

# Day 1: Dermot Byrne, Head of ERDF AA, Ireland

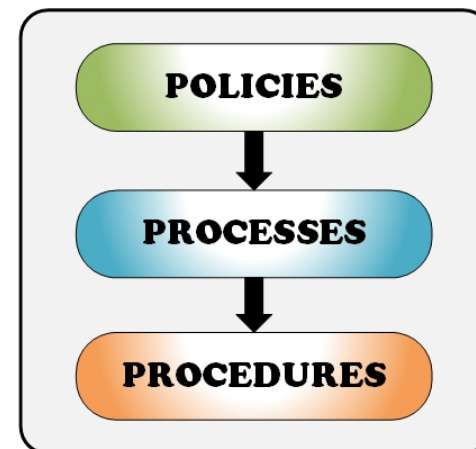
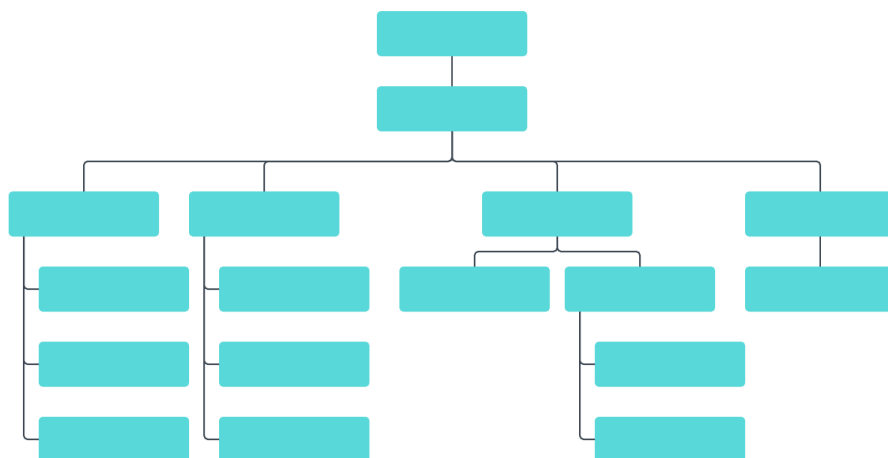
## ***Fraud Prevention and Annual Assurance Process***

- Audits of systems
- Audits of operations (including sampling)
- Serious deficiency in management and control system
- Interruptions and Suspensions
- Financial corrections

# Key elements of a systems audit



## Systems Audits - Approach



+

**PEOPLE**



## Internal Controls ... and Fraud

Segregation

Supervision

Organisation

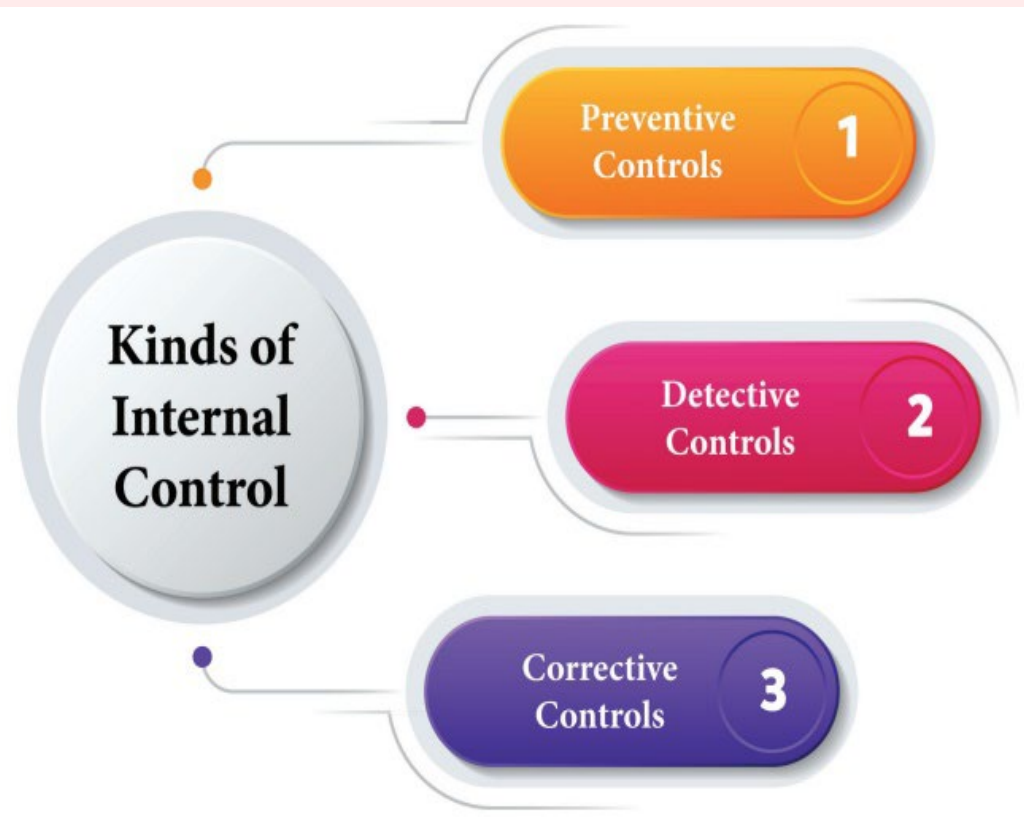
Personnel

Authorisation  
& approval

Accounting

Physical

Management



## Managing Authority KRs

[Annex XI (Article 69(1) of CPR)]

	Key Requirement	Authorities concerned
1	Appropriate separation of functions and written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body	Managing authority
2	Appropriate criteria and procedures for the selection of operations	Managing authority
3	Appropriate information to beneficiaries on applicable conditions for support for the selected operations	Managing authority
4	Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options	Managing authority
5	Effective system to ensure that all documents necessary for the audit trail are held	Managing authority
6	Reliable electronic system (including links with electronic data exchange systems with beneficiaries) for recording and storing data for monitoring, evaluation, financial management, verifications and audits, including appropriate processes to ensure the security, integrity and confidentiality of the data and the authentication of users.	Managing authority
7	<b>Effective implementation of proportionate anti-fraud measures</b>	<b>Managing authority</b>
8	Appropriate procedures for drawing up the management declaration	Managing authority
9	Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular	Managing authority
10	Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts	Managing authority/ Body for accounting function

# Key Requirement 7 Anti-fraud Measures



## Fraud risk assessment & anti-fraud measures 2021-2027 (Key Requirement 7)

### **Managing Authorities must:**

- put in place a minimum set of effective and proportionate anti-fraud measures
- carry out a fraud risk assessment

### **Audit authority must:**

- verify that the MA's fraud risk assessment is credible
- provides a true and fair assessment of the risks and
- verify that adequate anti-fraud measures are in place to mitigate risks

## Systems Audits categories of opinion

Category	Assessment
Category 1	Works <u>well</u> , only minor, <b>or no</b> , improvements needed
Category 2	Works, but some improvements are needed
Category 3	Works partially, substantial improvements are needed
Category 4	Essentially does not work

# Audits of Operations



## Audits of operations - Examples of records examined

See All Invoices PDF Print

### INVOICE

**PAID**

Invoice ID: 0051  
Issue Date: 06/05/2017  
Due Date: 06/05/2017 (upon receipt)  
Subject: Spring Marketing Campaign

From: **Discovery Designs**  
41 St Vincent Place  
Glasgow G1 2ER  
Scotland

For: **Barrington Publishers**  
17 Great Suffolk Street  
London SE1 0NS  
United Kingdom

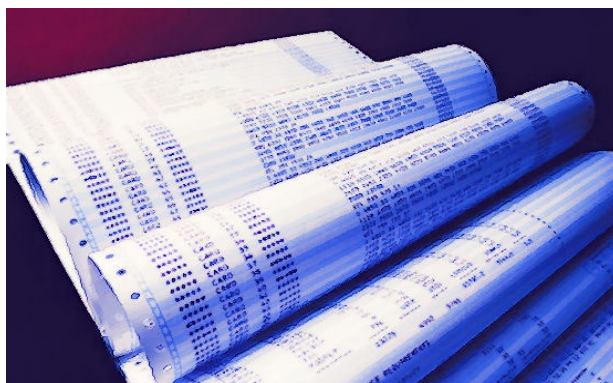
Item Type	Description	Quantity	Unit Price	Amount
Service	Design	41.00	£230.00	£9,430.00
Service	Development	57.00	£330.00	£18,810.00
Service	Meetings	4.50	£50.00	£225.00
Subtotal				£28,510.00
Tax (10%)				£2,851.00
Payments				£31,361.00
<b>Amount Due</b>				<b>£0.00</b>



Excel: Book1 - Project Account Balance

### PAYROLL OF EMPLOYEES

S	NO	NAME	BASIC SALARY	MEDICAL ALLOWANCE	HOUSE RENT	GROSS PAY	TAX	NET PAY	GRADE
6	1	AHMED	12000	3600	4800	20,400.00	1,020.00	19,380.00	GRADE-I
7	2	FARHAN	10000	3000	4000	17,000.00	-	17,000.00	GRADE-I
8	3	REHAN	8000	2400	3200	13,600.00	-	13,600.00	GRADE-II
9	4	KAFEEL	14000	4200	5600	23,800.00	1,190.00	22,610.00	GRADE-I
10	5	HAMMAD	12500	3750	5000	21,250.00	1,062.50	20,187.50	GRADE-I
11	6	FARHAN	13000	3900	5200	22,100.00	1,105.00	20,995.00	GRADE-I
12	7	MOHSIN	11500	3450	4600	19,550.00	-	19,550.00	GRADE-I
13	8	NABEEL	9000	2700	3600	15,300.00	-	15,300.00	GRADE-I



To Stop receiving Paper Statement, click the Accounts main menu and choose the Paper Based Statement option.

Account Number: 11349072  
Branch: EMPLOYEE ACCT  
Administrative Fees: 10.00  
Beneficiaries: MR LENNERT R J ANDERSON (Site Owner)

Transaction History

Transaction Date	Description	Amount	Running Balance
30/12/2016	SAV PASSB PERS RES	1.00	25.10
29/12/2016	JOHN DOE	100.00	26.10
14/12/2016	BILLY DOE	100.00	126.10
29/11/2016	JOHN DOE	100.00	26.10
31/10/2016	JANE DOE	100.00	126.10

To create a payment claim (Lead partner) [4]

Interim payment claim of 0.00 € not validated

Switch payment claim type to "final"

Add certificates to this payment claim

You can view a PDF version of your document here

1. Lead partner payment claim
2. List of certificates included in the payment claim
3. Expenditure breakdown per phase
  - 3.1 Expenditure breakdown for current claim
  - 3.2 Expenditure breakdown including previous claims
4. Expenditure breakdown per partner and year
  - 4.1 Expenditure breakdown for current claim
  - 4.2 Expenditure breakdown including previous claims
5. Expenditure breakdown per budget lines

Validate document definitively

You will enter this chapter to make you payment claim statement

You can check here that the payment claim is complete and that the project budget is respected



This training has been organised by EIPA under the Framework Contract Nr 2018CE16BAT060. The opinions expressed are those of the contractor only and do not represent the EC's official position



## Audits of operations (Art. 79 od CPR)

1. **Audits of operations shall cover expenditure declared to the Commission in the accounting year on the basis of a sample. Sample shall be representative and based on statistical sampling methods.**
2. **Where the population consists of less than 300 sampling units, a non-statistical sampling method may be used on the professional judgement of the audit authority.**

In such cases, the size of the sample shall be sufficient to enable the audit authority to draw up a valid audit opinion. The non-statistical sampling method shall cover a minimum of 10 % of the sampling units in the population of the accounting year, selected randomly.

The statistical sample may cover one or more programmes receiving support from the ERDF, the ESF+, the Cohesion Fund and the JTF and, subject to stratification where appropriate, one or more programming periods according to the professional judgement of the audit authority.

The sample of operations supported by the EMFAF, the AMIF, the ISF and the BMVI shall cover operations supported by each Fund separately.
3. **Audits of operations shall include on-the-spot verification of the physical implementation of the operation only where it is required by the type of operation concerned.**
4. **The Commission is empowered to adopt a delegated act in accordance with Article 114 to supplement this Article by setting out standardised off-the-shelf sampling methodologies and modalities to cover one or more programming periods.**

# Serious deficiency



## Article 2 Definitions (CPR)

**'serious deficiency' means**

- a deficiency in effective functioning of the management & control system of programme,
- where significant improvements in the management & control system are required, and,
- where any of the key requirements 2, 4, 5, 9, 12, 13 and 15 (Annex XI. CPR), or two or more of the other key requirements, are assessed as categories 3 or 4 of that Annex.

**'irregularity'** means any breach of applicable law, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget;

**'systemic irregularity'** means any irregularity, which may be of a recurring nature, with a high probability of occurrence in similar types of operations, which results from a serious deficiency, including a failure to establish appropriate procedures in accordance with this Regulation and the Fund-specific rules;

**'economic operator'** means any natural or legal person, or other entity involved in the implementation of the Funds, with the exception of a Member State exercising its prerogatives as a public authority;



# Interruptions



## Interruptions

### Under Art.96 of CPR

- 1. The Commission may interrupt the payment deadline, except for pre-financing, for a maximum period of 6 months where any of the following conditions is met:**
  - (a) there is evidence to suggest a serious deficiency for which corrective measures have not been taken;
  - (b) the Commission has to carry out additional verifications following receipt of information that expenditure in a payment application may be linked to an irregularity
- 2. The Member State may agree to extend the interruption period by 3 months.**
- 3. The Commission shall limit the interruption to the part of the expenditure affected by the elements referred to in paragraph 1 above, unless it is not possible to identify the part of the expenditure affected.**
- 4. The Commission shall inform the Member State and the managing authority in writing of the reason for interruption and shall request them to remedy the situation.**
- 5. The Commission shall end the interruption as soon as the measures remedying the elements referred to in paragraph 1 have been taken.**
- 6. The Fund-specific rules for the EMFAF may lay down specific bases for interruption of payments linked to non-compliance with rules applicable under the Common Fisheries Policy.**

# Suspensions



## Suspensions

### Under Article 97 of CPR

- 1. The Commission may suspend all or part of payments, except for pre-financing, after having given the Member State the opportunity to present its observations, if any of the following conditions is met:**
  - (a) The Member State has failed to take the necessary action to remedy the situation giving rise to an interruption under **Article 96**;
  - (b) There is a serious deficiency;
  - (c) The expenditure in payment applications is linked to an irregularity that has not been corrected;
  - (d) there is a reasoned opinion by the Commission in respect of an infringement procedure under Article 258 TFEU on a matter that puts at risk the legality and regularity of expenditure.
- 2. The Commission shall end the suspension of all or part of payments when the Member State has taken the measures remedying the elements referred to in paragraph 1.**
- 3. The Fund-specific rules for the EMFAF may lay down specific bases for suspension of payments linked to non-compliance with rules applicable under the Common Fisheries Policy.**

## Types of financial corrections (Annex XXV of CPR)

### Types of correction:

- Specifically quantified corrections  
Quantifiable error for individual or several operations – exact amount  
(e.g. ineligible invoice)
- Extrapolated corrections  
error found in representative sample recurs in rest of population from which sample drawn, i.e. other operations of same type / measure etc.
- Flat rate corrections  
individual breaches or systemic failures that are not quantifiable (procurement, publicity etc.)

**Note:** In practice, it is preferable that MS applies corrections where detected.

## Flat rate corrections – scales (Annex XXV and Article 104(1) of CPR)

### 100%

Serious deficiency(ies) in MCS so **fundamental, frequent or widespread**  
= **Complete failure** of system  
=> puts at risk, legality and regularity of **all expenditure concerned**.

### 25%

Serious deficiency(ies) in MCS so **frequent and widespread**  
= **extremely serious failure** of system  
=> puts at risk, legality and regularity of a **very high proportion of expenditure**.

### 10%

Serious deficiency(ies) is due to system **not fully functioning or functioning so poorly/infrequently**  
=> puts at risk, legality and regularity of **high proportion of expenditure concerned**.

### 5%

Serious deficiency(ies) in MCS, system **not functioning consistently**  
=> puts at risk **significant proportion of expenditure concerned**.

# QUESTIONS?



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