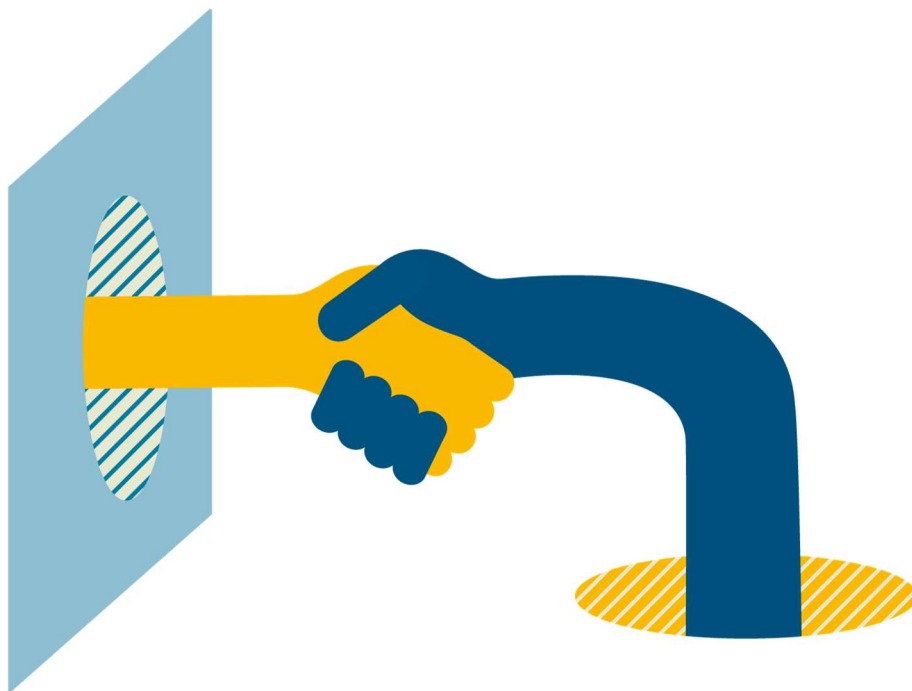


# Q&A: Audits of operations 2021-2027

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**Information on the EU level sample for  
audits of operations for Interreg 2021-2027**

**Version 02 | October 2021**



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## **Introduction**

This document is a summary of points addressed for the set-up for audit of operations in the 2021-2027 programming period (i.e., articles 48 & 49 of Interreg Regulation (EU) 2021/1059). This paper is based on presentations and discussions during the following meetings:

- Interreg Audit Authorities Network meeting, 30 May 2018, Valencia
- Homologues Group meeting, 25 September 2018, Sofia, Workshop 2
- Workshop on EU level sample for audits of operations for Interreg post 2020, 10 December 2018, Brussels
- Interreg Audit Authorities Network meeting, 26 May 2021, online

## **The new approach**

The regulatory requirements for audit of operations in the current period (2014-2020) lead to a number of additional technical challenges and comparatively high audit costs for Interreg programmes compared to mainstream programmes. For example, in 2015 the audits carried out for Interreg represented 15% (1300 operations) of the total number of audits while the expenditure counted only for 3%.

To establish a proportionate approach for audit of operations in Interreg, the 2021-2027 Interreg Regulation provides for the legal basis for the Commission to select an EU level sample for all Interreg programmes. The Commission will use a statistical sampling method to draw a representative sample. The audits of operations will be carried out by the audit authorities as before. The approach will significantly reduce the number of audits of operations for Interreg once implementation is in full speed.

When the Programme is part of the common sample, the results of the audits of operations will be submitted together with the annual accounts on 15/02 to the Commission – no opinion on legality and regularity of expenditure has to be expressed by the audit authority. The Commission then calculates ‘an Interreg total error rate’ (TER) and residual total error rate at EU level.

General questions		
1	Is common sample mandatory?	Art. 49(2) of new Interreg Regulation states: “The programme authorities shall provide the information necessary for the selection of a common sample to the Commission by 1 August following the end of each accounting year at the latest”. The AA of an Interreg programme which does not submit the data by the deadline shall carry out a separate sampling exercise. All Interreg programmes should join the common sample and the overall planning should reflect the previous cited legal provision (please refer also to the new CPR Annexes). We expect that the participation in the common sample will reduce the audit burden for almost all OPs.
2	How will the single audit arrangements work in common sample?	Article 80 (single audit arrangements) does not apply to Interreg programmes (as stipulated in Article 1 (5) of CPR).
3	Is it possible to group Interreg programmes managed by one Member State or one managing authority, in the spirit of the option for mainstream programmes (article 79(2), CPR)?	No. Article 79 describes the possibilities in the cases when the audit authority selects the sample.  In the case of the ETC common sample, the sample will be provided by the European Commission, and a stratification per Programme will apply. The setting up of the sample in case of Interreg Programmes is no longer necessary in case the Programme submits the necessary data, as per the provisions of article 49. Moreover, even in cases when the Programme does not observe the provisions of article 49 and does not submit the data in time or complete, and therefore is not part of the common sample, the Programme will have to provide the sample and carry out the audit work only in relation to that particular Programme.
4	The audit authority will submit the result of the system audit to the Commission. Should the audit authority wait until 15	No. The audit authority shall transmit to the Commission system audit reports as soon as the contradictory procedure with the relevant

	February to submit the system audit reports?	auditees is concluded as per the provisions of article 48(8)/Interreg Regulation.
5	How is TA audited in case of common sample?	TA will not be audited in the common sample, as it is a flat rate. The Commission will make sure the TA amounts are included in the calculations of TER/RTER. As any flat rate, the calculation basis is audited (in this particular case the operations financed by the programmes) and any financial correction will also be proportionally reflected in the reimbursed TA amount.
<b>The sample, (sub-) sampling, data and statistical approach</b>		
6	How does the sampling work for the new approach?	<p>Programmes have to provide the necessary data for the selection of a common sample to the Commission by the deadline (for more information see timeline). One month later, the Commission shall inform the AAs on the common sample.</p> <p>The Commission will select a representative sample from the positive population of expenditure declared for all Interreg programmes. It is planned that the selection method will be equal probability selection (Simple Random Sampling). The audit of the selected sampling units will be carried out by the programme's audit authorities.</p> <p>Minimum sample sizes by stratum are:</p> <ul style="list-style-type: none"> <li>- 3 for programmes with less than 500 partners</li> <li>- 5 for programmes with 500 or more partners</li> </ul> <p>If additional stratification at programme level is requested by an audit authority a minimum of 3 per stratum will be drawn (because of statistical purposes).</p> <p>The number of partners refers to the number of partners with expenditure declared to the Commission in an accounting year. These sizes might increase depending on sampling parameters.</p>

7	Will all programmes which submit the data be part of the common sample?	Yes. The common sample envisages a stratification per programme. Therefore, for each programme submitting the data, a minimum 3 operations will be included in the common sample to be audited.
8	What is the sample size per programme?	<p>The minimum sample sizes are:</p> <ul style="list-style-type: none"> <li>- 3 partners for programmes with less than 500 partners and</li> <li>- 5 partners for programmes with 500 or more partners.</li> </ul> <p>The number of partners refers to the number of partners with expenditure declared to the Commission in an accounting year. These sizes might increase depending on sampling parameters.</p>
9	How will the assessment of the management and control system (MCS) of a programme influence the common sample?	The global assessment of all Interreg programmes will influence the size of the EU level sample. We have considered the minimum number of items: 3 (up to 500 partners) and 5 (above 500 partners). The number of sampling items (partners) selected per programme will be influenced by the total number of partners in the programme and can also depend on the assessment of the MSC of a given programme.
10	What is the sampling unit?	<p>At the meeting in Valencia, it was agreed that “the cumulated expenditure declared in the accounting year by a project partner in an operation, as declared to the Commission” should be the sampling unit. If a project partner is involved in several operations, the audit is limited to the sampled operation.</p> <p>NB: This presents also a change from the most common current approach: an operation is sampled for which usually the lead partner is always audited and one or several project partners are audited through sub-sampling.</p>
11	Who draws the sample?	The Commission will draw the sample for all programmes having submitted their data complete and on time.

12	Who submits the data?	Data can be provided by any of the programme authorities. In case the data is submitted by MA (for example), AA should reconcile it with the expenditure declared to the Commission before data submission (similar to the reconciliation the AA is performing now before it selects its sample).
13	What data do programmes need to submit?	<p>The Commission has prepared a data exchange template which was shared with the AAs and MAs in May 2021 and subsequently in the Technical Meeting with Audit Authorities on 4 June 2021.</p> <p>The data (per project partner) which needs to be provided by the programme refer to:</p> <ul style="list-style-type: none"> <li>- All positive amounts declared to the EC in the given accounting year (€)</li> <li>- Amount withdrawn related to expenditure declared in the given accounting year (€)</li> <li>- Amount withdrawn related to expenditure declared in previous accounting year(s) (€)</li> </ul> <p>From the data above, the following amounts result:</p> <ul style="list-style-type: none"> <li>- Amount in the positive sampling population (€)</li> <li>- Final expenditure declared to EC in the given accounting year (€) (for information/reconciliation with expenditure declared to the EC)</li> </ul> <p style="text-align: center;">+</p> <p>System assessment of the programme based on the available system audit results (category 1-4).</p> <p>The data exchange template is published on the Interact website: <a href="https://www.interact-eu.net/download/file/fid/23967">https://www.interact-eu.net/download/file/fid/23967</a></p>
14	Is the audit carried only from the positive population?	The EU level Interreg sample will be focused on the positive population based on which an extrapolated error rate is calculated. EC does not plan to introduce any specific arrangements concerning audit of negative



		sampling units applicable to Interreg programmes covered by EU level sample.
<b>15</b>	How will non-EU countries (not financed by ERDF) be audited?	There will be no differences in treatment between Interreg programmes regardless the source of financing (minimum 3/5 items per programme but possibly larger depending on the sampling parameters/number of partners).
<b>16</b>	Can we apply sub-sampling? What are the rules?	As a general rule, all invoices of the selected partner shall be subject of verification. However, in line with the current practice, in case of large number of invoices AA can use sub-sample of invoices. If sub-sampling is applied, AA should report the error at the level of the sampling unit – partner (i.e., performing an extrapolation of the errors from the sub-sample to the partner level). The ACR should clarify the methodology used for sub-sampling and its extrapolation. A statistical sub-sampling needs to be ensured, as this is the way the main sample is drawn (at the EU level), therefore at least 30 items should be audited.
<b>17</b>	Is the off the shelf sampling delegated act applicable to Interreg?	No. As the common sample is established by the European Commission, no need to target Interreg programmes in the delegated act.
<b>18</b>	How does the audit of operations in case of small project funds/small projects work in common sample?	Small project funds (SPF) according to article 25 in the Interreg Regulation indicate a clear audit trail, thus the required information has to be available at the beneficiary level (i.e., at the body managing the small project fund).  At the meeting on 10 December 2018 in Brussels it was agreed that the SPFs will be included as such in the sample (SPF beneficiary=project partner in an operation).  It was further discussed that, to avoid a disproportionate number of audits, sub-sampling could be done at the level of the expenditure items.  In case where the AA considers the work is burdensome when the selected partner is the body implementing a SPF, it can apply sub-sampling, either using a standard

		<p>methodology or regional clustering (if needed, the AA can contact the Commission to get assistance in application of regional clustering).</p> <p>Finally, it is important that when designing and setting-up the electronic monitoring systems for SPFs, it should be ensured that the necessary data for the inclusion in the common sample and data needed for sub-sampling are recorded accordingly.</p>
<b>Timeline</b>		
<b>19</b>	<p>How can we safeguard the timeline for the submission of annual accounts?</p> <p>When do we have to submit the data for the common sample?</p> <p>When do we receive the sample?</p> <p>Can we submit the data early, so we have more time for the audit work?</p>	<p>The Regulation states the 1 August to deliver the data and 1 September to receive the sample. However, some audit authorities raised concerns that this timeline might not be sufficient to carry out the work.</p> <p>The Commission took note of such concerns and clarified that an early submission is possible.</p> <p>In this scenario, EC will provide the sample within one month from the moment the data is submitted (e.g., 1 June if data is submitted on 1 May). For the programmes submitting the sample early, the initial sample will be 3 or 5 (subject to the no. of partners – please see also Question 8). It may be increased when the totality of data (by all programmes) for the common sample is provided.</p> <p>If Programmes opt for an early submission of data, no additional claims can be sent to the EC.</p>
<b>Group of auditors</b>		
<b>20</b>	<p>Is the group of auditors mandatory? Can we still outsource, considering also the significant reduction in number of audits to be carried out?</p>	<p>In case the audit authority has authorisation for the whole programme territory, GoA is not necessary. In case AA does not, then GoA shall be established. Outsourcing is possible in both cases and has no impact on the participation of the programme in the common sample. As the sample size will be lower, generally, the design of the terms of</p>

		reference for public procurement should clarify this issue. Joint procurement of programmes or even shared procurements could be considered.
<b>Audit opinion</b>		
<b>21</b>	Do Audit Authorities need to submit an opinion on legality and regularity of expenditures?	No. Where the Interreg programme is included in the population from which the Commission selects a common sample pursuant to article 49(1), the annual audit opinion shall only cover the elements referred to in points (a) and (c) of the first subparagraph (the completeness, veracity and accuracy of the accounts and the management and control system of the Interreg programme).
<b>23</b>	How can audit authorities give their audit opinion on the functioning of the MCS, only using the results of the system audit and audit of accounts?	For Interreg programmes, the model for the audit opinion in annex XIX of the CPR gives a derogation not to issue an audit opinion on the legality and regularity of expenditure. The audit authority will be requested to only issue an annual audit opinion on the functioning of the management and control system and on the accounts.  During the system audits there is work on selected operations for the tests of control, thus this audit activity helps the AA to build up its opinion. Furthermore, the AA remains in charge of the audits of operations of its programme in relation to the common sample.
<b>Errors and error-rate</b>		
<b>24</b>	Who calculates TER and RTER?	Following reception of structured data in SFC and the ACR from the AAs, the Commission calculates the global TER/RTER.
<b>25</b>	Do programmes need to report financial corrections?	Yes, when reporting on the results, at the latest within annual control reports (via SFC, structured data and detailed information in the ACR), per each audited sampling unit, the AA should indicate:

		<p>a) the error in EUR (as input to calculate the global error rate); if sub-sampling is used, this would be an error extrapolated by the AA to the level of project partner on the basis of sub-sample</p> <p>b) the financial corrections (if the case) for irregularities detected by the AA in the sampled operations in EUR. Moreover, the AA should indicate any other corrections in the population reducing the risk identified with the total error rate.</p>
<b>26</b>	What if my programme's error rate is above the materiality level (above 2%)?	The Commission will calculate an 'Interreg extrapolated error rate' on the basis of the sample i.e., total error rate (TER) at EU level until May of the year of the submission of the accounts (year n). If the TER is above 2% the Commission will consider the corrections already made and calculates 'an Interreg residual total error rate (RTER). If the RTER is below 2%, there is no additional action to be performed by the Interreg programmes. If the RTER is above 2%, only the concerned programme(s) have to carry out additional audits to limit the financial consequences to programmes/Member States/project partners/category of expenditure affected by the detected irregularities.
<b>27</b>	In case the Commission asks the AA for additional audit work (RTER above 2%), what will be the deadline?	No timeframe is set by the Regulation, therefore the deadline should be agreed with the Commission and will depend on the specific case. The reporting on the results of the additional audit work will be provided at the latest in the next ACRs (via SFC).