INTERact

Sharing Expertise

Introduction to ETC programmes
FLC in ETC programmes

Auditing European Territorial Cooperation programmes

First Level Control and Eligiblity

14 May 2009 | Nicosia, Cyprus

INTRODUCTION TO THE ETC PROGRAMMES

Objectives and eligibility	Structural Funds and instruments		
Convergence NUTS 2 GDP < 75% EU 25	**ERDF**	**ESF**	**Cohesion Fund**
Regional Competitiveness and Employment NUTS 1&2 Not covered by convergence	**ERDF**	**ESF**	
European Territorial Cooperation A: NUTS 3 B: cooperation zones C: all European Regions	**ERDF**		
	Infrastructure, Innovation, Investments etc.	Vocational training, Employment aids etc.	Environmental & transport infrastructure, renewable energy
	All Member States and regions		**Member States with a GNI/head below 90%**

Source: European Commission – DG Regio

INTRODUCTION TO THE ETC PROGRAMMES

European Territorial Cooperation
2,5% of the European Cohesion Policy
7,75 billion €

Cross-border Cooperation (73,86 %)

Transnational Cooperation (20,95 %)

Interregional Cooperation/Networks (5,19 %)

Source: European Commission – DG Regio

CROSS-BORDER COOPERATION

CBC EL/CY – Greece Cyprus

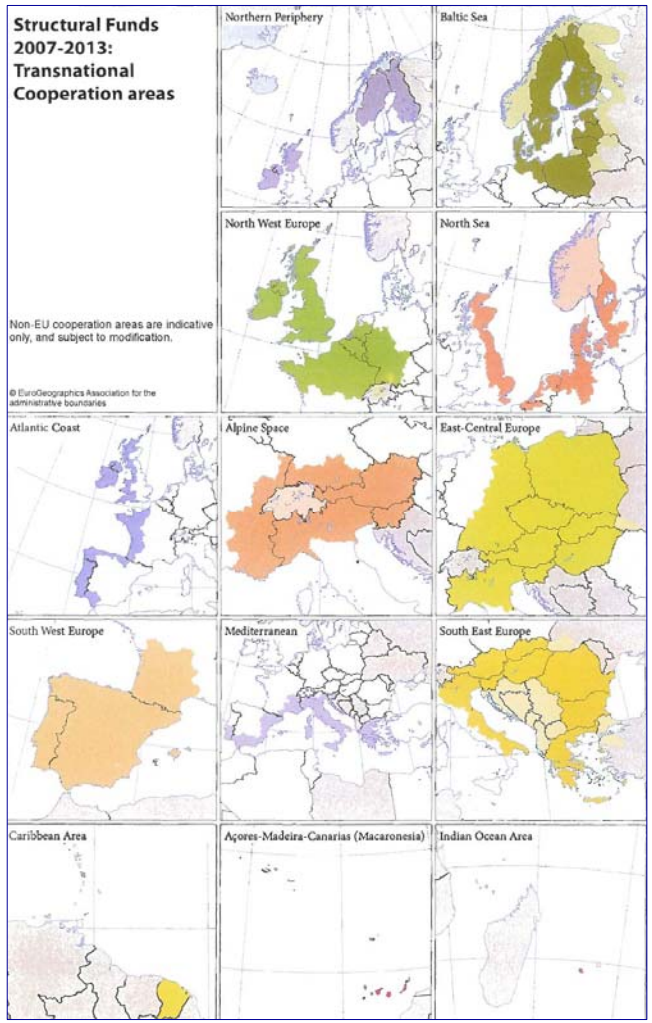
For **2007-2013**, CBC applies to **all NUTS 3 regions along the external and internal borders**, terrestrial as well as maritime

CROSS-BORDER COOPERATION: MAIN THEMES

5 main priorities of the programmes:

- Encouraging entrepreneurship
- Natural & cultural resources/risk prevention
- Urban and rural areas
- Reduction of isolation
- Infrastructures

TRANSNATIONAL COOPERATION



Cyprus is involved in:

-MED

MAIN CHANGES for 2007-2013:

- CADSES splits into 2 new programmes: EAST CENTRAL SPACE - SOUTH EAST SPACE
- MEDOCC and ARCHIMED are merged in the new MEDITERRANEAN SPACE
- SUDOE and ATLANTIC AREA will no longer comprise the outermost regions of Madeira, Azores and Canary Islands
- NORTHERN PERIPHERY programme is enlarged to Ireland and all regions in Scotland
- NORTH SEA programme adds the region of Kent (UK)

TRANSNATIONAL COOPERATION: MAIN THEMES

4 main priorities of the programmes:

- Innovation
- Environment
- Accessibility
- Sustainable urban development

INTERREG IVC (Cyprus is also involved)

- 321 MEUR, **one programme;**
- One JTS, MA, AA all based in France
- Four Information Points: Rostock, Katowice, Valencia and Lille;
- Whole EU territory is eligible;

REGULATORY FRAMEWORK 2007 – 2013

General Regulation 1083/2006
on the **ERDF**, the **ESF**
and the **Cohesion Fund**

- **National rules**
- **Programme rules (including fact sheets and manuals)**
- **COCOF* documents**

- **ERDF** Regulation: 1080/2006
- **ESF** Regulation: 1081/2006
- **Cohesion Fund** Regulation: 1084/2006

- Regulation 1082/2006 establishing a **European Grouping of Territorial Cooperation (EGTC)**

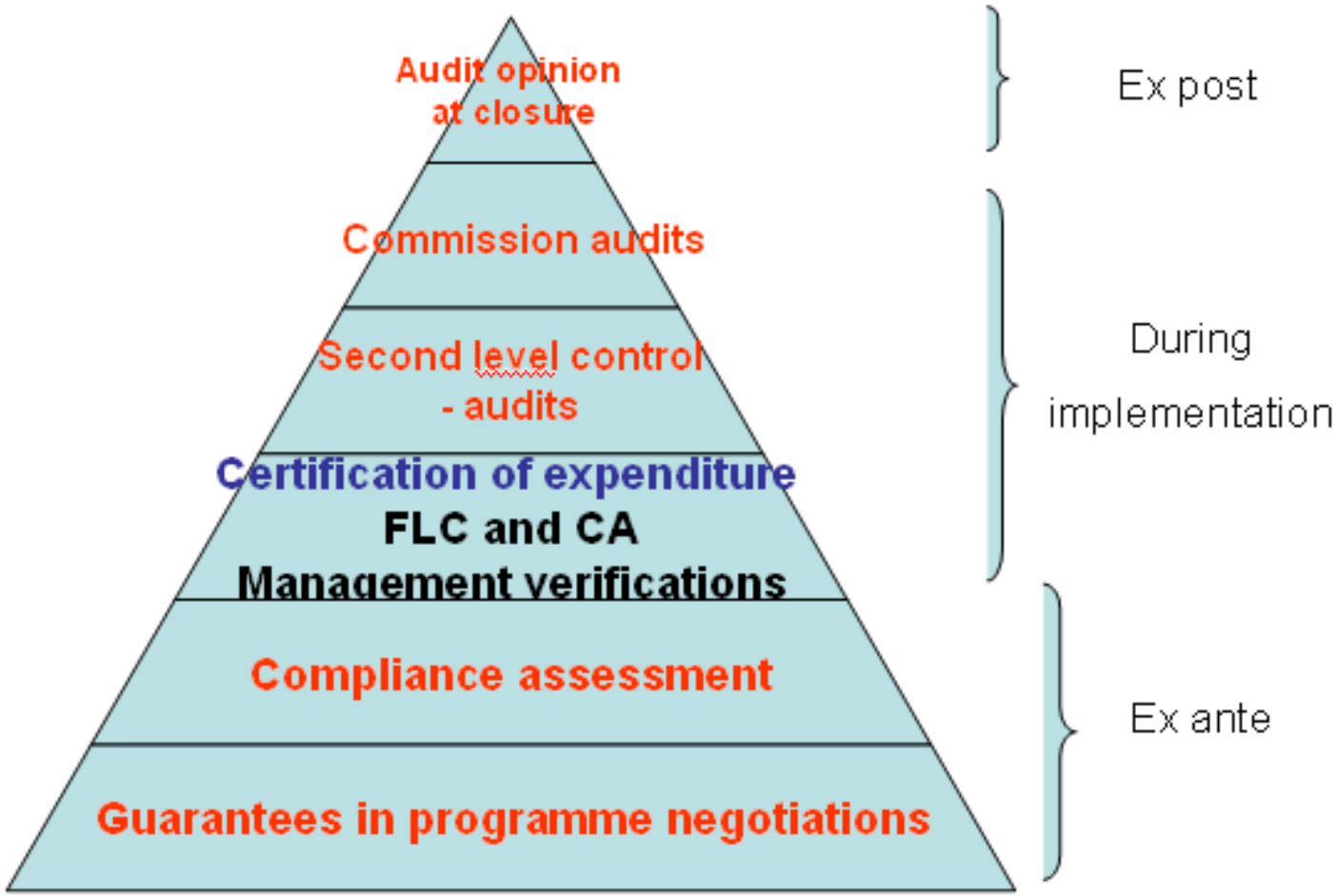
Commission Regulation nº 1828/2006 for the **Implementation of General Regulation 1083/2006:**

Information & Publicity, Management and Control systems, Financial corrections…

*Committee of the Coordination of Funds

First Level Control in ETC programmes

FLC is the basis of the system



Member States designate the FLC system for its beneficiaries

Regulation (EC) 1080/2006

§ 16.1

'… each Member State shall set up a control system…'

'… each Member State shall **designate** the **controllers** responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation…'

TYPES OF FIRST LEVEL CONTROL SYSTEMS

Decentralised

PP is free to choose auditor:

- MS defines competent FLC bodies

Centralised

PP is not free to choose auditor:

- All partners' expenditure controlled by regional / national body
- intermediate body checks invoices

Mixed

Combination of two systems:

- Decentralised with prior approval of the auditor
- Centralised for interim claims only
- Centralised for public bodies

Quality? Consistency? *Time? Max. 3 months*

Eligibility rules: National vs programme rules

Regulation (EC) 1083/2006

§ 56.4

'… rules on the **eligibility** of expenditure shall be laid down **at national level** subject to the exceptions provided for in the specific Regulations for each Fund. They shall cover the entirety of the expenditure declared under the operational programme.'

What is checked? (I)

Regulation (EC) 1080/2006

§ **16** 'In order to validate the expenditure, each Member State shall set up a control system making it possible to **verify the delivery** of the products and services co-financed, the **soundness of the expenditure** declared for operations or parts of operations implemented on its territory, and the **compliance** of such expenditure and of related operations, or parts of those operations, with Community rules and its national rules.'

What is checked? (II)

Regulation (EC) 1828/2006

§ **13** 'They shall include procedures to avoid double financing of expenditure with other Community or national schemes and with other programming periods.'

How to carry out First Level Control?

Regulation (EC) 1828/2006

§ **13** 'The verifications…shall cover administrative, financial, technical and physical aspects of operations, as appropriate.'

= Everything

Specifies some aspects of Article 60(b) EC 1083 / 2006 (Managing Authority).
In the case of ETC this refers to FLC.

How to carry out First Level Control

Regulation (EC) 1828/2006

§ **13** 'Verifications shall include the following procedures:

- Administrative verifications in respect of each application for reimbursement by beneficiaries:
- On-the-spot verifications of individual operations'

ELEMENTS OF CONTROL AND RESPONSIBLE BODIES

Therefore usually the control consists of:

1. Formal check **(Controller)**
2. Activity check **(MA / JTS)**
3. Sometimes ‘on-the-spot’ checks
   (First Level Controller / JTS / MA)

Results of First Level Control

Regulation (EC) 1828/2006

§ **13** 'Verifications shall ensure that the expenditure declared is real, that the products or services have been **delivered** in accordance with the approval decision, that the applications for reimbursement by the beneficiary are **correct** and that the operations and expenditure **comply with Community and national rules**.'

ELEMENTS OF CONTROL

Compliance EC & national rules on:

- Eligibility
- State aid
- Public procurement
- Publicity and information
- Protection of the environment
- Equal opportunities

AUDIT TRAIL

- Definition: evidence that all expenditure has been correctly spent and there is evidence of that

- Must allow authorities to:

  - Trace all declared expenditure to original invoices (or documents of equivalent probative value)
  - Verify the transfer of funds to final beneficiaries

- Clear description of the accounting evidence at each level, and communicate this to everyone involved, including project partners

- Accounting evidence should include:

  - Staff
  - Overheads
  - External experts
  - Travel and accommodation
  - Meetings and events
  - Promotion
  - Investments

ROLE OF THE LEAD PARTNER

Regulation (EC) 1080/2006

§ 20.1

'For each operation, a **lead beneficiary** shall be appointed by the beneficiaries among themselves.'

FLC carried out in
each partner Member State

National rules continue to apply

ROLE OF THE LEAD PARTNER

Regulation (EC) 1080/2006

§ 20.1

… ensure that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries.'

… verifies that the expenditure presented by the beneficiaries has been validated by the controllers

Information LP receives for reporting on activities

LP submits activity report on behalf of whole partnership

Timeframe of controls

Regulation (EC) 1080/2006

§ 16.2

'Each Member State shall ensure that the expenditure can be **validated** by the controllers **within** a period of **three months**.'

Irregularities

- The report presented by the partner may differ from the report approved by the first level controller.

- Any expenditure that has been considered by the first level controller as ineligible can be considered as an irregularity.

Summary

- Each Member State must designate the controllers responsible for this work at the start of the programme period
- Can be one per programme, one per country or several per country
- Ensure independence from project implementation
- Expenditures shall be validated within 3 months

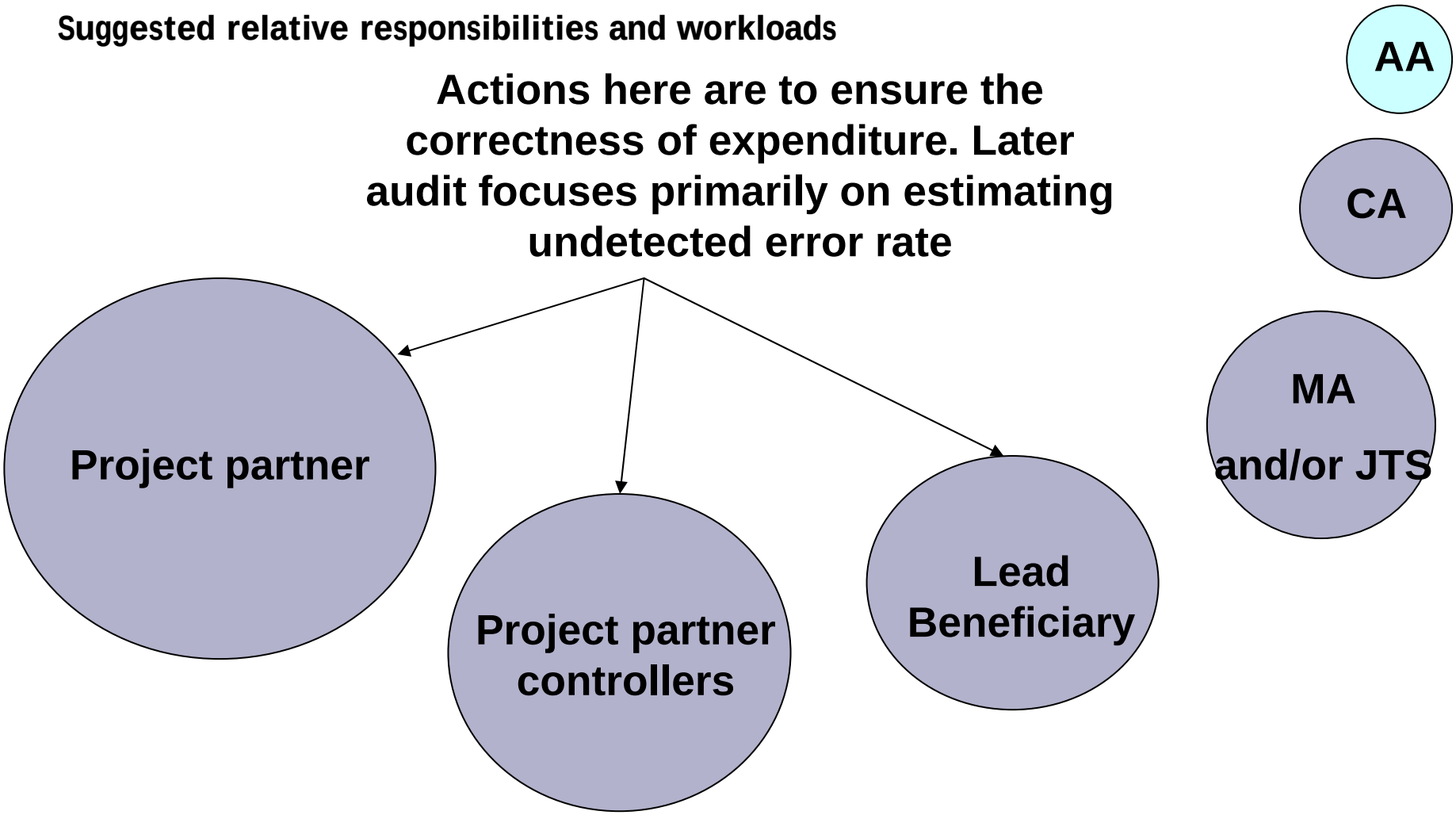
FUNCTIONS OF CONTROL

- Controllers task is to detect, correct and prevent the declaration of incorrect expenditure
- Controllers should provide assurance to programmes that there are no errors in the expenditure declared
- And assurance to beneficiaries that no errors will be found in their expenditure at a later stage
- Controllers are the only people in the programme carrying out this essential task

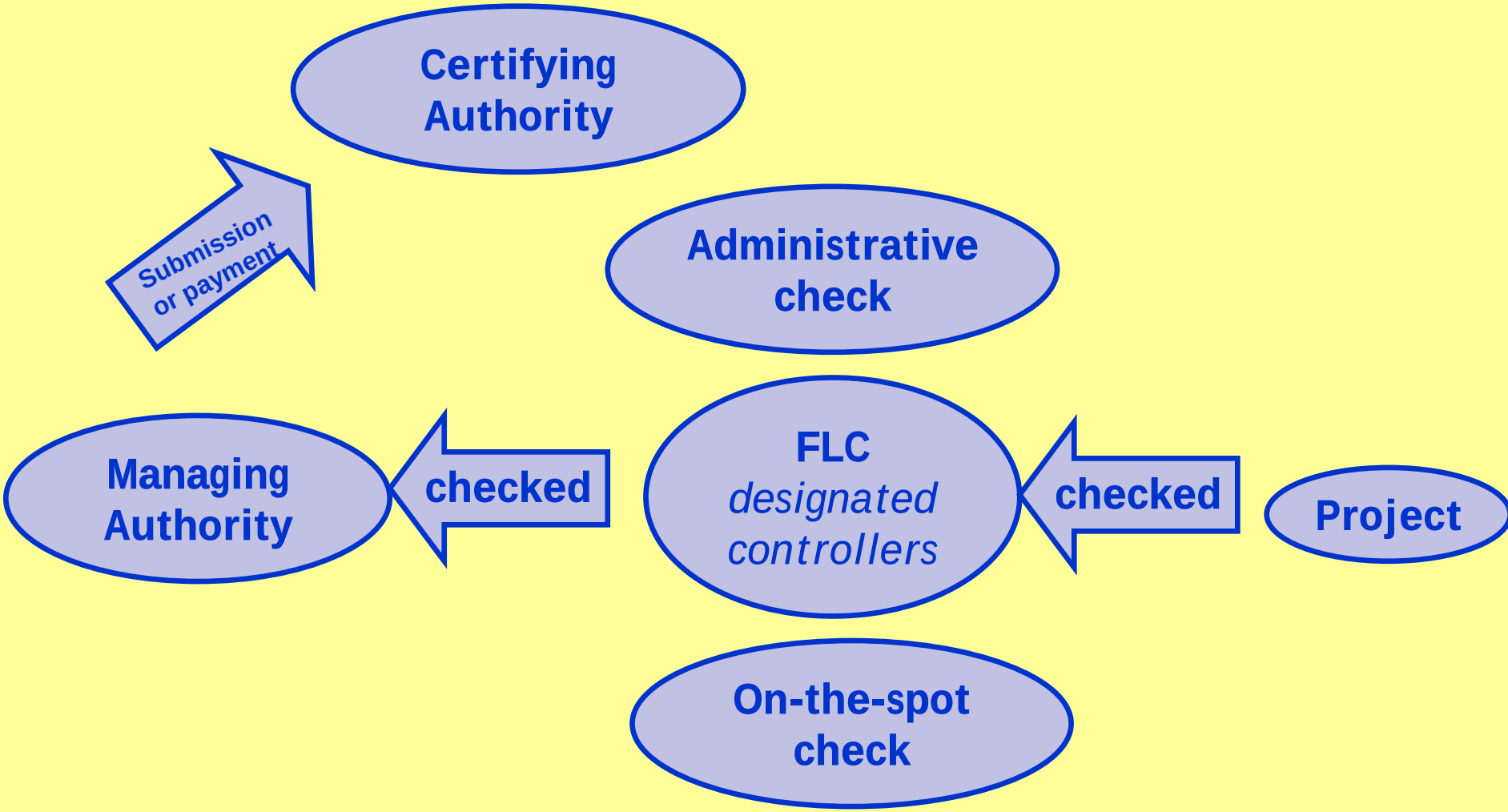
Role of all involved actors

Suggested relative responsibilities and workloads

Actions here are to ensure the correctness of expenditure. Later audit focuses primarily on estimating undetected error rate



CONTROL AND AUDIT SYSTEM IN ETC PROGRAMMES



CONTROL AND AUDIT SYSTEM IN ETC PROGRAMMES

Carried out by: First Level Control bodies designated by MS at the start of the programme and JTS / MA
Purpose: To check project expenditure and activities

First Level Control

Carried out by: Audit Authority
Purpose: To check programme systems and procedures and a sample of operations

Second Level Control

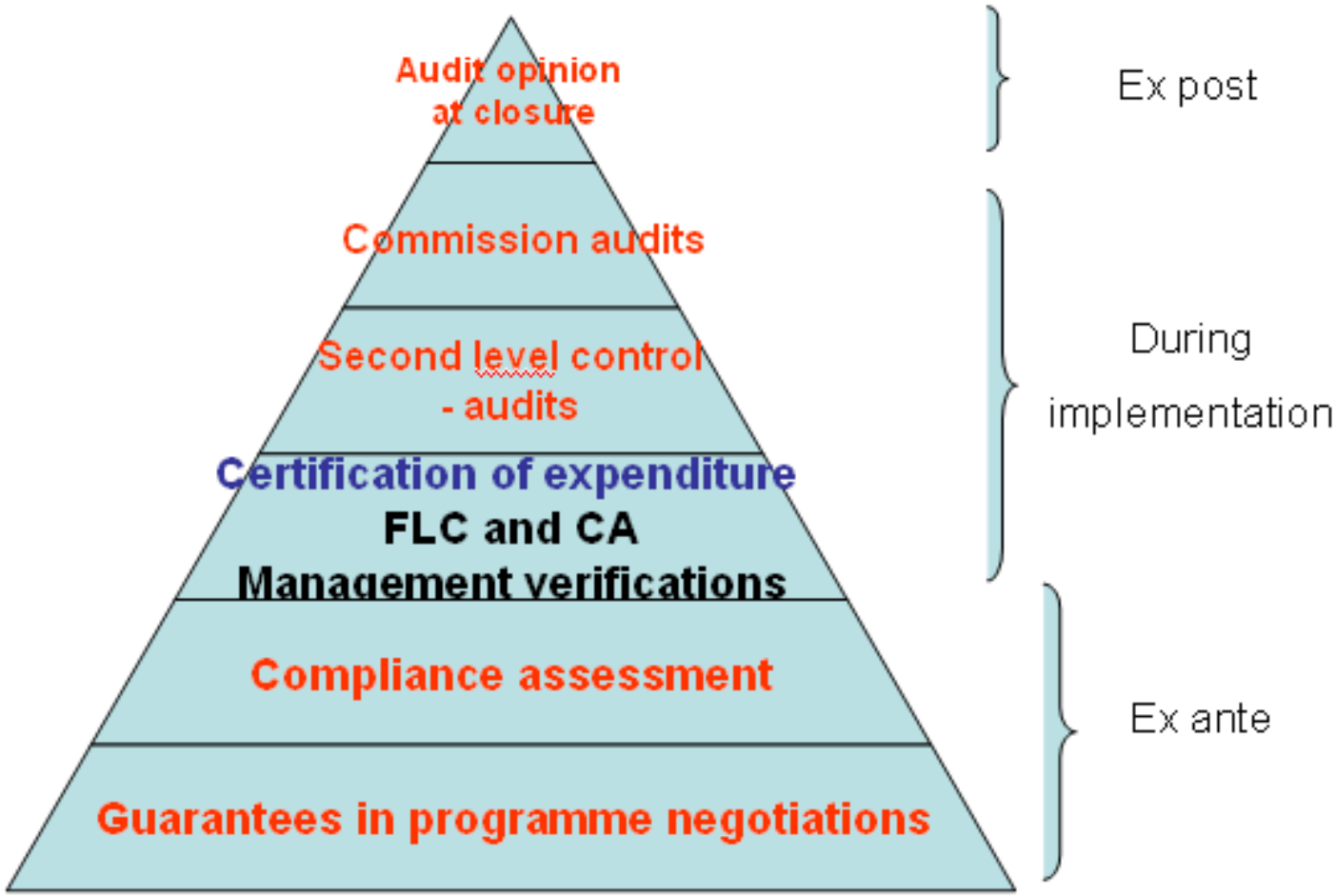
Control by CA

Third Level Control

Carried out by: Certifying Authority
Purpose: To check that project controls have been satisfactorily carried out before submitting a payment claim

Carried out by: The 'winding up body' – Audit Authority
Purpose: To check that all checks have been satisfactorily completed and it is safe to close the programme

FLC is the basis of the system



First Level Control in ETC programmes

- Co-financing organisations
- Member States
- Commission Audit Service
- Court of Auditors
- OLAF

Checks are not regular – but possible anytime

Thank you!

Sharing Expertise

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INTERACT is co-financed by the European Regional Development Fund (ERDF) | European Territorial Cooperation