



AUDIT AND 2% ERROR RATE SPECIFICS OF INTERREG PROGRAMMES

Czech Perspective on European Territorial Cooperation after 2020



Position

The Czech Republic calls for better consideration of the INTERREG specificities in audits.



Rationale

INTERREG programmes are always more complex than mainstream programmes due to the fact that their implementation has to respect legal frameworks and public administration systems of at least two Member States. That, of course, increases a risk of errors. The materiality level of 2 % for errors is therefore too low for these programmes.

In case of cross-border programmes, the risk of exceeding the 2% error rate is higher due to the fact that these programmes are very often a mixture of hard investments and soft activities (networking and collaboration). An irregularity identified in one investment project can (and in the past did) rise the error rate above the materiality level, namely if the selected sample of projects includes mainly soft projects.

The level of error rate also depends on the method of selection of a sample to be audited and a projection of errors of that sample to the whole audited population. For INTERREG programmes, with their lower number of projects but a high number of partners, non-statistical methods of sampling rather than statistical methods, are often used by the Audit Authorities in order to decrease the workload with audits. However, in such a case a projection of errors of the selected sample of expenditures to the whole audited population could have such an effect that a small irregular amount would result in high projected error rate.

Another issue is that errors, though identified only in one of the Member States, are considered systemic for the whole programme. This approach is in contradiction to the decentralisation of the control systems to the Member States level (a deficiency in the control system in one Member State does not automatically imply that there is the same deficiency in other Member States).



Example

The error rate for the CBC programme Czech Republic – Poland was 5.01 % in 2011. The sample of projects audited consisted of nine projects that included 14 partners and 24 payments in total. In this case the basis for the error rate was an application of the 25 % financial correction because of the public procurement creating a payment claim that represented 14.66 % of the total audited expenditures. Consequently, the Commission interrupted payments to the programme from the EU budget.

For the same CBC programme, the amount of ineligible audited expenditures in 2014 was approx. 31,700 EUR from the total audited expenditure of approx. 6,100,000 EUR (0.52 %). Due to the method of sampling used by the Audit Authority, the projected error was approx. 647,000 EUR of 23,144,000 EUR of the total expenditure declared in 2014, which represented 2.80 % error rate. In this case the error rate rose above the materiality level only as a result of error projection.



Suggested change

We propose that the materiality level for INTERREG programmes is set higher than the currently applicable 2 %. We also propose to take the specificities of INTERREG programmes more into consideration in the rules and procedures of audit work.

For a follow-up do not hesitate to contact:

Martin BURŠÍK

Deputy Director, INTERREG Czech Republic

Tel: +420 234 152 190

GSM: +420 731 628 272

e-mail: martin.bursik@mmr.cz