) irregularity) leads to an error rate above 2%.

The other challenge was the tight schedule as only after preparation of draft accounts many issues were recognised by MAs, e.g. forgotten irregularities. Another problem faced is the error below 250 EUR, such amounts are not recovered, but CA includes such amount in the accounts in order to match amounts in other documents.

## Latvia – Lithuania (MA perspective)

LV – LT programme submitted the annual accounts with Technical Assistant claims only.

The programme recognises the liquidity problem, however they are fortunate as most probably, getting bridge financing from their national budget.

There is no plan to cut off payment claims at early stage, so no additional time is given to AA to do their work. However, smooth cooperation between all authorities during this exercise is seen as a huge success.

The main challenges recognised are of technical nature: e.g. terminology, titles of columns in the SFC, how to describe the methodology in part B of annual summary. Another tricky issue is rounding, as eMS is rounding down with two digits after coma, and SFC is rounding with precision of 10 digits, this few cents of differences might cause problems.

## Polish AA

The Polish programmes did not agree on having early cut-off date for payment claims, thus the last audit sample had to be drawn in August resulting in enormous pressure on audit works.

Deadline for the draft accounts is 31 October; the draft control report is due by the end of December, the final one by the end of January, so 2 weeks are left to reconcile all amounts in the SFC.

The main challenge recognised is the very tight schedule, the system audit takes time between March and August, and for complex audit of operations, only few months are

available. In addition, with no cut-off date the last audit sample needs to be done in August, hence, not much time left to do the work and write reports. Additional factors are very complex sampling system and a big area for errors resulting in a huge problem once errors are only discovered at a very late stage of the process.

### How can we improve the process of preparation and submission of the annual accounts? – group work

The participants were divided into 6 groups to discuss the following three topics (each topic was allocated to two groups):

- How to strengthen the cooperation between authorities?
- How to ensure the data in all parts of assurance package match?
- How to deal with tight timeline?

#### How to strengthen the cooperation between authorities – solutions proposed

- Update regularly timeline 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 whole year to discuss and especially closer to the end of the year
- To use e-cloud as a tool and not email exchange to make sure that you always work with latest versions and the tools should always show the changes as often authorities do not notice the changes and things do not match
- Regular communication with EC, follow up meeting with the Commission in autumn to clarify things for next year to make things easier for programmes and for the EC. Common understanding is the key
- Planning and deadlines for each authority and plan some additional buffers as initial deadlines never really work
- Participations in trainings and meetings, bring authorities together to discuss and come up with solutions
- MA/AA disagreeing on findings – CA excludes for that year just to give them time to conclude.

#### How to ensure the data in all parts of assurance package match – solutions proposed

- Communication – without talking to each other you will never survive
- Common systems (IT) and everyone has access to it
- Clearly defined tasks and agreed deadlines, and then everyone has to follow
- Everyone needs to have the access to the same data no matter which system is used

- There need to be a person (in one of the authorities) to be appointed to do consistency check. This doesn't mean that this person is responsible for everything but must cross-check all the docs and show problems
- Cut-off date to include irregularities, not end of January as then it is not easy to take it away from the accounts. Some kind of deadline must be established
- Close cooperation – agree on processes, timeline, deadlines and then stick to it
- Regular meetings, not only calls and emails to ensure common understanding

#### How to deal with tight timeline – solutions proposed

- Prolong the deadline for annual accounts – maybe 2 weeks, maybe 2 months
- Reduce the sample size
- N+2 for accounts, to present the accounts 2 years after it was closed
- Align accounting year with fiscal / calendar year
- Agree with all the parties on deadlines and keep them (internal)
- Submission protocol (not to have surprises that e.g. AA requests the CA to change the numbers just before submission)
- Communication is the key, formal communication is sometimes needed but daily informal talks to avoid problems when the deadline comes
- Team work, we are all in the same pot, not enemies
- Strengthen the AA human resources particularly for audit of operations
- COM should look for simplifications to make it easier to everyone.

#### More challenges recognised during the meeting and proposed solutions

##### To be followed up by Interact with the EC

- Still no clarity on what exactly is expected in the accounts (column B and C) in the SFC:
  - Some programme say column B and C must equal
  - Some programme put only ERDF actually paid to the projects in column C
  - Some programmes put only amounts paid to the projects within 90 days and not these paid after the regulatory deadline
- The character limitations set in the SFC does not allow to cover all required information e.g. on irregularities
- It is not clear how the rounding is done (SFC covers 10 digits after coma, and reimbursement to programmes is rounded to 2 digits after coma)
- Name and contact to the person in the EC who can reply questions related to annual accounts, to avoid different interpretations even within the same unit.

To be delivered by Interact

- The follow up event on annual accounts to be organised in autumn with the EC
- The FAQ, Q&A document to be prepared and kept up to date.