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AGENCY FOR AUDIT OF
EUROPEAN UNION PROGRAMMES
IMPLEMENTATION SYSTEM

AA perspective on RBMV in 2021-2027 programming period

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- Interreg VI-A IPA CBC Programme Croatia-Serbia (CCI 2021TC16IPCB003) approved on 03 November 2022 by the EC

Priority axis	EU support	National part	Total funding
Total	38.281.653,00	6.755.588,00	45.037.241,00

Audit Strategy 2024-2025

The following activities are planned to be implemented by AA in cooperation with GoA members in 2025:

- System audit on KR4 and KR2
- Follow-up audit.



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Interreg - IPA CBC
Croatia - Serbia



Map of the Programme area





Annex III – Indicative schedule of audit assignments in relation to the current accounting year and the two subsequent accounting years for system audits

Interreg IPA Cross-border Cooperation Programme Croatia-Serbia 2021-2027 (CCI 2021TC16IPCB003)				
Authority / Body	Body responsible for auditing	Result of risk assessment for 2024-2025	2024 Audit objective and scope	2025 Audit objective and scope
MA (HR)	ARPA	Average	-	KR2, KR4
NA (HR)		Average	-	KR2, KR4
Acc Body (HR)		Low	-	-
CB (HR)		High		KR4
NA (SRB)		Average	-	KR2
CB (SRB)	GoA	High	-	KR4
JS (COMMON BODY)		Average	-	KR2



- Interreg VI-A IPA Cross-border Cooperation Programme Croatia-Bosna and Herzegovina-Montenegro 2021-2027 (CCI 2021TC16IPCB004) approved on 03 November 2022 by the EC

Priority axis	EU support	National part	Total funding
Total	117.685.699,00	20.768.066,00	138.453.765,00

Audit Strategy 2024-2025

The following activities are planned to be implemented by AA in cooperation with GoA members in 2025:

- audit of operations on the certified expenditures for the relevant accounting period;
- - system audit of the MA, NA and FLC Bodies in 2025;



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Map of the Programme area



The result of the risk assessment for each system body

0 % < IR*CR ≤ 10 % → Low risk

10 % < IR*CR ≤ 20 % → Moderate risk

20 % < IR*CR ≤ 30 % → Average risk

30 % < IR*CR ≤ 40 % → High risk

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Annex I – Risk assessment table

Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2021-2027; CCI 2021TC16IPCB004		Inherent Risk Factors					Total scoring for inherent risk (max 100%)	Control Risk Factors										Total scoring for control risk (max 100%)	
		1	2	3	4	5		1	2										
		Complexity of the organizational structure	Complexity of rules and procedures	Type (complexity) of operations	Staffing (sufficiency, competence)	Risky beneficiaries		Open findings (recommended improvements to be implemented)	Quality of internal controls (assessment based on the process of assessing compliance with designation criteria, essential key requirements according to Audit manual and professional judgment)										
No.	Body							KR1	KR2	KR3	KR4	KR5	KR6	KR7	KR8	KR9	KR10		
1	MA (CRO)	5,00%	5,00%	5,00%	5,00%	5,00%	25,00%	1,25%	1,41%	2,81%	1,41%	10,0%	1,41%	1,41%	1,41%	1,41%			23,93%
2	Acc B (CRO)	5,00%	5,00%	5,00%	5,00%	5,00%	25,00%	2,25%									2,25%		3,50%
3	NA (CRO)	5,00%	5,00%	5,00%	5,00%	5,00%	25,00%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%		21,50%
4	CB (CRO)	5,00%	10,00%	5,00%	10,00%	5,00%	35,00%	2,81%	2,81%	2,81%	5,63%	2,81%	2,81%	2,81%	2,81%	2,81%	2,81%		30,61%
5	NA (BIH)	5,00%	5,00%	5,00%	5,00%	5,00%	25,00%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%		21,50%
6	CB (BIH)	5,00%	10,00%	5,00%	10,00%	10,00%	40,00%	2,81%	2,81%	2,81%	5,63%	2,81%	2,81%	2,81%	2,81%	2,81%	2,81%		30,61%
7	NA (MNE)	5,00%	5,00%	5,00%	5,00%	5,00%	25,00%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%		21,50%
8	CB (MNE)	10,00%	10,00%	5,00%	10,00%	5,00%	40,00%	2,81%	2,81%	2,81%	5,63%	2,81%	2,81%	2,81%	2,81%	2,81%	2,81%		30,61%
9	JS (COMMON BODY)	10,00%	5,00%	10,00%	5,00%	5,00%	35,00%	1,88%	1,88%	1,88%	5,63%	1,88%	1,88%	1,88%	1,88%	1,88%	1,88%		21,92%



Annex III – Indicative schedule of audit assignments in relation to the current accounting year and the two subsequent accounting years for system audits

Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020 (CCI 2014TC16I5CB004)				
Authority / Body	Body responsible for auditing	Result of risk assessment for 2024-2025	2024 Audit objective and scope	2025 Audit objective and scope
MA (HR)	ARPA	Average	-	KR2, KR4
Acc Body (HR)		Low	-	-
NA (HR)		Average	-	KR2, KR4
CB (HR)		High	-	KR4
NA (BIH)	GoA	Average	-	KR4
CB (BIH)		High	-	KR4
NA (MNE)		Average	-	KR4
CB (MNE)		High	-	KR4
JS (COMMON BODY)	ARPA	Average	-	KR2



Audit Procedures

- ✓ The Audit Authority, pursuant to Article 77(2) (Functions of the audit authority) of the CPR (EU) No 2021/1060, ensures that the audit work shall be carried out in accordance with **internationally accepted audit standards** and the AA shall also consider all provisions of EU regulations and **guidelines/methodological notes** for the Member States, given by the EC.
- ✓ Regarding the work of the GoA members, the coordination and supervision process is ensured through **regular GoA meetings**. Additionally, during the audit engagements, the GoA is to consult the AA on all significant matters and submit draft audit reports to the AA for comment. Audit work by GoA members is to be submitted to the AA for quality review.
- ✓ AA and EC Auditors: regular **Annual Coordination Meeting**
- ✓ **Common sample** (Art 49) of the REGULATION (EU) 2021/1059 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments - Drawn by the EC; Sample unit partner; Equal probability selection (SRS); Minimum sample per programme: -3 for < 500 partners & 5 for ≥ 500 partners

Risk-based methodology

- ❑ Good communication between the MA and AA is important. As a good practice, the MA should inform the AA about their risk assessment in order to have a mutual understanding and enhance the quality of the MA's risk-based approach. The AA can provide comments about the MA's risk assessment and methodology, but it is up to the MA whether to take these into account
- ❑ *Management verifications should be proportionate to the risks resulting from that risk assessment and audits should be proportionate to the level of risk to the budget of the Union.*



Audit trail

Electronic – recommended

For all, not only the ones selected for verifications

5-years from 31 December of the year in which the last payment by the MA to the beneficiary was made

Reduce administrative burden

Data transferred only once

Save time and resources

Avoids errors

Embedded controls



Management verifications vs. audits

- ❖ Communication is always crucial
- ❖ Risk assessment – subject to system audits & influenced of results of audits of operations
- ❖ The errors/irregularities identified during management verifications are not extrapolated
- ❖ Irregularities identified during audits are extrapolated
- ❖ Single audit arrangements (The Single Audit approach refers to an audit system in which each audit layer builds on work done by the preceding one, provided that this is reliable and accurate, thus avoiding duplications of audit work. This approach applies between the EC and MSs auditors)
- ❖ It is possible that an operation/payment claim/expenditure is not verified by MA but it is audited by AA



Control Guidelines for INTERREG VI-A IPA Programmes

Administrative risk-based management verification

MA has decided that risk-based management verifications are done by controllers at the level of each LP/PP and its Partner Progress Report.

Verification of each Partner Progress Report is composed of a **full verification of risky items** ("**key-item verification**") and items selected for verification based on the of the controller. Since the selection of expenditure items for full verification is not fully **professional judgement** automated - in Jems controllers have to note how they determined the items selected for verification using Annex 2 Risk based verification audit trail.

Key-items verification

1. Public procurement for contracting amounts above EUR 10.000 excluding the VAT;
2. Staff costs (only if reported as real costs):
 - a. All staff costs of the first partner progress report where staff costs occur;
 - b. Staff costs of a new staff member included for the first time in the subsequent partner progress report;
 - c. Staff costs in case there are changes in the methodology (e.g., a change from full time to fixed percentage method).
3. VAT (for projects with total costs of at least EUR 5 million, including VAT).



Control Guidelines for INTERREG VI-A IPA Programmes

Administrative risk-based management verification

Professional judgement

- At least one item per report must be selected. Item(s) to be controlled are selected from the remaining population of reported real costs and at least 10% of value (of the remaining reported real costs) must be included in the items subject to verification.

The controller should briefly justify why a certain expenditure item has been checked by selecting a criterion from the drop-down menu

On - site verifications

- On-site verifications, in accordance with Article 74 of the CPR, are performed based on a sample based on a risk assessment that considers 3 criteria: the presence of equipment with a designated value, the presence of works regardless of their value and the controller's assessment based on their professional judgement. If one or more of the above criteria are met, the PP will be subjected to an on-the-spot check (OTSC) before verifying the final Partner Progress Report
- On-the-spot verifications should be carried out when the project is well under implementation (i.e., not at the very early stages, but rather after 2-3 progress reports)



Annexes to the Interreg IPA Control Guidelines_version 1.0_final

Annex 1 Request for application of financial corrections

Financial correction type:

- a) incomplete audit trail
- b) incorrect public procurement
- c) State-aid related error
- d) information & publicity error
- e) incorrect use of simplified cost option
- f) VAT non eligible, when applicable
- g) no or insufficient link to project
- h) miscalculation
- i) cost declared twice
- j) double funding
- k) breach of sound financial management principle
- l) other ineligible expenditure
- m) positive correction
- n) overspending
- o) other



Annex 2_Risk based verification audit trail

Controller	
Programme	
Project acronym	
Project partner	
Reporting period	
Period duration	
Reported amount	



Annex 2_Risk based verification audit trail

1. Key items verification			
Criteria	Costs included in the initial sample (if applicable)		Findings, comments and errors found <i>Provide a brief description of findings and eventual errors found</i>
	Cost category	Item no / LoE ID <i>e.g. R.1.3</i>	
Staff costs (only if reported as real costs): a) All staff costs of the first partner progress report where staff costs occur; b) Staff costs of a new staff member included for the first time in the subsequent partner progress report; c) Staff costs in case there are changes in the methodology (e.g., a change from full time to fixed percentage method).	Staff		
Procurement for contracting amounts equal to or above EUR 10.000,00 excluding the VAT	External expertise and services		
	Equipment		
VAT (for projects with total costs of at least EUR 5 M, including VAT).	Fill in relevant cost category		

Add rows if necessary

NOTE: If a key item related to public procurement for contracting amounts equal to or above EUR 10.000 excluding the VAT is not claimed in the full contracted amount in the current partner report – meaning that the activity/delivery is realized in phases over more than one reporting period – this must be noted as a follow up note for next partner reports in the control report / verification check list, public procurements audit trail, as errors can be detected not only in public procurement process but also in contract implementation and final delivery.



Annex 2_Risk based verification audit trail

2. Professional judgement			
Costs included in the initial sample (if applicable)		Reasoning for the selection	Findings, comments and errors found
Item no / LoE ID	Cost category	Select from the drop down menu why this costs was included in the initial sample	Provide a brief description of findings and eventual errors found
e.g. R.1.3	Fill in relevant cost category		

Add rows if necessary.

3. Extension of sample		
<i>In case of errors found in key item/s or professional-judgement item/s please use Tool for extension of verification (sheets STAFF_part1 to 3 and OTHER COSTS_part1 to 3 if applicable).</i>		
Costs included in the extended sample		Findings, comments, errors found and extension of sample, conclusions
Cost category	Item no / LoE ID	Description of findings and measures taken to extend the sample as well as conclusions of the sample extension with regard to errors found/not found are automatically copied from tool for extension "_part 3" sheets.
STAFF costs	e.g. R.1.6	<p>e.g. Error was found in items R.1.1 and R1.6. Therefore, additional 2 items for extension were selected randomly: R1.23 and R1.17. Additional item R1.23 had an error so the sample was extended to next item in line, i.e. R1.18. Extension ended after no error was found in R1.18.</p>
OTHER costs*		<p>e.g. Error was found in items R.1.1 and R1.6. Therefore, additional 2 items for extension were selected randomly: R1.23 and R1.17. Additional item R1.23 had an error so the sample was extended to next item in line, i.e. R1.18. Extension ended after no error was found in R1.18.</p>

Add rows if necessary.



Annex 3 Irregularity alert form

Indicate the type of irregularity	A) irregularity	B) irregularity which involves the suspicion of fraud
Date and source of the receipt of the first information of irregularity		
Body responsible for irregularity		
Acronym and ID of the Project (if applicable)		
Short description of the irregularity		
Person/body reporting the irregularity and contact information		
Documentation supporting the suspicion (if applicable)		
Additional remarks		

- Mark A or B depending on the type of irregularity
- Indicate the reasons for the suspicion including the irregular amount (if applicable)



The European Commission and each IPAIII Beneficiary shall conclude a Financial Framework Partnership Agreement (FFPA) for the entire programming period 2021-27

- ❖ The FFPA sets out specific provisions for the management, control, supervision, monitoring, evaluation, reporting and audit of IPAIII assistance.
- ❖ The FFPA also transposes into the legal order of the Beneficiary the relevant provisions of the Union's regulatory framework.
- ❖ In principle, IPA III assistance can only be granted after the FFPA has been concluded for multi country and cross border cooperation programmes, the FFPA has to be in principle concluded by all IPA III beneficiaries involved in the programme. However, the Commission may apply a derogation in case of a late ratification of a FFPA.



TITLE II SPECIFIC PROVISIONS RELATING TO ENTRUSTING THE IPA III BENEFICIARY WITH BUDGET IMPLEMENTATION TASKS

Article 12 Conditions for entrusting the IPA III beneficiary with budget implementation tasks

(2) When managing IPA III funds, the IPA III beneficiary shall respect the principles of **sound financial management (the EU budget shall be implemented in accordance with sound financial management, comprising the principles of economy, efficiency and effectiveness)**, transparency, non-discrimination and ensure the visibility of IPA III assistance...inter alia:

- (a) the nature of the action;
- (b) the financial risks involved;
- (c) the level of assurance stemming from their systems, rules and procedures together with the measures taken by the Commission to supervise and support the implementation of the tasks entrusted to them.

(3) In order to protect the financial interests of the EU, the IPA III beneficiary shall:

- (a) set up and ensure the functioning of an **effective and efficient internal control system** based on international best practices and allowing in particular to prevent, detect, report and correct irregularities and fraud;
- (b) use **an accounting system** that provides accurate, complete, analytical and reliable information in a timely manner;
- (c) ensure that the structures and authorities are subject to an **independent external audit**, performed in accordance with internationally accepted auditing standards by the AA functionally independent of the structures and authorities concerned;
- (d) apply **appropriate rules and procedures for providing financing to third parties, including transparent, non-discriminatory, efficient and effective review procedures, rules for recovering funds unduly paid and rules for excluding from access to funding; make public adequate information on their recipients;**
- (f) **ensure protection of personal data.**



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Thank you for your attention!

Good luck to us all!

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