



Audit of Financial Instruments in 2014–2020

2020-02-20. 3B Vilnius

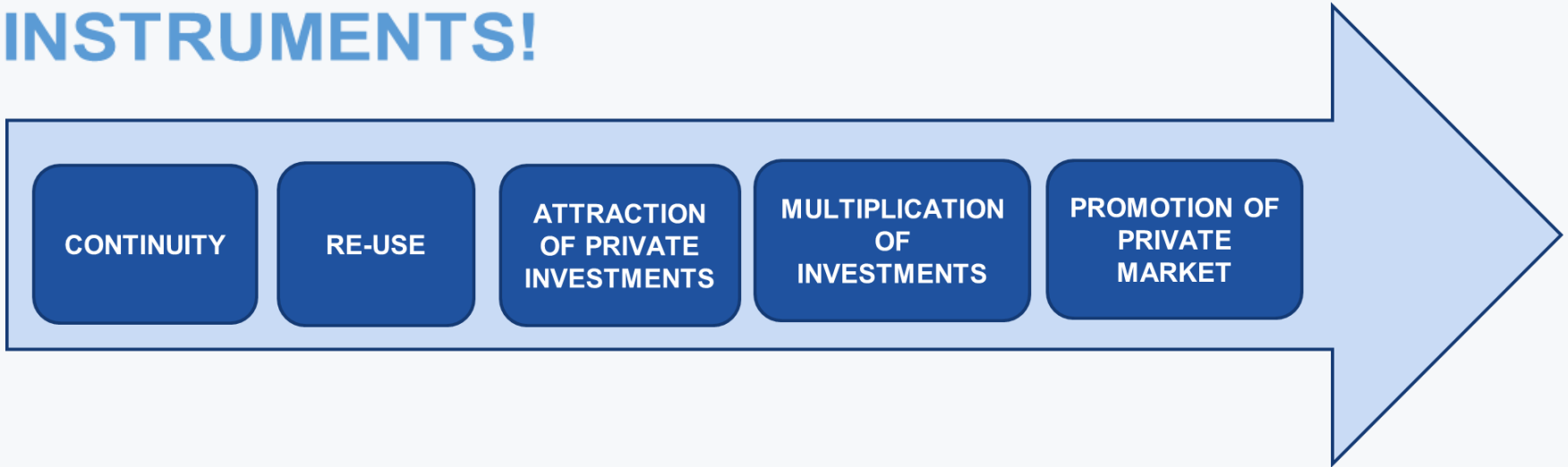
WHAT'S ON OUR MIND FOR LAST DECADE?



HOW TO ACHIEVE MORE RESULTS WITH LIMITED RESOURCES?



POSITIVE SOLUTION – FINANCIAL INSTRUMENTS!



10 YEARS WITH FINANCIAL INSTRUMENTS – WHERE ARE WE NOW?



1,1 BN EUR
ESIF FUNDS
902 MEUR
STATE BUDGET
INVESTED

2,5 BN EUR
PRIVATE
INVESTMENTS
ATTRACTED

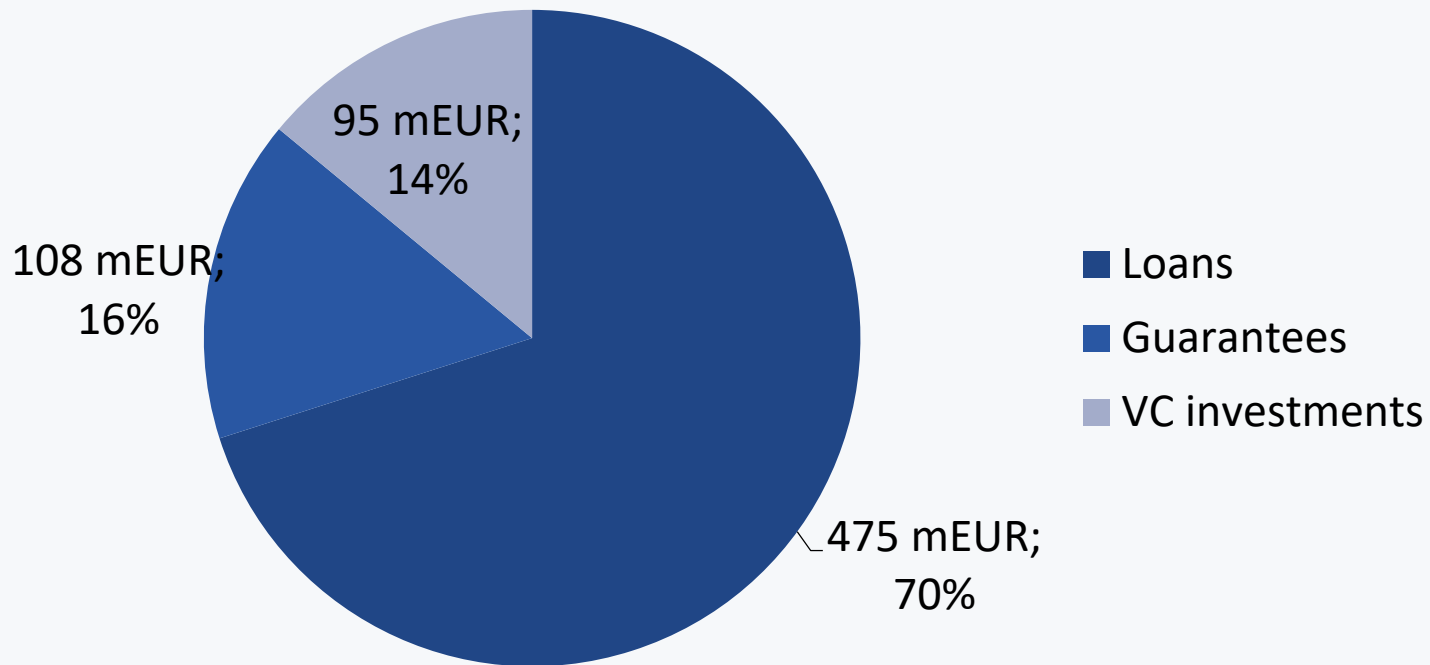


528 MEUR REPAID AND RE-
INVESTED

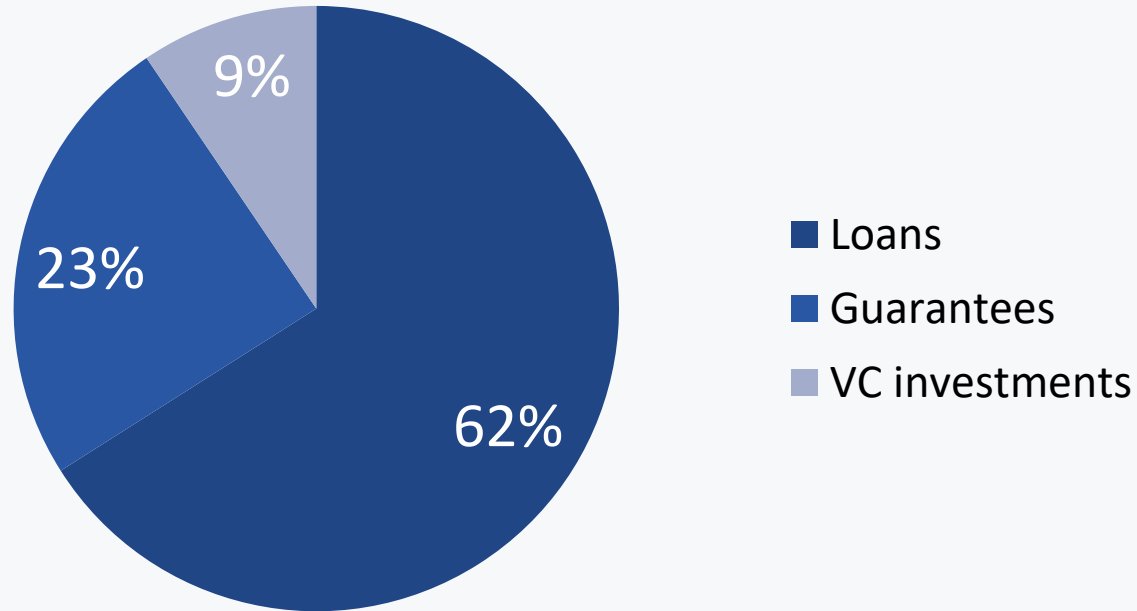
59 048 HOUSEHOLDS RENOVATED
616 GWH OF ENERGY SAVED
143 667 T OF **CO2** REDUCED

9508 LOANS/GUARANTEES FOR SME'S
102 VENTURE CAPITAL INVESTMENTS MADE
5404 GUARANTEES FOR RURAL
DEVELOPMENT (SB)

ALLOCATED EU FUNDS



DISBURSED FUNDS TO FINAL RECIPIENTS



HARD TO IMPLEMENT SIMPLIFICATIONS WHEN ATTITUDE TO FIS REMAINS SIMILAR AS TO SUBSIDIES!



“ While the success of enforcing various rules is unquestionable, it has had strong negative externalities for ESIF beneficiaries for whom the ever-growing number of rules and the higher risk of controls, with the associated greater legal uncertainty, make funding less and less attractive, thereby reducing its effectiveness” (High level expert group)

HIGH LEVEL GROUP EXPERTS' INSIGHTS ON ESIF AUDITS

CURRENT SITUATION:

The implementation system of Cohesion policy has become one of the most effective enforcement mechanisms for a range of EU policies such as public procurement, environmental acquis or state aid. Controls and audits have helped identify issues with the transposition of directives or with the institutional capacity of those public bodies applying them. Simplification should contribute to having a reasonable level of controls, further increasing the effectiveness of audit work and keeping the highest standards in terms of protection of the EU budget.

PROBLEM TO ADDRESS:

Beneficiaries face an ever-growing number of rules which makes applying for EU funding less attractive.

RECOMMENDED SOLUTION:

Fewer rules and extension of the single audit principle, on the basis of the idea that each level of control builds on the preceding one. Additional checks may be needed if it is established that in a given Member State or region there is a serious deficiency.

WHAT IT MEANS FOR BENEFICIARIES:

Fewer controls, in particular for smaller beneficiaries as SMEs, and avoiding that the beneficiary is confronted with diverging views from different authorities.

NATIONAL AUDITS – METHODOLOGY, SCOPE, SAMPLING



- ▶ **AA have 6 checklists that cover main areas:**
 - ▶ Risks related with FI implementation & actions of FI or FoF manager
 - ▶ Establishment of FI is in line with legal acts & FI manager was selected accordingly
 - ▶ Verification of FI conformity to the ex-ante assessment
 - ▶ Audit of ex ante-assessment for each FI (!)
 - ▶ Conditions of funding agreement (incl. amendments, implementation of conditions, selection of financial intermediaries). In case of EIB group - review of audit report of external audit)
 - ▶ Verification of eligibility of expenditures declared
 - ▶ Audit management costs and fees



Sampling for
Audit of
Operations

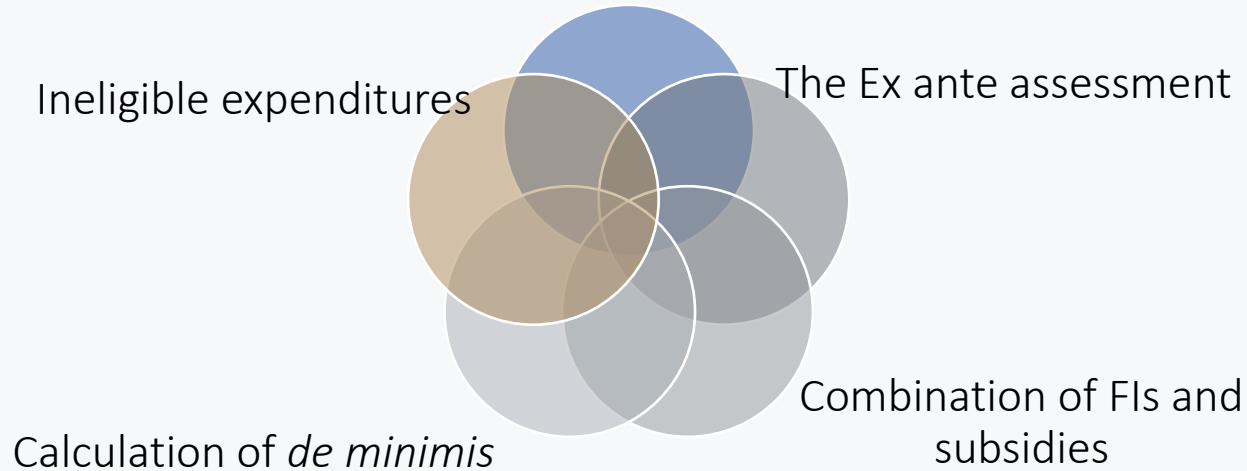
AA selects
payment claims
using monetary
unit sampling

Sample unit
– payment
claim.

NATIONAL AUDITS – THE EXPERIENCE & LESSONS LEARNED



“Irregularities” detected by AA relates to:



CHALLENGES – EXPERIENCE & LESSONS LEARNED MA SIDE (I)



- ▶ Lack of practical understanding of FIs, focus on the process
- ▶ AA purely checks the compliance with the EU and national rules
- ▶ Time & human resources needed to provide information to AA
- ▶ FI expenditure are treated the same as for subsidies

CHALLENGES – EXPERIENCE & LESSONS LEARNED MA SIDE (II)



- ▶ Different interpretation of the EU rules due to lack of legal certainty in the EC guidance
- ▶ AA recommendations/findings more focused on legal procedure than on more efficient development of FIs
- ▶ Scope of information required from the final recipients remains a challenge

VISION FOR THE FUTURE



- ▶ More simplification
- ▶ User friendly approach
- ▶ Continued cooperation with AA
- ▶ Focus on recommendations which increase the efficiency of implementation of FIs in order to make FIs more attractive to final recipients/market/stakeholders

THANK YOU!