Roadmap for the assurance package
2021-2027

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Content

Abbreviations

AA	Audit authority
ACR	Annual control report
CPR	Common Provisions Regulation
EC	European Commission
ECA	European Court of Auditors
EPA	Enhanced proportionate arrangements
MA	Managing authority
MCS	Management and control system
MS	Member State
OLAF	European Anti-Fraud Office

1 Introduction

The new 2021-2027 programming period introduced certain changes when it comes to the assurance package. This document summarises the main novelties and is structured around four main components of the assurance package; i.e., accounts, management declaration, annual control report, and audit opinion. The document also describes changes concerning the accounting function and how to organise it in the programme; different types of audits that together comprise the "trilogy of audits", as well as irregularities and how to treat them.

The first version of this document was published on Interact's website in October 2022. In version 2 of August 2023 the amendments were made to reflect the published by the EC methodological notes: Methodological note for the assessment of the management and control systems in the Member States (published in May 2023), Methodological note on the preparation, submission, examination and audit of accounts in the 2021-2027 programming period (published in August 2023), and Methodological note on the annual control report, audit opinion and treatment of errors were published in (published in July 2023). All references in the roadmap have been revised and might be revised in the future should any changes occur in the final documents.

2 Main novelties in 2021-2027[1]

2.1 Accounting function

The regulatory framework in 2021-2027 does not define a certifying authority as a programme body. The rationale behind this change is to simplify the controls system, and to reduce bureaucracy and the so-called "red tape" of the structural funds. Instead, a new accounting function has been introduced, which assumes some of the tasks of the former certifying authorities. The body responsible for the accounting function is no longer required to "certify" that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of regularly selected operations, but performs the following tasks[2]:

- drawing up and submitting payment applications to the EC;
- drawing up and submitting the accounts;
- confirming the completeness, accuracy and veracity of the accounts;
- keeping records of all elements of the accounts, including payment applications;
- registering payments made by the EC;
- registering payments made to the lead partner.

The accounting function no longer covers the mechanism of recoveries (more on this in the next chapter). Furthermore, it should not include any verifications at the beneficiaries' level.

2.2 Components of the assurance package in 2021-2027

In the 2021-2027 programming period, the following elements are part of the assurance package[3]:

- the accounts;
- the management declaration;
- the annual audit opinion;
- the annual control report.

To simplify and reduce the administrative burden, the structure of the assurance package has also been simplified in the 2021-2027 period: the annual summary which had to be submitted by the MA as part of the assurance package is no longer required.

Each component of the assurance package for each accounting year has to be submitted by the responsible body to the EC by 15 February following the end of the accounting year concerned. In exceptional cases, this deadline can be extended by the EC to 1 March.

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[1] Only novelties related to the topic of the assurance package are presented in the document.

[2] Article 76 CPR, Article 47 of the Interreg Regulation

[3] Article 98 CPR

3 Accounts

3.1 Body responsible for the accounting function in 2021-2027

There are three ways to organise the accounting function in the programme:

1. The MA assumes the accounting function;

The MA bears the responsibility for the accounting function and performs the function itself. The accounting function may be carried out as part of other duties of the MA staff[4] (no need to ensure separation of functions in this case).

2. The MA assumes the function, but externalizes certain tasks within it;

The MA bears the overall responsibility for the accounting function but does not carry out certain tasks itself. Such tasks (for instance, drawing up accounts) can be externalized to an external body respecting public procurement rules[5]. The MA will then act as a “contracting authority” and has to apply the EU Public Procurement Directive and national rules.

3. The accounting function is entrusted to another body.

The Member States and, where applicable, third countries, partner countries, and OCTs participating in an Interreg programme may entrust the accounting function to another body instead of the MA. In this case, the body responsible for the accounting function should be identified as a programme authority. This body assumes full responsibility for the accounting function[6]. The separation of functions between programme authorities will have to be respected[7]. The body needs to be appointed before the programme is submitted to the EC for approval since all programme bodies must be identified in the Interreg programme document[8].

3.2 Submission of payment applications

Annex 1 lists the accounting years in the 2021-2027 programming period.

There are no limitations on the number of payment applications that an Interreg programme (i.e., the body performing the accounting function) can submit during the accounting year to the EC.[9]

[4] Key requirement 1, assessment criteria 1.2 and 1.4 of the Methodological note for the assessment of the management and control systems in the Member States (CPRE_23-0007-01, adopted on 24 May 2023).

[5] Such costs are eligible under Article 42 of the Interreg Regulation, point(l) costs for the accounting function on programme level pursuant to Article 76 CPR and Article 47 of the Interreg Regulation.

[6] A single body can be responsible for more than one programme (Article 71(1) CPR)

[7] Article 71 CPR

[8] Article 17(6) of the Interreg Regulation

[9] The limitation set in Article 91(1) CPR does not apply to Interreg programmes

In the 2014-2020 period, between 1 and 31 July each programme had to submit a final payment application for the accounting year to the EC, even if no further amounts were included.

In 2021-2027, the submission of zero accounts is no longer required. Besides, the last payment application submitted by 31 July of the accounting year is automatically considered the final payment application for the accounting year that ended on 30 June.

3.3 Preparation of accounts

In the 2021-2027 period, the structure of accounts has been simplified[10]. It has been reduced to 7 appendices, as below:

- Appendix 1 – Amounts entered into the accounting systems of the body carrying out the accounting function;
- Appendix 2 – Amounts withdrawn during the accounting year;
- Appendix 3 – Amounts or programme contributions paid to financial instruments[11];
- Appendix 4 – Reconciliation of expenditure;
- Appendix 5 - Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled for ERDF, ESF+, CF, JTF and EMFAF[12];
- Appendix 6 - Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled for AMIF, ISF and BMVI[13];
- Appendix 7 - Advances paid in the context of State aid under Article 91(5) CPR.

The accounts should be drawn for each accounting year and should include at the level of each priority and, where applicable, by fund, the total and public eligible amount, the amounts withdrawn, the amounts of public contribution paid to the financial instruments, State aid advances, and reconciliation of amounts. Appendices 5 and 6 are not applicable to Interreg programmes. As of date of publication (August 2023), financial instruments (Appendix 3) as well as repayable advances as State aid (Appendix 7) have not been used in any Interreg programme.

In 2021-2027, Appendix 1 requires information on incurred amounts of public contribution (made and to be made), while in 2014-2020 information on both incurred and paid amounts was required.

In August 2023, the EC has published the methodological note on the preparation, submission, examination and audit of accounts in the 2021-2027 programming period. Detailed information on how to fill in each of the annexes of the accounts is presented in this methodological note[14].

[10] Annex XXIV Template for the accounts – Article 98(1), point (a) CPR

[11] According to the information from 2023, no Interreg programme has been implementing financial instruments.

[12] Enabling conditions (Article 15 CPR) do not apply to Interreg programmes (Article 1(3) CPR).

[13] Not applicable to Interreg programmes.

[14] Methodological note on the preparation, submission, examination and audit of accounts in the 2021-2027 programming period (August 2023).

The body performing the accounting function should deduct the following from the accounts:

- an irregular expenditure which has been subject to financial corrections;
- an expenditure that is subject to an ongoing assessment of its legality and regularity;
- other amounts to reduce the residual error rate (RTER) to 2% or below.

The practice of closing the accounts with every accounting year remains in 2021-2027. Thus, if irregular amounts are detected after the submission of the accounts in which the amounts were included, the corresponding adjustments should be made in the accounting year in which the irregularity is detected (and reported in Annex 1 to the accounts).

For the final accounting year (1 July 2029 – 30 June 2030, or earlier in the case of an early closure), along with the assurance package a final performance report has to be submitted (by 15 February 2031)[15].

3.4 Treatment of irregularities

Several new elements have been introduced in the 2021-2027 period when it comes to how irregularities should be dealt with.

The biggest simplification in the treatment of irregularities is that the recovery from beneficiaries is now treated as a national affair, and it should not be reported in the accounts[16]. This means that there is no longer differentiation between the recovered amounts, amounts to be recovered, and irrecoverable amounts (all of this is taken out from the accounts structure). Only withdrawals from the payment applications (claims) and deductions from the accounts are possible.

Another significant change in the regulatory framework for 2021-2027 is that technical assistance (TA) is no longer an individual priority but is reimbursed as a flat rate of the claimed expenditure by the programme in its payment applications submitted to the EC[17]. This means that any corrections in the basis costs of the flat rate (expenditures in the payment applications) will proportionally reduce the amount of TA that the programme will get. For more details on the technical assistance flat rate, check this fact sheet.

It is also important to note that for the 2021-2027 programming period the Regulations are more specific regarding the requirement to deduct amounts which are subject to an ongoing assessment from the accounts. In the payment applications submitted by the body performing the accounting function (Annex 1 to the accounts, Annex XXIII CPR – Template for payment applications), the amount of the technical assistance (column B in Annex 1 to the accounts, or column D in Annex XXIII CPR) is calculated automatically by SFC2021 applying the TA flat rate percentage resulting from the financing plan of the programme.

[15] Article 33 of the Interreg Regulation. A template for the final performance report adopted in an implementing act should be used (Article 43(5) CPR).

[16] Article 52 of the Interreg Regulation

[17] Article 27 of the Interreg Regulation

It is also important to note that for the 2021-2027 programming period the Regulations are more specific regarding the requirement to deduct amounts which are subject to an ongoing assessment from the accounts.

Last but not least, in the previous programming period for the split of the amounts withdrawn, irregularities arising from the audit of operations had to be given separately. In 2021-2027, the template for the accounts requires the split of amounts withdrawn as a result of AA audits (covering also other national audits, the Commission and the ECA audits, such as audits of operations, system audits, horizontal audits, incl. individual and systemic corrections). The amounts stemming from EC and ECA audits and OLAF investigations should be disclosed separately.

The following elements remain the same as in the previous programming period (2014-2020):

- irregular amounts below EUR 250 (not including interest, in contribution from any of the Interreg funds, including external financing, per project, per accounting year) may be left uncorrected in the accounts[18] (in Interreg programmes, based on a prior decision of the participating countries in the Interreg programme not to recover such unduly paid amounts);
- for irregularities detected withdrawal or deduction from the accounts should be applied;
- a split of amounts withdrawn during the accounting year should be given by the accounting year of the declaration of the corresponding expenditure;
- the total amount and public contribution part of irregularities should be provided.

3.4.1 Scenarios for treatment of irregularities

Based on the legal framework, 5 different scenarios for handling irregularities have been defined.

The flowchart in <u>Annex 3</u> demonstrates how to decide which scenario to apply when handling an irregularity.

NB: scenarios concern irregularities found in the accounting year they were declared. Scenarios do not concern irregularities found from the previous (closed) accounting years. Scenarios do not concern other corrections than irregularities[19] (e.g., flat rates corrections, clerical mistakes, adjustments not related to irregularities, etc.).

3.4.2 Scenario 1

An irregularity (EU contribution part from any of the Interreg funds) is below EUR 250. The amount should be below EUR 250 per project in an accounting year.

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[18] Article 52 of the Interreg Regulation

[19] This does not mean that irregular amounts cannot occur under flat rate corrections, clerical mistakes, etc.

How to address such an irregularity?

- No correction in the accounts or payment applications is needed (the EC only has to be notified of the programme's decision not to recover the amounts).
- It is important to have a system in place that allows checking whether the cumulative amounts of such irregularities do not exceed the EUR 250 threshold. If several irregularities are found in the same project in the same accounting year (even if irregularities are not related and stem from different project partners), the overall amount (in contribution from any of the Interreg funds, not including interest) must be below the threshold, for the amounts to be left uncorrected. Otherwise, Scenario 3 applies.

3.4.3 Scenario 2

An irregularity is detected before 31 July (the deadline for the final payment application for the accounting year that has ended 30 June[20]) before the submission of the accounts.

How to address such an irregularity?

- If the irregular amount has not yet been included in any previous payment application, it should not be claimed.
- If the irregular amount was already included in the previous payment application, the amount normally should be withdrawn in the next interim/ last payment application for the corresponding accounting year.
- If the amount is withdrawn in the next interim/ last payment application, the withdrawn amount should be reported in Appendix 2 of the accounts.[21]
- Appendix 2 also includes a table for indicating total sums relating to each accounting year (by year of the declaration of the amount), and the amount corrected as a result of audits.
- In any case, the legal obligation is to deduct all the known irregular amounts at the time of submission of the accounts at the latest (see Scenario 3).

3.4.4 Scenario 3

An irregularity is detected after the submission of the last payment application for the accounting year (after 31 July following the end of the accounting year) but before the submission of the accounts (before 15 February following the end of the accounting year concerned). An irregularity pertains to the current accounting year being reported.

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[20] There is no requirement to submit a separate final payment application during July. The last payment application submitted by 31 July is considered to be the final payment application for the accounting year that ended on 30 June (Article 91(1) CPR). NB: further in the document, the final payment application means the last payment application.

[21] Appendix 2 Amounts withdrawn during the accounting year (Annex XXIV CPR).

How to address such an irregularity?

- The amount must be deducted from the accounts as a known irregular amount related to the accounting year being reported reducing the expenditure presented in Appendix 1.
- The deducted amount should be reported in Appendix 4 (not Appendix 2!) of the accounts[22] as a difference between the eligible expenditure included in the payment applications and the eligible expenditure entered into the accounting systems of the body performing the accounting function.
- The reason for the difference should be provided in Column G, including references to related documents (ACRs, Court decisions, etc.), where necessary. This information should clearly distinguish (the amounts should be split accordingly) between the types of deductions[23]:
    - Column G1 - Expenditure which is subject to an ongoing assessment of its legality and regularity;
    - Column G2 - Irregular expenditure which has been subject to financial corrections and other amounts as necessary to reduce the residual error rate of the expenditure declared in the accounts to 2% or below;
    - Column G3 – Other deductions than those listed under G1 and G2 not related to irregularities (e.g., clerical mistakes).
- Appendix 4 also includes a table for indicating the amount corrected as a result of AA audits, including audit of operations, system audits, amounts corrected to reduce the residual error rate to 2%, any other national audits; and EC/ECA/OLAF audits and investigations), similarly to Appendix 2 for withdrawals.

3.4.5 Scenario 4

An irregularity is subject to ongoing assessment at the time of submission of the accounts (e.g., the audit finding is only at the draft report stage).

How to address such an irregularity?

- The amount must be deducted from the accounts[24] or withdrawn as a final financial correction from the programme (Article 103 CPR).
- The deducted amount should be reported in Appendix 4 of the accounts as a difference between eligible expenditure included in payment applications and eligible expenditure entered into the accounting systems of the accounting function.
- The fact that the deduction is linked to an ongoing assessment must be indicated in Column G (specifically under G1 column).

[22] Appendix 4 Reconciliation of expenditure (Annex XXIV CPR).

[23] For more detailed information, please refer to section 1.4 Appendix 4 to the accounts – Reconciliation of expenditure of the Methodological note on the preparation, submission, examination and audit of accounts in the 2021-2027 programming period (August 2023).

[24] Article 98(6) CPR - Member States are obliged to deduct from the accounts expenditure subject to ongoing assessment of its legality and regularity. Such corrections are not considered to be definitive yet (i.e., can be reintroduced).

- Amounts subject to ongoing assessment may be included in the subsequent payment application in a later accounting year if they turn out to be legal and regular. However, to be able to re-introduce such amounts, it must be indicated in Column G that these amounts are still being assessed. Otherwise, previously withdrawn/deducted amounts should not be reintroduced.
- If the amount turns out to be irregular (according to the final decision), no further actions are required (the irregularity has already been deducted).
- If the disputed amount arose as a result of audit work, the amount should only be included in Column G1[25].

3.4.6 Scenario 5

An irregularity is detected after the submission of the accounts of the accounting year.

How to address such an irregularity?

- If after the submission of the accounts of accounting year N, further irregularities in expenditure included in previous accounts (including the accounts of the accounting year N) are detected, the financial corrections should be implemented via withdrawal in a payment application of the subsequent accounting year(s) in which the irregularity is detected, in line with Article 98(7) CPR. Such corrections are reported in Appendix 2 to the accounts as amounts withdrawn in the given accounting year in relation to the accounting year in which the corresponding expenditure was declared to the Commission.

4 Management declaration

4.1 Body responsible for issuing and preparation of the management declaration

Preparation and submission of the management declaration is a task for the MA based on the template set out in Annex XVIII CPR.

As part of the system audit, the audit authority (AA) will check whether appropriate procedures for drawing up the management declaration by the MA have been set out (key requirement 8[26]). It might also carry out some additional checks prior to the submission of the assurance package, to be able to issue its audit opinion (including the statement that "the audit work carried out does not put in doubt the assertions made in the management declaration").

[25] In case, following an audit, amounts are removed from the accounts to be further verified (i.e., amounts under ongoing assessment according to Article 98(6) CPR), these amounts should be indicated only in column G1 as per the Methodological note on the preparation, submission, examination and audit of accounts in the 2021-2027 programming period (August 2023).

[26] Annex XI CPR, Table 1 – Key requirements of management and control system

The management declaration should be uploaded to the SFC2021 and validated before the AA makes its last validation for the audit opinion once all other documents of the assurance package are ready and signed by the respective authorities.

5 Annual control report and audit opinion

5.1 Body responsible for preparation of the annual control report and audit opinion

It is a task for the audit authority to prepare the annual control report and audit opinion.

5.2 Trilogy of audits

It is the responsibility for the AA to carry out system audits, audits of operations, and audits of accounts (the so-called "trilogy of audits"). The aim is to provide an independent assurance to the EC regarding the effective functioning of the management and control systems and the legality and regularity of the expenditure included in the accounts submitted to the EC[27], and the completeness, accuracy, and veracity of the accounts[28]. These audits have to be finalised for the AA to be able to issue its audit opinion (to be submitted by 15 February following the year after the accounting year concerned).

5.2.1 Audit of operations – a common sample

Once the final payment application for the given accounting year has been submitted, and the sample has been drawn from the population of expenditure in respect of the given accounting year (by the EC, in the case of the common sample), the AA can start its audit of operations.

A significant change has been introduced in 2021-2027 when it comes to the audit of operations. All Interreg programmes will be jointly sampled. The programme authorities should provide the information necessary for the selection of a common sample by the EC by 1 August following the end of the accounting year. The EC will draw a common sample by 1 September and will inform the AA of the Interreg programmes concerned about which project partners are to be audited. The AA will then carry out its audit of operations, either directly or via an external provider, or with the help of a group of auditors.

The common sample of operations applies to all Interreg programmes, including all strands and programmes with external financing instruments (i.e., IPA III and NDICI programmes).

The minimum sample size is 3 partners[29] for programmes with less than 500 partners and 5 for programmes with 500 or more partners. The number of partners refers to the number of partners with expenditure declared to the EC in the accounting year. These sizes might increase depending on the sampling parameters.

[27] Opinion on legality and regularity of the expenditure included in the accounts is not issued by the AA for Interreg programmes that fall under the common sample drawn by the EC.

[28] Article 77(1) CPR

[29] The sampling unit in common sample is a project partner.

Programmes may also submit the population for sampling to the EC using an early cut-off date (e.g., by 1 May), in order to facilitate the performance of all audit tasks within the reporting deadline. After the population for sampling has been submitted to the EC, no "new" expenditure for the given accounting year can be claimed from the EC before the end of the given accounting year (i.e., no further payment applications can be submitted for the given accounting year).

In order to be able to participate in the common sample, an Interreg programme must submit data on the population of expenditure declared in the accounting year, which also has to be reconciled and checked by the AA prior to submission. In cooperation with the EC, Interact has developed a template for providing the data necessary for drawing the common sample.

Illustrations in Annex 2 demonstrate the process for the "regular" submission of the population for sampling to the EC, and in the case of early submission.

To enhance the goal of harmonisation within Interreg, a proposed structure for the audit of operations report template for AAs was developed by Interact in cooperation with a dedicated working group including representatives of Interreg AAs and MAs.

5.2.2 System audits

The purpose of system audits carried out by the AA is to provide assurance on the proper functioning of the management and control system of the programme.

The list of key requirements of management and control systems and their classifications for the system audit is set out in Annex XI CPR. To support system audit work of the AA, the EC has published a Methodological note for the assessment of the management and control systems in the Member States detailing the assessment criteria per key requirement[30].

Interact, together with a dedicated working group that includes representatives of AAs, MAs and the EC, developed a set of harmonised system audit checklists (from key requirement 1 to 10) tailored to Interreg. The checklists provide a framework for system audit work and to share some information and guidance related to this task. We encourage you to make use of these checklists, as doing so will greatly help us in our joint simplification and harmonisation work!

A designation audit is no longer required by the Regulations, however, for newly-identified MAs and authorities in charge of the accounting function, system audits should be carried out within 21 months of the decision approving the programme or amendment of the programme identifying such an authority[31].

The AA carries out its system audits based on its audit strategy, which also includes its audit plan for the upcoming three years. Usually, the AA does not perform a full system audit, but applies risk assessment to determine the scope of its audits each year.

[30] Methodological note for the assessment of the management and control systems in the Member States, CPRE_23-0007-01, adopted on 24 May 2023

[31] Article 78(1) CPR

5.2.3 Audit of accounts

The audit of accounts is usually the last part of the trilogy of audits which together with the system audit and the audit of operations forms the basis for the audit opinion issued by the AA.

Once accounts have been prepared by the body responsible for the accounting function (including all information on payment applications and corrections where needed), the AA has to check the correctness of information provided in the annual accounts in the framework of the audit of accounts. The assertions of the management declaration are also checked during the checks made prior to the submission of the assurance package.

Because of short timelines, in some cases in the previous programming periods this audit was organised in two steps:

- checking of positive amounts registered in the accounts;
- checking of updated accounts after corrections due to audit findings or other reasons were made.

With these steps, some of the checks can be performed early, allowing more time to deal with any problems that are discovered.

How to use results of system audits and results of audit of operations for the audit of the accounts is described in detail in the Methodological note on the preparation, submission, examination and audit of accounts[32].

5.2.4 Finalisation of the audit reports

In general, all findings by the AA should be made available in a draft report to the auditees and responsible bodies (e.g., project partner or MA or body performing the accounting function if existing), who then have the chance to react to findings (e.g., providing additional documents, clarifications). This procedure should be established along with well-defined rules and timelines. It is crucial for all authorities to closely cooperate with each other.

Once the contradictory procedure has been finalised, the AA makes a decision on the findings, including the eligibility of audited amounts, and the final audit report is issued. A notable exception to this rule for the 2021-2027 programming period in Interreg is when the eligibility of a project as such (selection decision) is questioned by the AA. In such cases, the opinion of the MA prevails over the AA[33].

The timeframe for the contradictory procedure has to be set out in advance in the rules of procedure of the group of auditors, or the audit manual of the auditing organisation, or a similar document, and communicated to the auditees. Should an auditee need more time to respond, this should be requested before the expiry of the deadline, and more time may be granted. In some “tricky” cases flexibility might be required. Usually, all parties involved are able to cooperate to find solutions.

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[32] Methodological note on the preparation, submission, examination and audit of accounts (August 2023)

[33] Article 37(4) of the Interreg Regulation

5.3 Preparation of the annual control report

A template for the ACR is set out in Annex XX CPR. To help the AA in preparing the ACR, the EC issued the Methodological note on the Annual Control Report, Audit Opinion and Treatment of Errors for the 2021-2027 programming period[34].

The ACR supports the annual audit opinion and includes a summary of significant changes in the management and control system (MCS), information on any changes in the audit strategy, provides a summary of findings, including an analysis of the nature and extent of errors and deficiencies in the systems, describes the proposed and implemented corrective actions and the resulting total error rate and residual error rate for the expenditure entered in the accounts submitted to the EC, and provides the overall level of assurance on the proper functioning of the MCS.

In the case of Interreg programmes taking part in the common sample, the AA does not provide a total error rate and residual error rate calculation in its annual control report. The global error rates for all Interreg programmes included in the exercise are calculated by the EC.

The template for the annual control report has 3 annexes relevant to Interreg programmes:

- results of system audits (structured data in SFC);
- results of audits of operations (structured data in SFC) + the excel sent by the EC with the sample, filled in with the results of the audits of operations;
- audit findings (Annex 4 of the Methodological Note on the Annual control report, audit opinion and treatment of errors).

5.4 Preparation of the audit opinion

A template for the annual audit opinion is set out in Annex XIX CPR.

As a basic rule, the AA has to provide an opinion on:

- the completeness, veracity, and accuracy of the accounts;
- the legality and regularity of the expenditure included in the accounts submitted to the EC;
- the proper functioning of the management and control system of an Interreg programme.

Since Interreg programmes are included in the common sample drawn by the EC[35], the AA should give its opinion on the completeness, veracity and accuracy of the accounts and the functioning of the management and control system of an Interreg programme (and not on the legality and regularity of the expenditure).

[34] Methodological note on the annual control report, audit opinion and treatment of errors, (final, 27.07.2023)

[35] Article 49 of the Interreg Regulation

The audit opinion expressed by the AA may be:

(1) unqualified (the accounts are true and fair, expenditure included in the accounts is legal and regular[36], and the MCS functions properly);
(2) qualified, qualification with limited impact (the accounts are true and fair except for …, expenditure is legal and regular except for …, the MCS functions properly except for …);
(3) qualified, qualification with significant impact (same as above, but also indicating that the impact is significant);
(4) adverse (the accounts give/ do not give a true and fair view, and/or the expenditure included in the accounts is/ is not legal and regular, and/or the MCS functions/ does not function properly).

[36] Opinion on the legality and regularity of the expenditure included in the accounts is not issued by the AA for programmes that fall under the common sample drawn by the EC. However, it is mandatory for all Interreg programmes to participate in the common sample of the EC!

More details on the type of audit opinion are provided in the table below[37].

Type of audit opinion	**Element of the audit opinion and overall assurance**				
	Functioning of MCS (results of system audits confirmed or amended by results of audits of operations – TER or/and improvements to overcome deficiencies in the MCS)		**Legality and Regularity of expenditure in the accounts**[38]	**Accounts**[39]	**Corrective measures needed** (either financial corrections or system/procedural improvements or both)
	Results of system audits	**TER**[40] (results of audits of operations)	**RER** (TER mitigated by implemented financial corrections before submission of the accounts to the EC		
1- Unqualified	System in category 1 or 2	and TER ≤ 2%	and RER ≤ 2%	and adjustments to be made in the accounts ≤ 2%	Corrections of the individual errors i sample
2 – Qualified (qualification with limited impact)	System in category 2	and/or 2% < TER < 5%	NA[41]	NA	Corrections of the individual errors in the sample + improvements to overcome any deficiencies in the MCS
3 - Qualified (qualification with significant impact)	System in category 3	and/or 5% ≤ TER ≤ 10%	and/or RER > 2%[42]	and/or adjustments to be made in the accounts > 2%	Extrapolated financial corrections to bring the RER to ≤ 2%, taking account of corrections already applied as a result of the AA's

[37] Table 1 from Methodological note on the Annual Control Report, Audit Opinion and Treatment of Errors for the 2021-2027 programming period (final, 26.07.2023).

[38] Not required in case of Interreg programmes taking part in the common sample.

[39] In case of Interreg programmes, the AA's opinion on accounts will be formulated based on its professional judgement, considering the completeness, veracity and accuracy of the accounts (e.g., in case the programme corrected all individual errors, then the AA would issue an unqualified opinion on the accounts).

[40] Individual TERs will not be available in case of Interreg programmes taking part of the common sample. The AA obtains the assurance on the proper functioning of the management and control system mainly from the results of system audits, considering also results of the individual audits of operations, where relevant.

[41] When it comes to the elements of assurance on legality and regularity and the accounts, the audit opinion is either unqualified or qualified with significant impact or adverse.

[42] Accounts are inadmissible if RER > 2%, however the Commission may recalculate the RER and take into account the results for its own opinion.

4 - Adverse	System in category 4	and/or TER > 10%	and/or RER > 2%[43]	and/or adjustments to be made in the accounts > 2%	audits (including corrections of individual errors in the sample as accounts are inadmissible if RER is >2%) + improvements to overcome any deficiencies in the MCS + implementation of the adjustments to be made in the accounts

[43] See footnote above.

6 Submission and acceptance of the assurance package

6.1 Submission of the assurance package

The programme authorities submit the assurance package to the EC by 15 February following the end of the accounting year concerned.

In exceptional cases, the deadline of 15 February can be extended by the EC to 1 March upon communication by the AA.[44]

6.2 Examination and acceptance of the assurance package

The EC should examine and accept the assurance package by 31 May of the year following the end of the accounting year concerned[45]. In cases where the AA provides an audit opinion that is qualified or adverse, or the EC has evidence putting into question the reliability of an unqualified audit opinion, the EC will request that the programme revises its accounts and resubmits the documents of the assurance package within 1 month (the so-called contradictory procedure for the examination of accounts[46]).

[44] Article 48(5) of the Interreg Regulation, Article 98(2) CPR. The request should be sent in reasonable time before 15 February to the Commission (via SFC2021) in the form of a letter setting out the exceptional circumstances justifying the request for extension.

[45] Articles 99 and 101 CPR

[46] Article 102 CPR

Annex 1 – Accounting years in 2021-2027

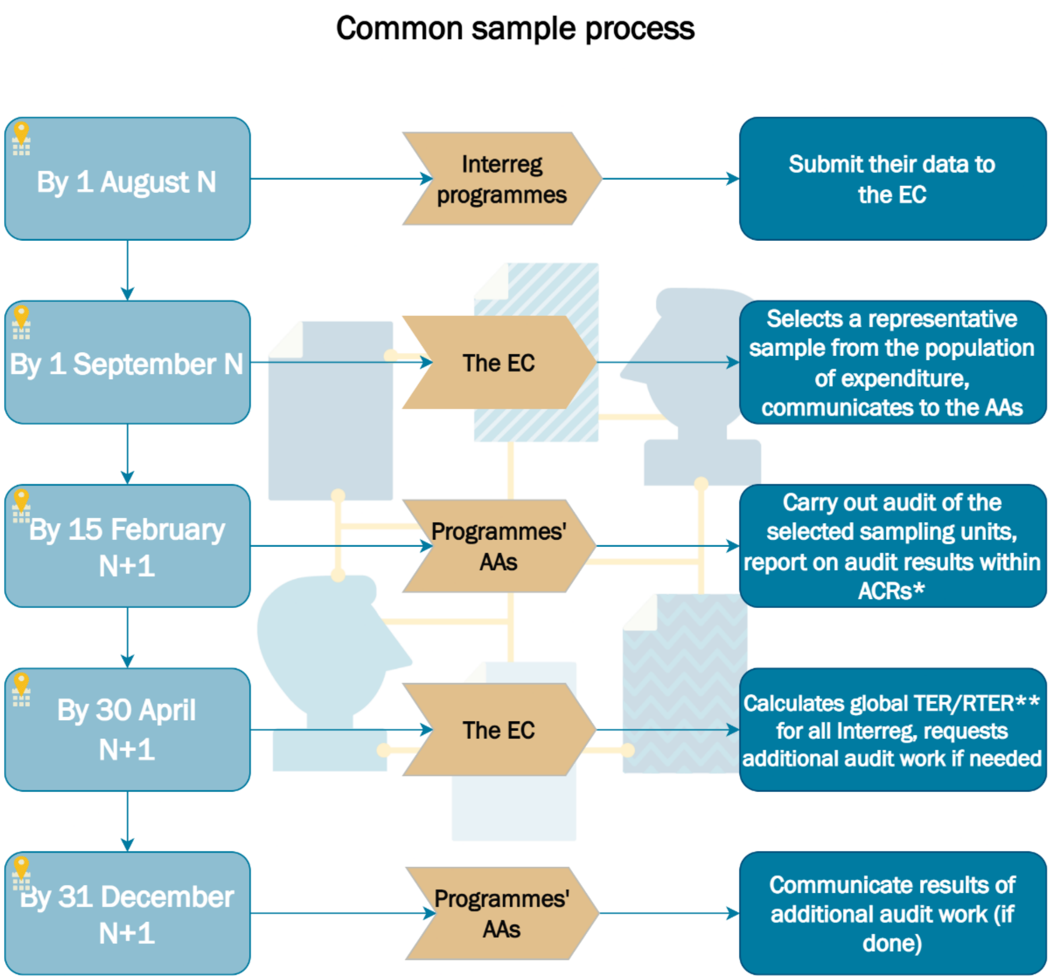
	Accounting year	Deadline for payment of pre-financing	Deadline for submission of accounts	Pre-financing cleared
1.	01/01/2021 – 30/06/2022	01/07/2021[47]	15/02/2023	In 2023/ 2024[48]
2.	01/07/2022 – 30/06/2023	01/07/2022	15/02/2024	
3.	01/07/2023 – 30/06/2024	01/07/2023	15/02/2025	Cleared with the final accounting year
4.	01/07/2024 – 30/06/2025	01/07/2024	15/02/2026	
5.	01/07/2025 – 30/06/2026	01/07/2025	15/02/2027	
6.	01/07/2026 – 30/06/2027	01/07/2026	15/02/2028	
7.	01/07/2027 – 30/06/2028	-	15/02/2029	
8.	01/07/2028 – 30/06/2029	-	15/02/2030	
9.	01/07/2029 – 30/06/2030	-	15/02/2031	

Following the submission of accounts, the EC will proceed with the examination of the accounts and provide its conclusions as to their acceptability by 31 May N+1, at the latest.

[47] For programmes adopted in the first half of 2022, pre-financing for 2021 and 2022 will be paid in the 1st accounting year. For programmes adopted in the 2nd half of 2022, pre-financing for 2021 and 2022 will be paid in the 2nd accounting year.

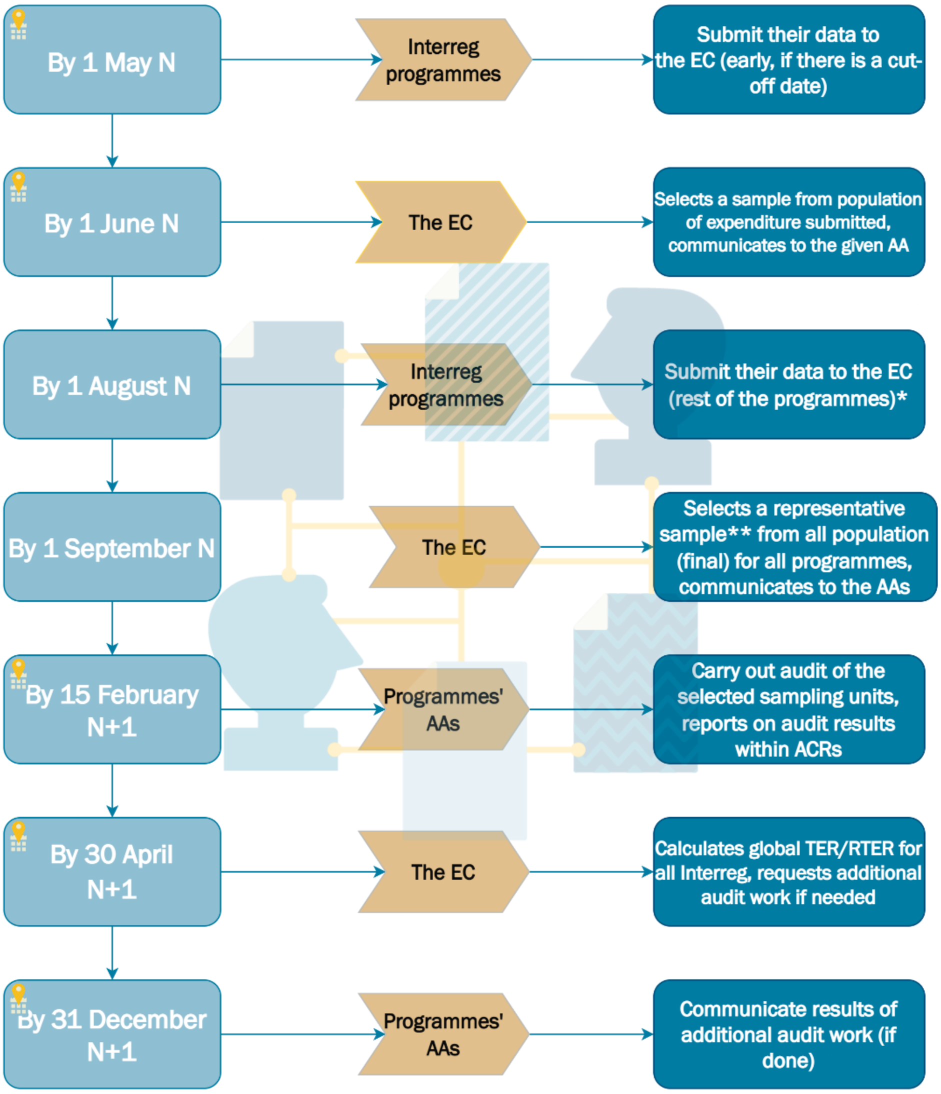
[48] For programmes adopted in the 1st half of 2022, pre-financing 2021 and 2022 will be cleared in 2023. For programmes adopted in the 2nd half of 2022, pre-financing 2021 and 2022 will be cleared in 2024.

Annex 2 – Flowchart - Common sample



*ACR - Annual Control Report
**TER/RTER - Total error rate/ Residual total error rate
**The envisaged sample size is min 3-5 partners (which may be adjusted subject to the population data)

Common sample process - Early submission of data by programmes (example)



* Programmes opting for an early submission of data, cannot send additional claims to the EC after they submitted data for the common sample.

** The sample will be min 3 - 5 partners (subject to the number of partners in the population). The sample provided based on early submission of data might be increased, if it is deemed necessary based on the totality of data provided by all programmes.

Annex 3 – Flowchart - How to deal with irregularities