What’s new?

State of play and some updates

Controllers’ workshop/ Sofia, Bulgaria

Iuliia Kauk/ Interact / 16-17 May 2023

Interact

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Agenda

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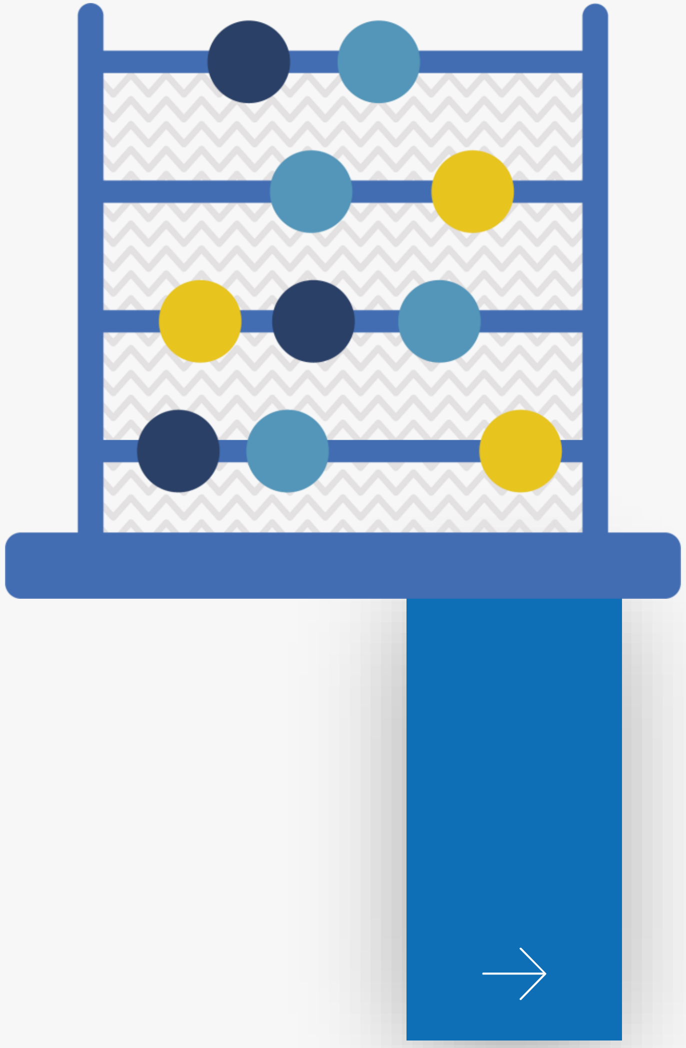
Cohesion Overview 2014-2020

Cohesion Overview 2021-2027

INFOREGIO: policy website

KOHESIO: project website

PRESENTATION



State of play of Interreg programmes implementation

3 May, 2023

Source: Cohesion Open Data platform

(Interreg + IPA-II programmes, ENI programmes are not covered in 2014-2020)

Real spending rates are higher!

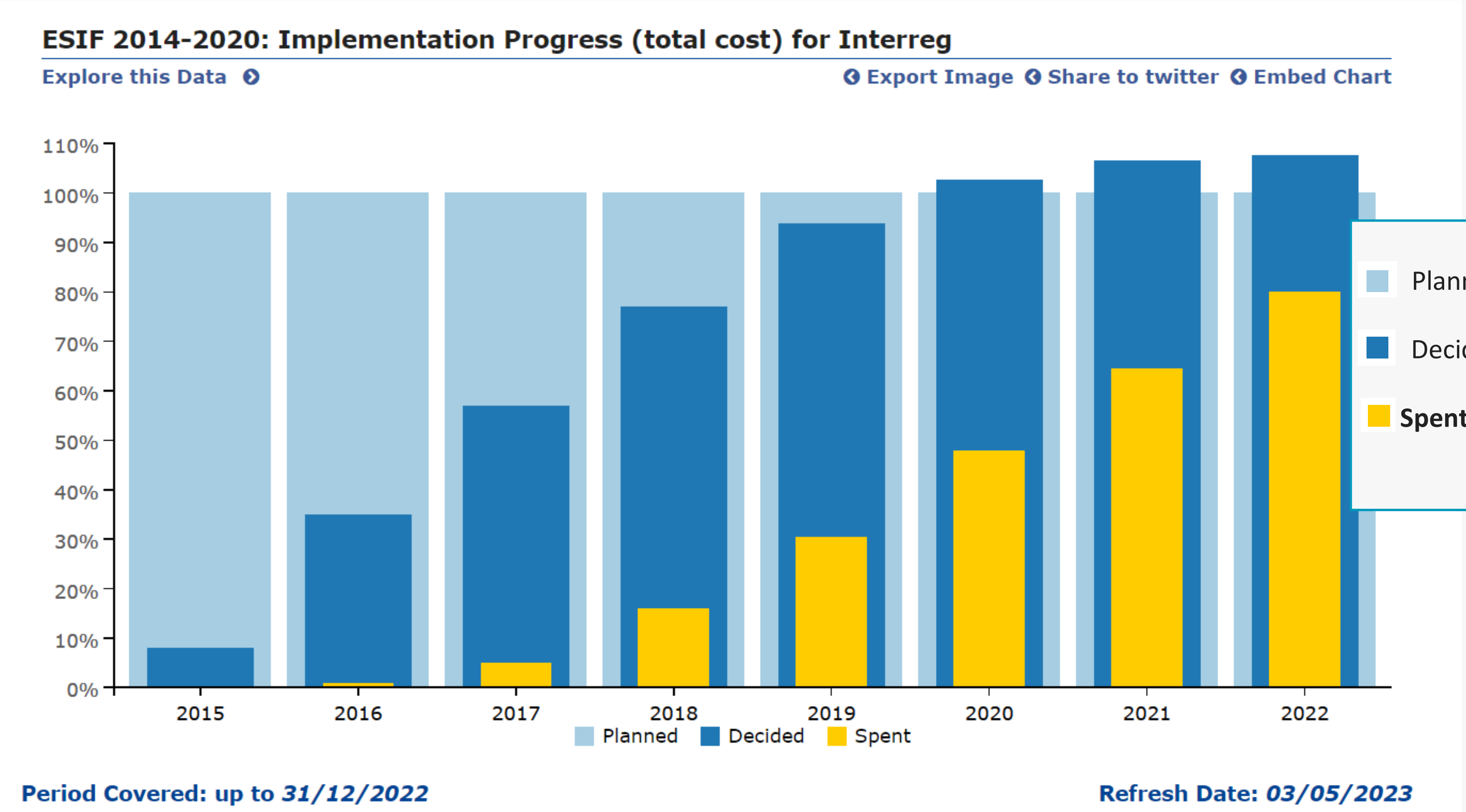
Where are we with the „old“ programming period?

9th accounting year

- 1 July 2022 – 30 June 2023
- 10th accounting year left – 1 July 2023 – 30 June 2024
- Final eligibility of expenditure (N+3) – *for projects to incur their expenditures* – 31 December 2023
- Programmes can pay later – end of June 2024 final deadline (July – final payment application to the EC).

Implemented finances, total costs

ESIF 2014-2020: Implementation progress (total costs) of Interreg



Planned: € 12 628 771 359 (100%)

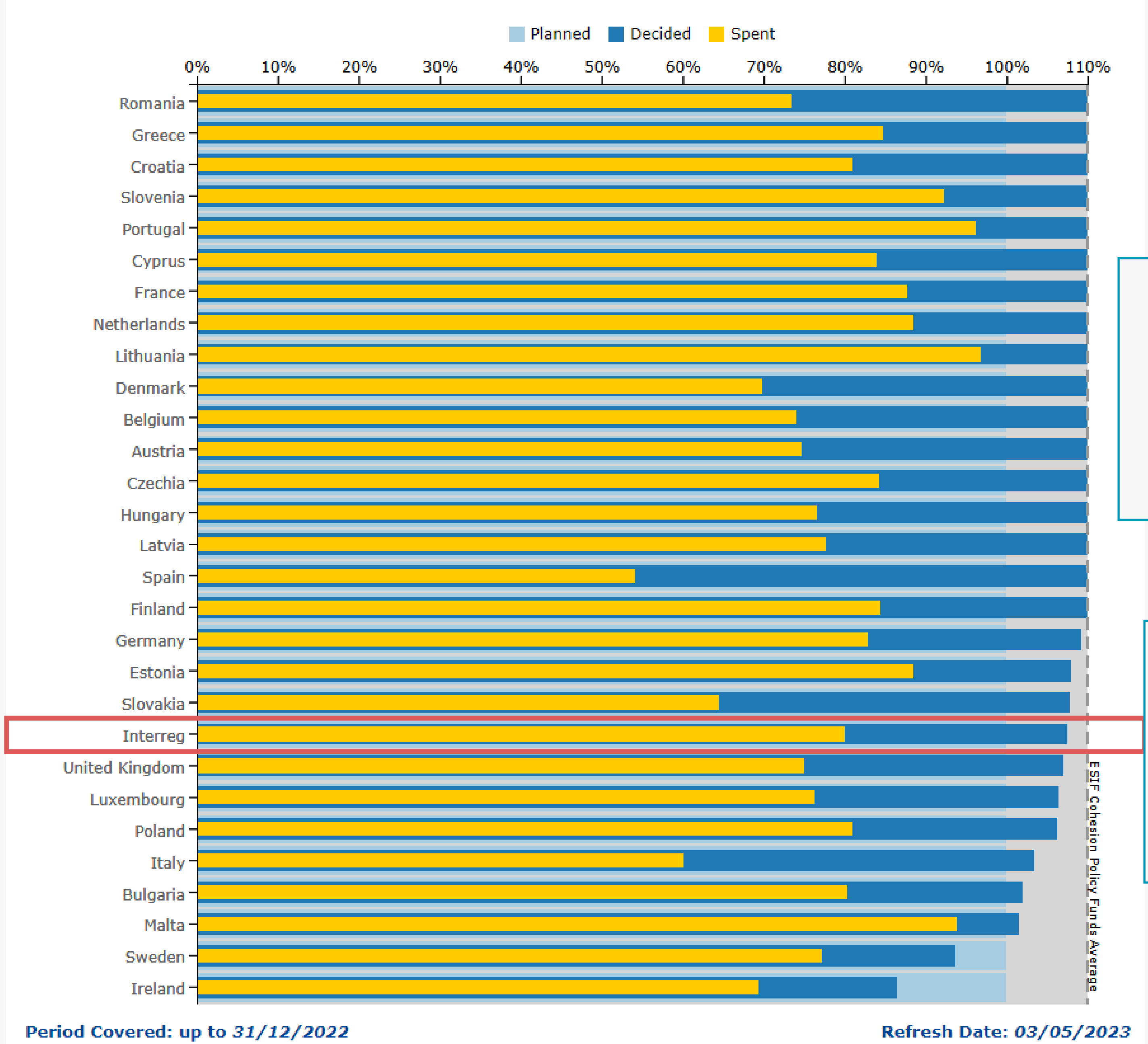
Decided: € 13 572 771 455 (107%)

Spent: € 10 103 158 157 (80%)

***% of planned**

PRESENTATION

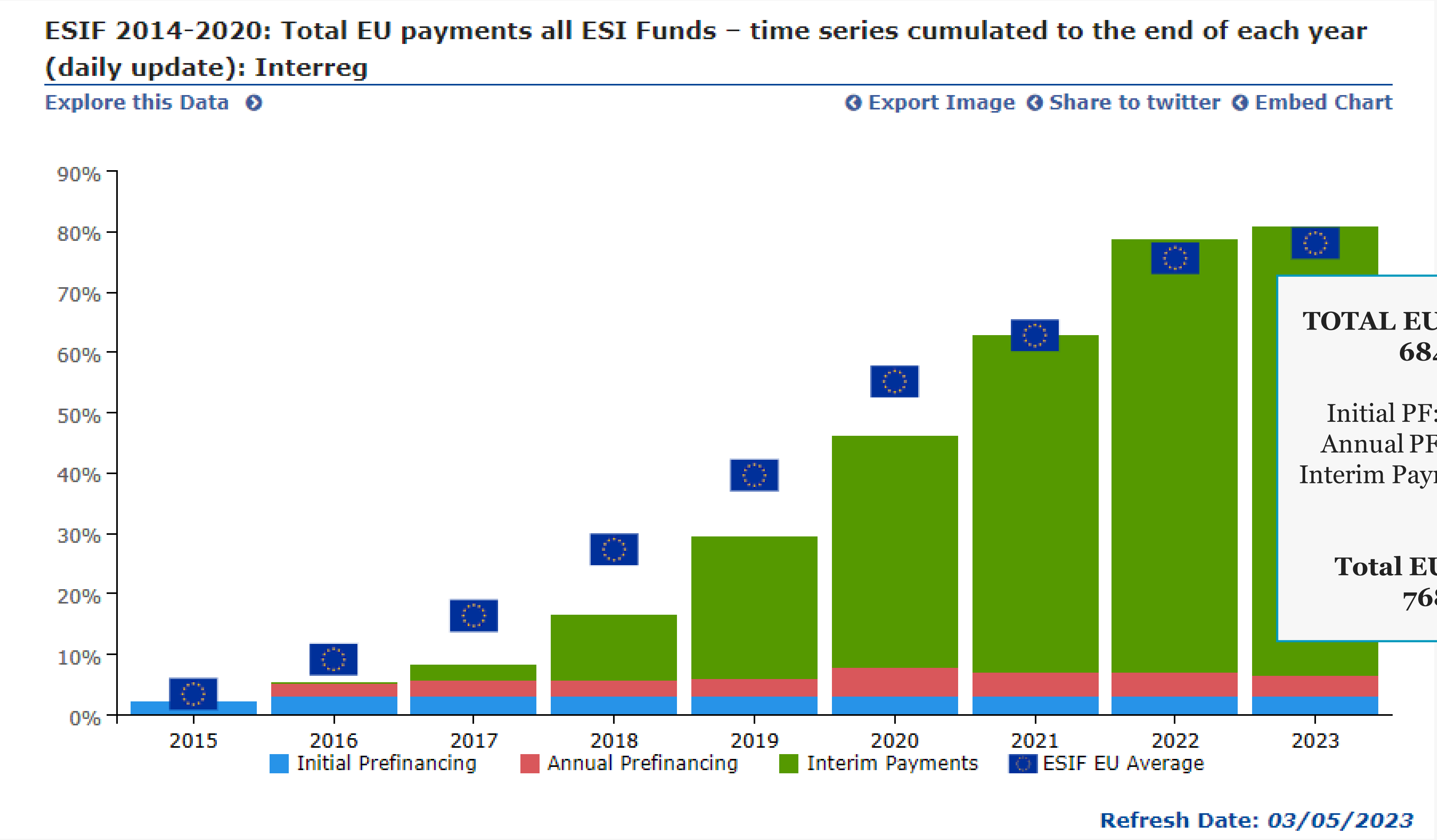
Financial progress by country



Planned: € 12 628 771 359 (100%)
Decided: € 13 572 771 455 (107%)
Spent: € 10 103 158 157 (80%)
***% of planned**

EU average spent – 79%

Total EU payments

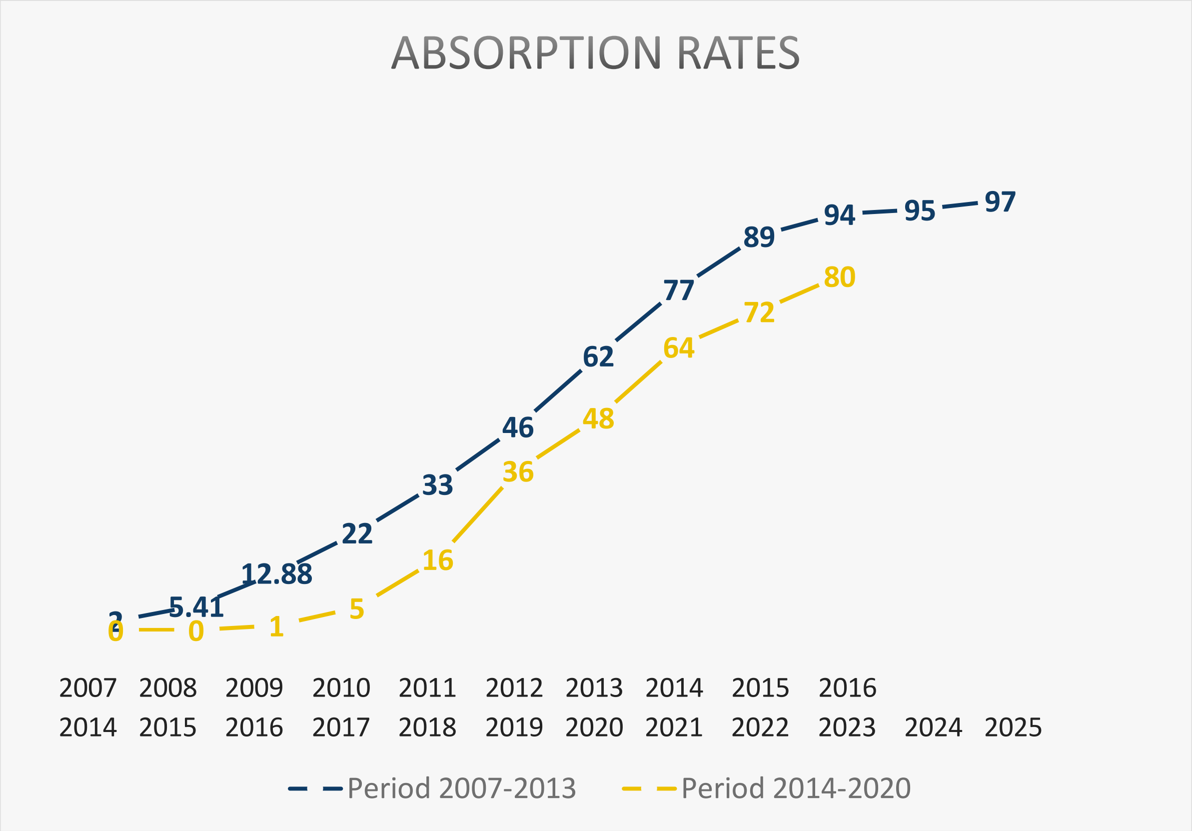


TOTAL EU allocation: € 9 405 684 127 (100%)

Initial PF: € 277 009 955 (3%)
Annual PF: € 329 231 442 (4%)
Interim Payments: €6 980 526 628 (73%)

Total EU payments: €7 586 768 025 (80%)

ERDF Absorption rates



Reasons for lower absorption rates in 2014-2020

- Late adoption of the main legal documents (+ lots of “secondary” legislation);
- New designation process for MA/CA – the majority of programme’s bodies designated in 2017 – 4th year of the programme implementation;
- Closure of the 2007-2013 programming period (clearance of the accounts with the final accounting year);
- Slower submission of payment applications as compared to forecasts;
- COVID-19 pandemic;
- Energy crisis;
- War of Russia in Ukraine.

What is your programme's current spending rate (2014-2020)?

- Below 50%
- 50 – 60%
- 60 – 70%
- 70 – 80%
- 80 – 90%
- 90+ %

Early closure* of the 2014-2020 programmes

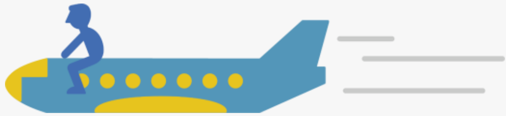
*in 9th accounting year – 1 July 2022 – 30 June 2023

- 3 programmes so far – anyone else?

Progress with the 2021-2027 programmes

Interreg programmes adoption

- 4 strands
- Implementing Regulation (EU) 2022/74 – list of programmes + amounts
- All 86 Interreg programmes adopted by the end of 2022
  - *(incl. 6 programmes with participation of Ukraine and Moldova; all programmes with Russia and Belarus stopped).*
- 3% of the cohesion policy budget, ca EUR 10 billion (incl. external EU funds)



PRESENTATION

Pre-financing payments

	Programmes adopted in the 1st half of 2022	Programmes adopted in the 2nd half of 2022
Y2022	PF 2021 & PF 2022	PF 2021 & PF 2022
Y2023	PF 2021 offset against PF 2023 PF 2022 recovery (limited by submission of interim claims)	PF 2023
Y2024	PF 2024	PF 2021 offset against PF 2024 PF 2022 recovery (limited by submission of interim claims)

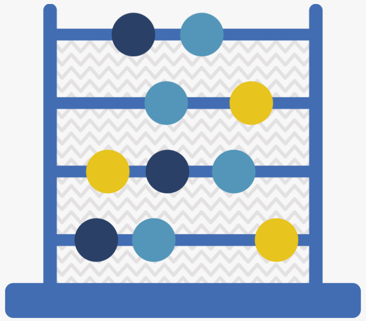
Source: CPR Expert Group

- Article 51(5) IR: PF of 2021 and 2022 cleared with the subsequent accounting year, from 2023 – in the final accounting year.
- **The date of the programme adoption (= date of the EC decision adopting the programme) decides which scenario for clearance applies:**
  - adopted before 30/06/2022 - pre-financing for 2021 and 2022 is cleared in 2023;
  - after 30/06/2023 – both PF are cleared in 2024.

Decommitment (N+3)

- Financial allocations start with 2022 for all
- First decommitment target for all – from 2025:
    - *1st target is increased by 25% of the 2021 allocation – reprogramming mechanism (2025 target – 2022 allocation + 25% of the 2021 allocation)*

Decommitment target (amounts to be submitted in the payment applications, 100%) = financial allocation – pre-financing – deductions



Calculate your decommitment targets

SCOs - several implementation issues

Assurance on legality and regularity for SCOs and FNLC (Art. 94, 95 CPR)

MA to confirm that expenditures entered in accounts are legal and regular vs management verifications focused on fullfillment of conditions for reimbursement

SCOs under Art. 94

- Use of SCOs in national currency (Art. 87 CPR – all amounts in programme should be in euro)
- 2 levels of SCOs – can SCOs established using point (c) Union policies and (d) national schemes be „lifted“ up to the EC – programme level

Article 72(1)(e) and Annex XVII CPR

Collection of data linked to expenditure (procurement) vs management verifications of SCOs not covering the underlying costs or specific procurement procedures

NB: Issues are pending EC clarification!

EU-level SCOs

- 6 areas: energy efficiency & renewable energy (delegated act prepared), R&I activities, SMEs growth & competitiveness; health, environment and ICT.

- WIIFM: these SCOs can be used by all Interreg programmes as equivalent to off-the-shelf schemes

- Timeline: 1st delegated act (1st area) to be adopted by the end of 2023; 2nd area – study to be completed by Sep 2023

Risk-based management verifications in 2021-2027 programming period

PRESENTATION

Nathalie VERSCHELDE

Deputy Head of D1 Unit, DG REGIO

Dear colleagues,
[…]

… to share with you the message that the new risk-based approach to management verifications should not be seen as one option among several options.
It should be seen as THE way to perform those verifications.
All of us have a duty to make simplification a reality, mostly for beneficiaries.
We still hear now comments from some beneficiaries who no longer want to apply for Interreg funding, mainly because of the **heavy administrative burden that is put on them.**
This is of course not something we can accept – we should do our utmost to lighten the burden and to be proportionate in our requirements.
In concrete terms, it means that the 100% verification rate should disappear unless there is a very strong reason to maintain it, which is highly unlikely to exist.
Units D1 and D2, as well as our colleagues in the audit department, stand ready to support you in this transition process. ***Risk-based*** and ***proportionate*** must become part of your daily vocabulary and must translate into real change for future beneficiaries.

We look forward to seeing the positive results of this in the near future.
Nathalie,
On behalf of the D1 unit

Legal framework

- Recital 62 CPR – an appropriate **balance** between the effective and efficient implementation of the Funds and the related administrative costs (for all);
- Article 74(2) – risks identified **ex-ante and in writing** (MA);
- Article 46(3) IR – verifications in Interreg programmes can be carried out by controllers appointed by each MS (controllers);
- Article 74(2) – verifications carried out before the submission of the accounts* (controllers).

**80 days (for payment - programme) vs 90 days (for verifications – controllers)*

Legal framework

- No secondary legislation in 2021-2027

BUT

- Reflection paper on the risk-based management verifications in 2021-2027 (to be published in May 2023)

Primarily for programme bodies staff (MA and AA) but could also be used by controllers!
Offers examples, best practices, and recommendations BUT is not prescriptive!

Key highlights from the reflection paper (1/4)

- **2 steps of risk assessment (starting point):** establishing (updating) the risk assessment (MA/ IB) to identify, establish and analyse the risk factors (regularly reviewed risk factors); application of the risks identified (controllers during management verifications).
    - If risk assessment is done by controllers, the MA needs to review it (recommendation, to ensure equal treatment; justified differences)
- **Timing for the risk assessment:** at the beginning of the programme (experience from 2014-2020); selection and appraisal stage (recorded in checklists/ project evaluation forms); before management verifications are carried out.
- **Different levels of risks**: operations (significant budget, complexity, multiple partners, phased operations), beneficiaries (type of beneficiary, experience, change of beneficiary), and payment claims.

Key highlights from the reflection paper (2/4)

- Administrative and on-the-spot management **verifications plans** (optional) – estimation of submission of payment claims, timing in the lifetime of the operation (for OTS), risks identified in the selection stage, no of days necessary for the programme to finalise admin verifications.
- **When to perform MV:** when the payment claim is submitted (90 days), payments to beneficiaries (80 days), before expenditures are included in the payment claim to the EC (OTS can be after); deadline – before submission of accounts.
- **Audit trail:** to be kept for all expenditures, not only selected for verifications; 5 years from 31 Dec of the year in which the last payment by the MA/ programme to the beneficiary was made.

PRESENTATION

Key highlights from the reflection paper (3/4) – MV vs audits

Management verifications	Audit	Comments
Responsibility of the MA	Responsibility of the AA	Different authorities
Internal control function within the MCS	Ex-post control	Different levels of control
Purpose: identify errors in payment claims of beneficiaries and correct them	Purpose: to test whether the control system as defined in the MCS functions properly and to provide independent assurance on the system	Different purpose
Done via risk-based verifications through administrative and on-the-spot checks	1. System audits (design and operating effectiveness of controls) – primarily looks into the expenditure selected for RBMV, but not limited; 2. Audit of operations (common sample) – expenditures that haven't been checked	Different samples used by MA for management verifications and AA for audit of operations (sample is done by the EC).
Risk-based – according to the risk assessment and risk-based methodology developed by the MA in advance and in writing	Common sample at EU level – sample selected by the EC according to their methodology; sub-sampling if a large number of invoices	

Key highlights from the reflection paper (4/4) – MV vs audits

Management verifications	Audit	Comments
The errors/ irregularities found during MV are not extrapolated (non-statistical sample)	Extrapolation for all programmes covered by the common sample (TER/RTER below 2% for Interreg in 2014-2020) Targeted financial corrections for programmes with errors (if above 2%)	It is possible that an operation/payment claim/expenditure is not verified by MA but it is audited by AA
MA/IBs should correct ind. errors and assess if they had any systemic impact at the level(s) of operations/ beneficiaries (e.g., by extending the level of verifications in those specific areas/ expenditure/ beneficiaries and also by revising the risk assessment).	Even in case conditions for the use of a non-statistical sample are fulfilled, results are still projected to the entire population.	The AA's sample may contain both (1) the expenditure subject to previous MV, and (2) expenditure that has not (yet) been verified by the MA/IB.
MA to **regularly revise the methodology** – based on results of MV, system audit, audit of operations, and recommendations of the AA (examination if an irregularity is one-off or systematic).		

- **Who is ready with the methodology for the risk-based management verifications?**

- **What was your role in the process?**


Q
A

Cooperation works

All materials will be available on:

Interact Library at www.interact-eu.net/library