

## **THE COMPLIANCE PROCESS**

Main elements in the process of the approval of the  
Management and Control System Report for the  
Interreg IVB North Sea Regional Programme 2007-2013  
(Art. 71 1083/2006 Description)

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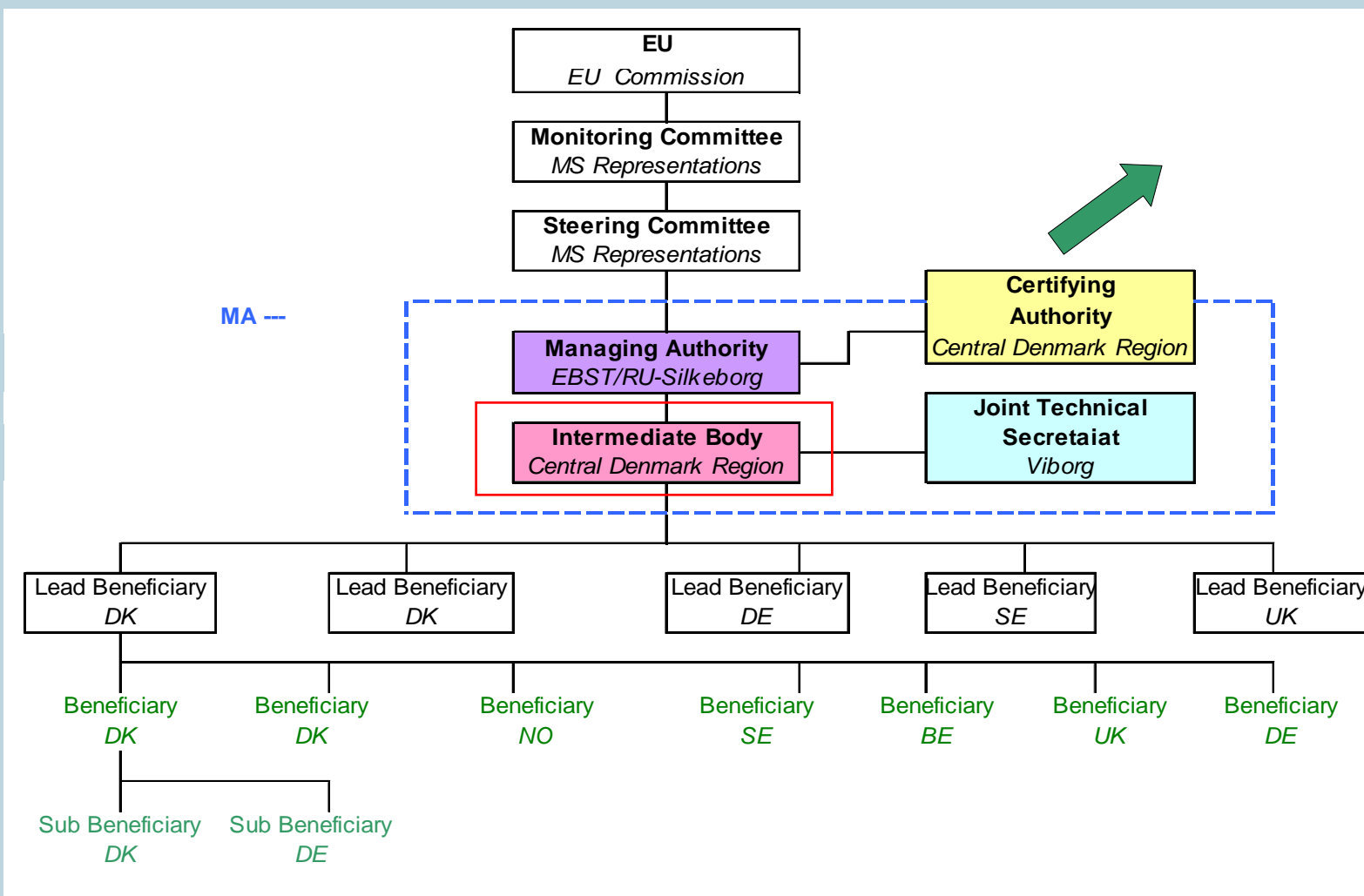


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## Organisation of the North Sea Region Programme



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# **Timing and elements of the compliance assessment procedure of Council regulation (EC) No 1083/2006, article 71**

## **North Sea Region Programme**

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## Mile stones on the way to an approval (1/6)

- **3 October 2007:** The Commission approves the programme.
- **22 April 2008:** GoA was formally established. At this meeting a time plan for the management and system description and compliance assessment was agreed on.
- **28 August 2008:** AA meets with the MA and JTS to agree on a revised time plan.
- **5 December 2008:** First edition of the Description is delivered to the AA by the JTS. The description was formally not approved by the MA.



## Mile stones on the way to an approval 2/6

- **December 2008:** Oral comments are provided by the AA to the JTS, due to detection of material shortcomings.
- **27 January 2009:** The AA attends a meeting with the JTS in order to give oral comments to the description.
- **10 February 2009:** The AA forwards their preliminary comments (checklist for compliance assessment) to the MA and to the JTS.
- **20 February 2009:** GoA attends their second meeting. A revised time plan is discussed to finalise the description and close the compliance assessment.



## Mile stones on the way to an approval 3/6

- **20 March 2009:** AA receives a second version of the description of Management and Control system.
- **4 June 2009:** AA forwards their preliminary comments (checklist for compliance assessment) on basis of the 2nd version of the description to the MA.
- **22 June 2009:** AA receives a third version of the Description of Management and Control system.



## Mile stones on the way to an approval 4/6

- **30 June 2009:** AA forwards their preliminary comments (the checklist for compliance assessment) on basis of the third version of the description to the MA.
- **3 July 2009:** AA forward the compliance evaluation to the EU Commission with qualifications.
- **11 August 2009:** Commission sends a letter of rejection to MA/AA, requesting additional clarification to the qualified opinion expressed by AA in the report.
- **7 October 2009:** AA receives a fourth version of the Description of Management and Control system.



## Mile stones on the way to an approval 5/6

- **1 November 2009:** AA completes their preliminary comments (checklist for compliance assessment) on basis of the fourth version on. However, comments were not forwarded for the Commission's approval due to ongoing bilateral discussions between the Commission and the MA.
- **22 December 2009:** AA receives a fifth version of the Description of Management and Control system.
- **6 January 2010:** AA attends a meeting with CA in order to examine the revised CA procedures.
- **13 January 2010:** AA forwards their final comments (the checklist for compliance assessment) on basis of the 5<sup>th</sup> version of the description to the Commission.



## Mile stones on the way to an approval 6/6

- **4 March 2010:** AA receives a letter from the Commission approving the Description of Management and Control system and “taking notice” of the existence of an IB.
- **March 2010:** Coordination meeting with EU informs AA that OP needs to be updated.
- **April 2010:** At a MC meeting, the EU COM/Desk officer decline an update of the OP due to the identification of an IB.
- **11 May 2010:** Reminder send by AA to EU COM for reply.



# The situation impact on the programme

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## Problems until the Managing and Control System report was formally approved by Commission

- Blocked reimbursement of funds from EU ref. Reg 1083/2006, art. 71 (1), causing potential N+2 problems and lack of funding.
- Postponement of system audits as no approved compliance report.
- Postponement of operational audits as no approved expenditure declared.
- **Outcome** – Upon compliance approved by letter of 4th March 2010 from the Commission, the declared expenditure was retroactively paid out to CA and audits shortly initiated.

### *Payment declarations delayed:*

- 1st: 24th July 2009                    € 386,262
- 2nd: 18th December 2009 € 16,502,454





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# Main Issues of Disagreement

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## 1) The identification of an Intermediate Body

- Central Denmark Region needed to be identified as a formal Intermediate Body within NSRP as they assumed most of MA functions and responsibilities.
- A general dislike against appointing IB's ruled within the Commission.
- Outcome – a final acceptance by the COM through their letter dated 4th March 2010.



## Impact of COM approval of CDR as IB

Delegation	Task	Responsibility
De facto IB	Yes	NO
Formal IB	YES	YES

A formal IB reduces the required controls at MA



## 2) Allocation of functions between CA and JTS

- Proper segregation requested between CA and JTS to prove the division of tasks and responsibility
- CA and MA appear as separate individual authorities with separate and independent controls
- The handbook of standard procedures split into a MA handbook and a CA handbook
- Outcome – New CA manual, Additional staff to CA, separate TA funding of CA, and stronger representation of CA in MC, GoA, etc.



## Requirements from the EU Commission together with the approval

- Specific emphasis on the risks identified with the existence of an intermediate body.
- System audit reports and the relevant annual reports will have to provide specific conclusions on the issues in the Commissions letter, i.e.:
  - Effective monitoring by MA on the delegated tasks to the IB
  - Effective operational separation of tasks and responsibilities between the CA and the JTS



## What went wrong?

- A general poor dialog between AA and MA/JTS and lack of direct communication, whereby additional delays and obscurities occur.
- Personal relationship and trust were weak and the process became emotional rather than fact based.
- “Just-do-it”, when it comes to AA recommendations.
- EU Commission aversion towards acknowledging Intermediate Bodies vs. AA’s strong stand on this.
- Uncertainty in completing documents by JTS and CA and missing guidelines from EU and AA raising the bar for following versions.
- Inactive/unwilling role in the process by the formal MA.
- Higher involvement by GoA for a solution and ensure keeping them updated.



## Conclusion

- Good and open communication required.
- Respect and understanding of different parties different tasks and goals.
- Initial guidance/structure by AA may well pay off later on, i.e. narrow down the expectation gaps – with out jeopardizing the independence of AA.
- Programmes prepare key documents with constant care and in sufficient time the first time.



## Issues open for discussion

- How can AA assist and guide in documents/ procedures, and afterwards control the same with true independence and Integrity?
- The role of AA – only strict control or also advisory?
- How flexible can AA be in accepting solutions for the overall benefit of the programme and this being an ex ante control procedure?
- How to unlock a deadlock in perception between the EU Commission and the AA?



**Thank you for your attention**

The End

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