

CENTRAL EUROPE PROGRAMME
2007-2013



Article 13 Verifications in ETC Programmes
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CENTRAL EUROPE: FLC EXPERIENCE

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SUMMARY



I. CENTRAL EUROPE PROGRAMME
II. VERIFICATIONS & PROBLEMS ENCOUNTERED
III. ON-THE-SPOT CHECKS





I. CENTRAL EUROPE PROGRAMME



CENTRAL EUROPE
Programme area




Eight EU Members, one programme!



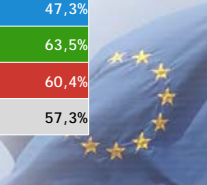
Cooperating for success!

Financial Allocation



ERDF Funds allocated in the 1st & 2nd call

	ERDF budget	ERDF funds allocated	ERDF funds allocated in %
Priority 1	€ 49,2 M	€ 28,9 M	58,7%
Priority 2	€ 63,9 M	€ 30,2 M	47,3%
Priority 3	€ 63,9 M	€ 40,6 M	63,5%
Priority 4	€ 54,1 M	€ 32,7 M	60,4%
total	€ 231,1 M	€ 132,4 M	57,3%



Structure of the First Level Control in CE



Centralized FLC

- ✓ The validation of expenditure is performed by one centralized body for all Partners.
- ✓ The validation is free of charge.

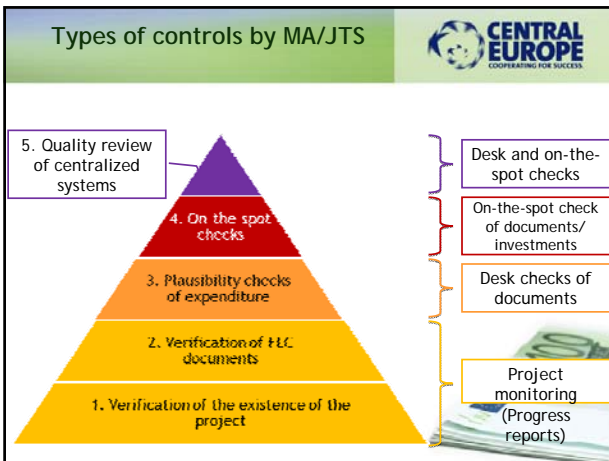
Countries with a centralized FLC system are: Hungary, Poland*, Slovakia, Slovenia, Czech Republic.

Decentralized FLC

- ✓ The validation of expenditure is performed by an internal or external controller appointed by the Partner.
- ✓ The selection of the controller can be subject to restrictions.

Countries with a decentralized system are: Austria (with restrictions), Germany, Italy, Poland* (with restrictions)





II. VERIFICATIONS & PROBLEMS ENCOUNTERED

Verified Amounts

✓ Amount verified to date by FLCers (1st call) : € 4,4 M (ERDF)

✓ Payment request made by MA: € 792,2 (ERDF)

Reasons for discrepancy:

- Approval of Article 71 Description; and
- Monitoring of Progress Reports

Weaknesses of FLC



- FLC documents not signed by authorised controller;
- FLC lack of human resources;
- FLC same for various programmes;
- Misunderstanding of questions set in the FLC templates/documents;
- FLC documents not properly filled in.



Strengths of FLC



- All FLCers use the templates of the CENTRAL EUROPE Control & Audit Guidelines
- Close contact between FLCers and JTS
- Fast response on Clarification Requests



III. ON-THE-SPOT CHECKS



On-the-Spot Checks by FLCers



On-the-spot checks performed by the controllers at the premises of the Partners:

- For **decentralized** systems - at least two on-the-spot checks are mandatory for each Partner (1st Progress Report and at least once more before project closure).
- For **centralised** systems - sample basis, in accordance with the criteria set in the Article 16 questionnaire which is an Annex to the Article 71 description.



On-the-Spot Checks by FLCers (contd.)



How is the MA/JTS informed about the FLC on-the-spot checks?

- Through the Internal Control Report
- Through the Control Checklist



On-the-Spot Checks by MA/JTS on PPs



On-the-spot checks mainly targeted towards projects foreseeing the realisation of works, therefore complementing desk-checks devoted to verifying the existence of the project.

In addition on-the-spot checks may also be undertaken in order to perform an extended verification of the expenditure validated so far on a limited number of projects that will be selected on the basis of a sampling method.



Sampling Method



The **sampling method** adopted for on-the-spot-checks will be based on risk factors such as:

- size of the project;
- size of the partnership;
- inclusion of private bodies in the partnership;
- comparison of works planned and realized (taking account of implementation delays);
- indication of management problems;
- Information from FLC bodies about on-the-spot-checks performed by them etc.

Due to the nature of the checks foreseen, both Lead Partners and Partners will be covered by these controls.

Focus of MA/JTS On-The-Spot Checks



The **focus** of on-the-spot-checks will be on:

- Staff Costs;
- Administration Costs;
- External Expertise;
- Investments & Equipment;
- Accounting System.

With **special focus** on:

- Public Procurement Rules;
- Calculation of Administrative Costs;
- Calculation of Staff Costs for part-time employees.

Documentation of On-The-Spot Checks



The **documents** used for the on-the-spot-checks:

- On-the-Spot checklist - based on the control checklist used by the FLCers;
- Final Report - including information about findings and follow-ups required;

Outcome communicated to:

- The Project Partner checked;
- The Lead Partner;
- The FL Controller (and FLC body if decentralized);
- The Certifying Authority;
- The AA and the GoA via the periodic audit report.

Quality Checks on FLCers



Decentralised systems:

▪ In accordance with the Memorandum of Understanding, the Article 16 Coordination Body is to carry out quality checks on the work carried out by the authorised First Level Controllers.

Centralised systems:

- Due to the potential systemic effect, specific quality review checks will be carried out by the MA/JTS on the FLCers;
- These will be done in the early stages of payments to projects and at least one additional time before programme closure.

Quality Checks on FLCers



Further quality reviews by MA/JTS will be foreseen in case of:

- Repeated inconsistency/incoherence between the internal control reports and progress reports/desk checks of the JTS;
- Repeatedly incomplete internal control reports;
- Requested follow-up as a result of controls performed by programme auditors or audits on national or European level

Outcome communicated to:

- The FLC Body;
- The MC Member;
- The Certifying Authority;
- The AA and the GoA via the periodic audit report.

Trail of Checks



The procedure adopted by the MA for keeping record of checks carried out is based on the Programme database:

- **Controls performed by the first level controllers:** Results of on-the-spot checks, including follow-up, will be uploaded in the database.
- **On-going controls by the Managing Authority:** records of the controls are kept on the basis of internal reports. Results of on-the-spot checks, including follow-up, will be uploaded on the database.
- **Audits performed by the Group of Auditors and EU auditing bodies:** audit reports communicated by the auditors to the MA are uploaded to the Programme database.