



INTERact

Sharing Expertise

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**First Level Control in Territorial Cooperation programmes
and IPA CBC under shared management**

Administrative and on-the-spot checks

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Specifying some aspects: The EU COM guidance document on management verifications



‘Guidance document on management verifications to be carried out by Member States on operations co-financed by the Structural Funds and the Cohesions Fund for 2007 - 2013 programming period’. Final version 05/06/2008 COCOF 08/0020/04.

- A guidance by EU COM
- Contains very useful EU COM specifications but also raises questions for ETC



FLC consists of administrative AND on-the-spot checks

- **Management verification** of 100% of the applications for reimbursement is foreseen. But: This does not mean that verification of each individual expenditure item and the related proof of delivery is always practical or feasible.
- **On-the-spot verifications** are necessary to complement administrative verifications in order to ensure legality and regularity of expenditure. They can be carried out on a sampling basis.
- On-the-spot verifications complement administrative verifications to provide confirmation of assurance.



The administrative check should cover (1)

- Check of all applications for reimbursement
- Based on an examination of the claim and relevant supporting documents such as: Invoices, delivery notes, bank statements, progress reports, timesheets
- Recommended to **include as minimum**:
 - List of items of expenditure
- Reference to the related invoices or other documents of equivalent probative value
- Invoices and proof of payment for all items
- List of contracts awarded (allows early correction of common procurement problems)
- Total amount spent per budget line
- Date of payment and payment reference number



The administrative check should cover (2)

- The correctness of the application for reimbursement
- That expenditure relates to the eligible period
- That the expenditure relates to an approved operation
- Compliance with programme conditions including, where applicable, compliance with the approved financing rate
- Compliance with national and Community eligibility rules
- Adequacy of supporting documents and of the existence of an adequate audit trail
- Compliance with State aid rules, environmental rules and equal opportunity and non-discrimination requirements
- Compliance with EC and national public procurement rules
- The respect of EC and national rules on publicity



On-the-spot checks should cover

- **The reality of the operation**
- **Delivery of products and services in full compliance with the approved application**
- **Physical progress**
- **Compliance with Community and national rules on publicity and procurement rules**
- **Accuracy of all information provided by beneficiary regarding physical and financial implementation of the operation**



Organising on-the-spot checks

- Generally planned and notified in advance to ensure that the necessary staff and documents are available
- In cases where verification is impossible after an activity has finished (e.g. training courses) may be appropriate to conduct checks without prior notice
- Where different staff are responsible for administrative and on-the-spot checks, good feedback loops needed
- Different staff can be a good idea - to ensure that on-the-spot is also a quality check of administrative controls



Timing of on-the-spot checks

- When the project is well-advanced (physically + financially)
- Generally not after the end of a project (when it is too late to take corrective action and reality of operation can no longer be checked)
- In large projects, possibly more than once
- Where projects include purchase of assets and/ or revenue generation after the project, possibly after closure to ensure continuing compliance
- Where projects produce little lasting evidence (e.g. training courses) during implementation to ensure reality of deliverables



How much on-the-spot? What methodology for sample selection?

- **A risk-based selection** of projects and sample size is possible
- Based on **operational risks** (e.g., size of operation, past irregularities, unusual transactions) + possible random sample
- Size of sample and sampling method determined by **Managing Authority**
- Should include **all beneficiaries**, not just Lead Beneficiaries
- Controllers should keep **record of the sampling method** and the operations selected
- If problems are detected, **size of sample should be increased** until risk has been eliminated



Documenting checks

Documentation requirements:

- The work performed + name + position + date
- The date of any on-the-spot verification
- Results of the verification, including the level and frequency of errors detected
- Description of irregularities with a clear identification of the related EC or national rules
- Corrective measures taken
- Follow-up might include the submission of an irregularity report and/or a procedure for recovery of the grant.



Some comments on the Commission proposal and the programme response to them



Some things are different in ETC...

- Most parts of the guidance document and the regulations are written for national programmes with a MA working according to national (and Community) procedures and rules and MA is carrying out first level control itself.
- For European Territorial Cooperation, responsibility for FLC is assigned to the Member States
- But ultimate responsibility for the sound financial management of the programme rests with the MA.
- In ETC MA also sets up a JTS for general support

This adds extra players to the basic picture and raises additional questions!



Some things are different in ETC...

- In ETC FLC rules may be set by the programme rather than the Member States - always check with the programme on its inputs
- Remember that the terms of the contract and particularly the approved activities and budgets are likely to change over time - make sure you are working with the latest approved versions



Timing of on-the-spot checks (additional considerations for ETC)

Early visits can be beneficial:

- To detect a problem before it causes substantial errors
- To send the right signals to the beneficiary
- To get to know the beneficiary and its procedures, its controls and associated risks
- To save time in later administrative checks



Criteria for on-the-spot sampling of operations (examples for ETC)

- **Complex partner structures**
- **Bad experience** with the partner (e.g., by other EU programmes)
- **Partner legal status** (e.g., private)
- **Unusual transactions** spotted during monitoring (JTS)
- **Signs of bad financial planning** (frequent budget changes, slow spending etc.)
- **Unusually positive findings** from earlier control work
- **Unclear allocation of costs** to the project
- **Uncertainties with staff costs**, staff turn over - especially Lead Partner
- **Investments**



Responsibility of MA versus FLC

- There should be a feed-back mechanism between FLC and MA to inform about observations during FLC. “Where problems are identified in the verifications carried out on the sample, the size of the sample should be increased in order to determine whether similar problems exist in the unchecked operations.” (COCOF Section 2.7)
- Many programmes will have a checklist for on-the-spot verifications
- MA/JTS, AA and MS are also entitled to perform on-the-spot visits. CA less likely.
- Some things to consider:
 - MA/JTS and FLC visit at the same time
 - FLC Admin and FLC OTS: persons can vary
 - Visiting more than one project in one trip can be effective
 - Communication with MA is key. Division of tasks is a Programme decision!