Q&A on audit related matters Joint Audit Directorate Meeting, Brussels 14th September 2023

No.	Subject	Question
1	Systems Audits	The DAC issued a new MN on the Assessment of the management & control system for ESI Funds for 2021/2027. As part of an IAB's audit of the BAR MCS, is there an expectation for the IAB to carry out audits of the 10 key requirements set out in this note prior to completing the Final Control Report?
		COM: BAR regulation, Article 14 paragraph 6, incentivises the takeover of bodies acting in ESIF, therefore, where applicable, the IAB can use audit work carried out to build assurance for the ESI funds. In these cases, there is no need to perform fully - fledged system audits, but attention needs to be placed to strategic key requirements related to the functions of the managing body as stated under Article 14.3
		The assurance needs to cover as a minimum requirement the assessment of strategic key tasks for the body(ies) responsible of the management of the Reserve, as per Article 14.3 of BAR regulation:
		(a) effective and efficient internal control system;
		(b) criteria and procedures for the selection of measures;(c) verification of the legality and regulation for measures and expenditure based on verifiable supporting documents;(d) measures to avoid double funding.
		Assurance should not overlook either:
		(e) ex post publication in accordance with Article 38(2) to (6) of the FR;
		(f) the accounting system to record and store electronically data on the expenditure incurred;
		(g) storage of available supporting documents regarding expenditure for a period of 5 years;
		(h) collect information in an electronic standardised format on recipients of and their beneficial owners.
		Should individual systems audit reports be submitted to the DAC on the SFC when completed?
		COM: Article 11. 3 of BAR Regulation requires that the MS submits "a summary of the final audit reports and of controls carried out, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective action taken
		or planned." as set out in Article 63(5) point (b) of the Financial Regulation together with the implementation report as part of the application for financial contribution from the reserve. Therefore, no requirement is that audit reports are to be sent in advance.

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		In case MSs opt to inform the Commission on results on their audits in advance, the EC will take note of the information provided and use it for its internal assessment, but it is not legally bound to provide feedback.
2	Grant Approval	As many of the BAR projects will be retrospectively eligible from 1 st January 2020, what advice does the Commission have to IABs with regards to auditing compliance with grant letters of offer?
		COM: Apart from eligibility rules as stated under Article 5 of BAR Regulation and compliance with BAR objective as per Article 2 of the same Regulation, the expenditure needs to comply with all applicable national and EU rules included those of the grant letter. As an example: applicable state aid rules need to be complied with and verified, eligible expenditure, etc.
3	Management Verifications	What level of management verifications are expected to be carried out on the BAR? Can Member States also make use the risk-based sampling methodology as set out in the new Reflection Paper on Risk Based MVs?
		COM: BAR regulation is not prescriptive in what concerns the management verifications. Art 14.3(c) requires that the bodies responsible for the management of the financial contribution "verify that the measures financed from the Reserve are implemented in accordance with applicable law and the conditions for a financial contribution from the Reserve, and that the expenditure is based on verifiable supporting document" together with Art 14.1, while the MS needs to ensure that the expenditure entered in the application complies with the applicable law and was used for the intended purpose.
4	Simplified Cost Options	Is the use of SCOs (such as those set out in Articles 53-56 and Article 94 and 95 of the CPR) encouraged for BAR measures? For BAR Managing Authorities new to Cohesion Funding, where should they get further advice and assistance on the use of simplified cost options, in particular, for salary related measures?
		COM: BAR regulation is not prescriptive in what concerns the use of SCOs. For efficiency purposes, MS can make use of simplified costs options in line with Article 53-56 of CPR or other already approved methodologies.
5	Eligibility	Other than the Eligibility rules set out in Article 5 of the BAR Regulation, are the Commission planning on issuing further common eligibility rules for the BAR or is there an expectation of some harmonisation or consistency of BAR eligibility rules with other national eligibility rules for ESIF programmes
		COM: The BAR is based on its own legal base, i.e. Regulation (EU) 2021/1755 as amended, which solely stipulates the eligibility rules for the BAR and is not subject to other rules such as in the CPR. The Commission has clarified some of the existing rules for eligibility: BAR_eligibility_of_expenditure.pdf (europa.eu)
6	Eligibility	What kind of evidence should the IAB insist on when trying to justify that a project has been affected by the withdrawal of the UK from the EU?

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		COM: IAB should look for plausible evidence that selection criteria ensured that support went to beneficiaries which have been
		actually affected by BREXIT, e.g. loss of turnover, increase of administrative, regulatory and/or monetary costs etc. Further insights:
7	Eligibility	<u>bar_generic_examples.pdf (europa.eu)</u> Article 5 of the BAR Regulation states that expenditure shall be eligible if it is incurred and paid by public authorities during the
/	Eligibility	reference period (1 January 2020 to 31 December 2023).
		If a BAR project is still ongoing into 2024, is a public body able to make advance payments for work or services that have not been
		performed to include the expenditure within the BAR reference period?
		COM: Advance payments can be accepted if they are done within the reference period and in line with grant agreement, but not
		beyond while measures need to be carried out by September 2024. Additionally, sufficient time needs to be left for audit authorities
		to deliver assurance by 30 September 2024; otherwise, the body managing the Reserve need to seek other sources of financing
8	Selection of	(example: national budget) Article 14.3(b) requires the Managing Authority to establish a criteria and procedure for the selection of measures for the BAR. Is
0	Measures	there no other requirement to get selection criteria approved by a BAR Monitoring Committee before calls are launched?
	Wicasares	there no other requirement to get selection effected approved by a B/M Monitoring committee before cans are launched.
		COM: The only relevant legal base for the implementation of the BAR is the BAR regulation. The BAR regulation does not envisage
		a BAR Monitoring Committee nor prior approval by selection criteria. It is up to the body managing the Reserve to set it up (national
		set up etc); no further legal obligations in this vein.
9	Financial	The BAR in one of the MS will include a measure covering the cost of default loans to SMEs affected by Brexit. The BAR Regulation
	Instruments	itself provides no specific guidance on the use of financial instruments but are there other audit requirements in respect of information
		or controls that Member States should be aware of for such measures.
		COM: The BAR regulation only allows for grant-based support. Financial institutions cannot benefit from BAR aid.
10	Sampling	Is it acceptable to agree on periodic cut-off dates with the BAR Implementing Body for taking operations audit samples from the BAR
	l o	audit population? i.e., 30 th November 2023, 28 th February 2024 and 30 th April 2024?
		COM: Having in mind that the IAB needs to deliver its report and opinion together with the application for the financial support
		from the Reserve, an agreed cut-off date can and should be used to comply with the BAR Regulation requirement on the audit
		opinion and its timely release.
11	Sampling	What date do the Commission recommend for final cut-off for audit sampling i.e., 30 th April 2024 that will allow the IAB time to
		conduct its operations audits before closure date?

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12	Sampling	COM: It is up to the professional judgement of the IAB the way it organises the audit work to ensure the compliance with Article 10 of BAR regulation. Setting up a cut-off dates can be a good practice to advance the audit work or to allow for its finalisation. Should a Member State IAB opt for multi-period sampling, can non-statistical sampling be used on the sampling population of each sampling period if the overall number of sampling units is unclear?
		COM: We advise IAB to make use of the sampling guidance and expertise built for ESI funds. It is up to IAB's professional judgement to decide on sampling methodology used as long as it complies with 4th paragraph of Art. 14.4 and ensures a sample valid to conclude on a Total Error Rate, Residual Total Error Rate and audit opinion.
13	Sampling	What is the recommended sampling unit for the BAR?
		COM: See above reply to question 12.
14	Sampling	The BAR MA in one of the MS are planning on submitting larger batched payment claims (i.e. single payment claims consisting of batches of claims from smaller individual BAR recipients, such as SMEs). What advice would the DAC give an IAB on auditing such batched claims? Would each batch be counted as the sampling unit or should the IAB treat the individual project claims within these batches as sampling units?
		COM: See above reply to question 12.
15	Irregularities	Article 15.1 of BAR Regulation sets out that in the event of a financial correction applied by a Member State, the Member State shall recover any amount lost as a result of the irregularity. For an IAB to correct an irregularity identified in the audit of a BAR project, what is the procedure to recovery the irregularity if there are no annual accounts for BAR?
		COM: In compliance with Article 15.1, the MS have the obligation to cancel all or part of the financial contribution from the Reserve and recover any amount lost as a result of an irregularity detected. These cancelled amounts are to be deducted from the application to the Commission under heading 12 - Amounts deducted by the Member State and the reasons for deduction – of Annex II of the Regulation.

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16	Irregularities	Under Article 15.1, should the recovery of an irregularity also involve recovery of the debt (irregularity) from the BAR beneficiary or can the irregularity simply be withdrawn from as Field No 12 in the Application for financial contribution set out in Annex II of the Regulation?
		COM: Recovery of any irregular amounts is an obligation for the MS in compliance with Article 15.1 of the Bar Regulation. In such cases, MS shall follow the national rules and procedures in place for recovery of funds.
17	Over-booking	If a Member State has eligible expenditure in excess of its total BAR allocation, can this be used as a 'buffer' in the event of irregular expenditure identified in audited payment claims?
		COM: Article 12(3)of the BAR Regulation states that "Where the total accepted amount exceeds the amount of pre-financing paid, an amount shall be due to that Member State from the allocation referred to in Article 4(3), point (b), up to the amount of the provisional allocation for that Member State." The BAR Regulation allows for overbooking which can be used to compensate deductions to be made for irregularities on condition that the overbooked /excess expenditure is included in the application and was subject to audit and controls. Additionally, "the Commission shall make any unused resources from the provisional allocations available as additional payments by increasing proportionately the financial contribution from the Reserve to those MS whose total accepted amount exceeds their provisional allocation." (Art.12(6))
18	Format of Operations Audit Reports	Should there be separate operations audit reports for each sampled operations audit or is it preferable to the Commission to have a single audit report issued to the MS BAR MA covering the periodic sample of audits?
		COM: In compliance with Article 11 and Annex II of the Regulation, the MS submits together with the application for a financial contribution the summary of the findings from the audits in respect of the Reserve in accordance with point (b) of Article 63(5) of the Financial Regulation. Thus, the IAB should send one single audit report to the Commission in compliance with Annex II of the BAR Regulation. Documentation of audits of separate operations should be done in line with internationally accepted auditing standards.
19	Output Indicators	The Annex II template for an application for a financial contribution from the reserve contains in data fields 18.1 to 18.11 details of various output indicators for the different measures. Must the data and evidence supporting these output indicators be maintained on the electronic accounting system referred to in Article 14.2(f) of the BAR Regulation or can this information be held off system?
		COM: YES, please see Annex III 4 (b) and (c)

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20	Visibility	As many of the BAR projects will be retrospective. How should this be handled? Is there specific wording that should be included fot visibility purposes?
		COM: Visibility measures should be proportional to the amount of aid. BAR does not specify wording, the requirement of visibility is made under recital (28) of the BAR Regulation "since transparency, communication and visibility activities are essential in making Union action visible on the ground, inform the public accordingly. Those activities should be based on accurate and updated information." and article 63 the Financial Regulation. The mention of the BAR funding is not mandatory in the EU logo type. Final beneficiaries need to use the simple EU flag for physical investment. The managing body can clearly refer to BAR as source of EU funding on dedicated internet website and in grant agreements.
21	Final Control Report	There is a reference to a Final Control Report in the Regulation. Is there any further guidance on what format this should take?
	·	COM: Annex 2 of the Regulation provides for an summary template for the IAB report and template to express an opinion, indicating the elements on with the audit work needs to concentrate. Even if the CPR and implementing regulations are not applicable to BAR, IAB can use as model Annex IX of Reg 2015/207 for the
		annual control report. To ensure smooth assessment process at the EC level, it is recommended providing additional information on elements such as:
		 Information about IAB, status, staff experience Information about other auditors and how the IAB supervised their work
		 Main considerations of the audit strategy, particularly reliance on the system audits vs. audits of operations, system audits carried out, the main conclusions.
		- Sampling methodology, reasoning for the key judgements
		- Reconciliation between the sample population and the declared expenditure
		 Results of the audits of operations; financial irregularities identified; corrections made by the managing body; workings to calculate TER and RTER
		 Statements if the IAB noted any systematic errors or suspected fraud Corrective action taken in case of irregularities.
22	Sharing of checklists	Will DAC share audit checklists relating to Brexit?
		COM: DAC has intention of using the checklists of Structural funds (or other funds, depending on the measure) and add points relating only to BAR, e.g., link to Brexit, tests around incurred/paid and carried-out, retrospective expenditure.

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23	Reporting IT	Does information from the IAB needs to be provided via SFC or other means?
	system	
		COM: Officially there is only one reporting requirement for the IAB, the annual opinion to be submitted by 30 September 2024.
		That will have to be done via SFC.
24	Clarification of	Could the Commission share the clarification?
	eligibility of	
	expenditure,	COM: Please see the explanatory note on the eligibility of expenditure under BAR:
	terms	https://ec.europa.eu/regional_policy/sources/funding/brexit-adjustment-reserve/BAR_eligibility_of_expenditure.pdf
	"incurred", "paid	
	by public body"	
	and "carried out"	