EU Funds Management and Control System for the 2014-2020 programming period
RESPONSIBLE AUTHORITIES

- Planning documents
- Selection Criteria
  - Participation in selection
  - Prior approval of contract amendments (when changes are significant)
  - Participation in on-the-spot monitoring visits

COOPERATION AUTHORITY

- Consultations to Beneficiaries
- Project selection
- Contracting
- Monitoring of project implementation
- Payments
Project selection

1. open project selection
2. call for proposals
3. restricted project selection
4. invitation letter
5. project application (electronic/printed)
6. project application (electronic/printed)
7. decision
   - approval
   - conditional approval
   - rejection
8. contract

Timeline: 3 months
Project implementation

**Beneficiary**
- Submits procurement plan
- Submits reports of the progress and payment request (electronic/printed)
- Provides supporting documentation and access to project implementation site
- Submits final report of the progress and payment request (electronic/printed)

**Implementation**
- Procurement
- Payment request
- Inspection
- Project finished

**CFCA**
- Evaluates procurement plan
- Verifies, approves, and makes the payment
- On-the-spot monitoring visit
- Verifies, approves, and makes the final payment

Date: 27.10.2014
Post-monitoring

Post-implementation MONITORING

BENEFICIARY
provides sustainability of project results

results of project

CFCA
performs controls of project results sustainability
CFCA’s readiness to administer 2014-2020

- Indicative number of projects
- Post-implementation monitoring of 2007-2013 projects performed by institutions, which signed agreements with beneficiaries: on-the-spot checks after final payment - once during post-implementation monitoring period for 100% of high risk level projects, 30% of medium and low risk, progress reports - once a year, re-evaluation of risk level, additional on-the-spot checks, when necessary)
- The total number of personnel involved in implementation of 2014-2020 will not exceed the total number of those involved in implementation of 2007-2013

27.10.2014
- Sectors taken into account
- Gradual reorganisation
- Transfer of human resources from other institutions
- Calculations of increase in work-load/ additional human resources needed
Calculations to estimate amount of human resources/ work-load

- **Information from Responsible Authorities:**
  - indicative terms of planned project selection/-s,
  - planned project implementation periods,
  - indicative number of projects/ financial amounts

- **Assumptions based on the CFCA experience with 2007-2013 period:**
  - intensity of the main processes (payment requests, progress reports, amendments to the agreement, on-the-spot checks)
  - time needed to perform each of the main processes (for example to check a payment request)
Institutions involved in auditing of EU Funds and scope of their audits

Audit Authority – Ministry of Finance:
- Audit of the EU Funds Management and Control System
- Audits of Expenditure Approved by the Certifying Authority

Certifying Authority – Treasury:
- Audit of submitted payment claims by the Co-operation Institution (audit of supporting documents and procurement documentation)

Managing Authority – Ministry of Finance:
- Audit of EU Funds Management and Implementation System

Internal Audit Department of the Ministry of Finance:
- System Audits, for example, project risk assessment in the process of planning and establishing scope of the on-spot checks

State Audit Office:
- System Audits, for example, to assess procurement-related irregularities identified in ERDF and ESF projects by institutions involved in the management of EU Funds

European Commission:
- System and Project based audits, where the last one in May this year was focused on the examination of procurements (process and documentation) performed by the Final beneficiaries
Key findings/ recommendations to the CFCA (1)

Audit Authority—Ministry of Finance:

✓ **Audit on the EU Funds Management and Control System**
  - Recommendation to Co-operation Authorities to ensure that Beneficiaries are submitting Horizontal reports in time (according to the requirements in project agreements)
  - Recommendation to look into specific findings regarding possible fraud and take respective corrective measures
  - Recommendation to improve CFCA Management and Control System procedures regarding administration of irregularities detected (including accounting and recovery)
  - Minor recommendations to Beneficiaries to improve project nomenclature

✓ **Audits of Expenditure Approved by Certifying Authority**
  - Findings regarding public procurement (incorrect procurement method, requirements restricting fair competition, amendments to the contract after the procurement, additional unforeseen works, extension of contract period)
  - Findings during site visits by auditors, f.e., poor quality of works, defects
  - Recommendation to ensure that VAT is correctly included in the project eligible costs
  - Recommendation to evaluate a possible fraud in specific project and inform the law enforcement institutions, if necessary
Key findings/recommendations to the CFCA (2)

Certifying Authority – The Treasury:

- Identified specific (restricting) requirements for tenderers in the procurement documentation

Managing Authority – Ministry of Finance:

- Recommendation to CFCA to update some specific internal procedures
- Recommendation in process of performing ex-ante procurement verification to take into account the instruction of the Procurement Monitoring Bureau

Internal Audit Department of the Ministry of Finance:

- Recommendation to ensure that on-the-spot checks for high risk projects have been performed according to the legislative acts (frequency)
Audits/ controlling institutions

by whom CFCA has been audited & quantity of audits
01.11.2012 - 16.10.2014

- European Commission - 4
- European Court of Auditors - 1
- State Audit Office – 3
- Internal Audit – 4
- EU funds Managing Authority – 6
- Audit Authority – 15
- Certifying Authority - 16
**Double financing** risks are being assessed and reduced with the combined use of operational data comparison matrixes and analysis of publicly available information. These methods are incorporated into procedures at project level:

- *Desk controls*;
- *On-the-spot monitoring visits*;
- *External information analysis*
Double financing (2)

Discussion on topical issues:

- Double financing **risk assessment**: methodology and instruments;

- Double financing **prevention**:
  - exercised controls;
  - levels of control implementation;
  - institutional cooperation

- Double financing **monitoring**: applicable methods and tools.
Models of beneficiary target group monitoring:

- 2007 – 2013: statistical data about target group. Specific project level monitoring only when project selection criteria applied.
- 2014 – 2020: data collection at final recipient level according to requirements of regulations

Questions for discussion:

- At what degree of detail should data be collected at the level of Cooperation Authority?
- How to deal with sensitive data?
Risk management approach and sampled control approach

✓ Risk management approach and controls based on sample method:
  ➢ Beneficiary evaluates risks at project level;
  ➢ Cooperation Authority evaluates risks related to two processes:
    • procurement controls;
    • on-the-spot controls

✓ 2007-2013: sample method applied to:
  • procurement control;
  • on-the-spot monitoring;
  • payment claim control

✓ Question for discussion - new risk management approach for 2014 - 2020 and controls based on sample method: approach, processes
Post-implementation monitoring: instruments and timeframe

• **Current situation**
  – on-the-spot monitoring visits - 100% of high risk projects, 30% of medium and low risk projects; once during post-implementation monitoring period; not earlier than in second year after project completion
  – progress reports – once a year; in most activities this requirement is set by CFLA, in some activities included in normative acts
  – Reevaluation of project risk level – when necessary
  – From 2007 till October 2014 CFCA has performed 52 post-implementation monitoring on-the-spot visits; 67% with positive result; 23% - with objections; no cases of non-eligible expenditure detected

• **Questions for discussion**: other approaches and experience, efficiency of post-implementation controls
Payment claims

Current situation:

• 2007-2013: terms set by normative acts – 20 working days for processing interim payment claim, 30 working days for final payment claim.

• Actual situation in 2007-2013 – on average, payment claim is approved within 40 working days. Reasons for delay – low quality of payment claims, additional information/clarifications by Beneficiaries are required.

• In some activities (Technical Assistance, ESF projects) random checks of payment claims are performed for the following expenditure positions: remuneration, business trips, administrative expenditure, etc. Scope of such checks is defined on the basis of error level detected in supporting documents of expenditure.

2014 - 2020:

• 40 working days for interim payment claim, 60 working days for final payment claim.

• One form for payment claim and project implementation progress

• Submission in e-cohesion

• Question for discussion: other approaches and experience, plans for 2014-2020
Article 36 of Regulation (EU) Nr.1303/2013
- Covers 6 Specific Support Objectives (private investments in regions, energy efficiency, degraded territories, institutions of general and vocational education, service infrastructure for children and persons with disabilities)

Questions for discussion:
- Project selection by municipalities vs. verification of selection by Managing Authority/Cooperation Authority
- Municipalities’ role/functions in monitoring of project implementation
- Municipalities’ role in project selection vs. being Beneficiary of ITI - possible conflict of interest
Involvement of project partners in projects (I)

- **Legislative basis:** the EU Funds law, horizontal rules of the Cabinet of Ministers, rules of the Cabinet of Ministers on the, the contract with the beneficiary, the contract between beneficiary and cooperating partner

- **Statistics:** CFCA previous experience -> ICT projects, 1-30 partners in one project. In 2014 - 2020 possibly up to 119 partners (total number of municipalities).
Involvement of project partners in projects (II)

- Responsibilities of Beneficiaries and partners
- Conditions for partners (contract terms)
- Controls by CA of project partners
- Cooperation agreement between Beneficiary and Partner – CA involvement in setting/checking contract terms and conditions
- Cooperation conditions in cases of large number of partners: set by the contract or by rules of Cabinet of Ministers for Specific Support Objective
- Foreign partners: are those foreseen in the period 2014 - 2020, control requirements
- Investments in the partner’s property, the responsibility for ensuring the sustainability of the results
Activities of early commencement 2014-2020 (I)

- Commencement of activities prior to indorsement of respective rules of Cabinet of Ministers:
  - Informative report – prepared by the Responsible Authority
  - Agreement – signed between the Responsible Authority and Co-operation Authority
  - Initial project proposal, procurement plan – prepared by Beneficiary, approved by Responsible Authority
  - Ex-ante control of procurement procedure and process – carried out by Cooperation Authority
  - Quarterly reports of project implementation – prepared by Beneficiary, approved by Responsible Authority
  - Monitoring – quarterly project progress monitoring meetings
Risks:

- Possible changes of legislative base and rules of implementation (both on EU and national level)
- Detecting procurement errors
- Non-eligible expenditure
Financial instruments (1)

2004-2006/ 2007 – 2013:
- Latvian Guarantee Agency;
- Rural Development Fund;
- ALTUM

2014 – 2020:
- Single financial institution - the state joint-stock company «Latvijas Attīstības finanšu institūcija ALTUM»

Financial instruments available in 2007-2013 Planning Period:
- Credit Guarantees;
- Export Credit Guarantees;
- Mezzanine Loans;
- Risk capital;
- Microloans;
- Support for the organization of training;
- Start-up program;
- Microcredit Program;
- SME micro-credit program;
- SME growth loan;
- Business competitiveness Improvement program;
- Farmer’s Working Capital Loan;
- Land acquisition lending program;
- Housing guarantee program.
Financial instruments (2)

Discussion on topical issues:

- Financial instrument administration: institutional models;
- Financial instrument implementation: operational models;
- Financial instrument management: verification models;
- Financial instrument efficiency: monitoring schemes;
- Examples of best practices
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