Interreg Programme Management Handbook

Guide to the 2021-2027 period

The Interreg Programme Management Handbook comprises a series of factsheets. They can be read individually, or collectively, to understand the relevance of certain aspects of Interreg management. They cover the relevance, legal basis, key challenges and approaches to the given subject.

Factsheet | Audit

1. What is it? What is the definition of this work?

The **audit authority** (AA) must be a public authority (national, regional or local authority or body), but the regulation allows for carrying out the audit work by a public or private body other than the audit authority. Therefore, sometimes audit authorities are also assisted by private sector auditors[1]. These audit companies are normally chosen in public procurement procedures. The audit authority and any such body carrying out audit work under the responsibility of the audit authority must be functionally independent from the auditees. Naturally the audit authority must be functionally independent of the managing authority (MA) and body performing accounting function (BAF) as well. The AA is appointed for each programme and is responsible for verifying the correct implementation of the programme. The AA also monitors, among other things, project compliance with programme rules, national rules and European regulations.

In Interreg, if audit authorities do not have the authorisation in the whole territory covered by a cooperation programme, they are usually assisted by a **group of auditors** composed of representatives from countries participating in the programme. Members of group of auditors assist in performing audits of operations and sometimes can participate in the system audits. Programmes usually organise an annual meeting of the group of au1ditors to share the results and approve the audit report. The group of auditors is must be set up within three months of the decision approving the Interreg programme and operates based on rules of procedures approved by AA. The auditors must be functionally independent from bodies or persons responsible for management verifications.

Audit authorities have the following functions: preparing an audit strategy (Article 78 CPR and the model available in the Annex XXII CPR); performing **system audits** (Methodological Note for the Assessment of Management and Control Systems in the Member States); performing **audits of operations** through a new system of the Interreg common sample (Article 49 Interreg Regulation); performing **audits of**

---

[1] Art. 71 (2) CPR

accounts (Annex XXIV CPR and Methodological Note on the Preparation, Submission, Examination and Audit of Accounts) and elaborating **annual control reports** (Annex XX CPR and Methodological Note on the Annual Control Report, Audit Opinion and Treatment of Errors). Audit work shall be carried out in accordance with internationally accepted audit standards.

The audit authority shall draw up and submit to the Commission an annual audit opinion, an annual control report and system audit reports.[2]

Regarding audit of operations, it must be stressed that the audit authority is the last programme authority in the chain (after MA, controllers or BAF) which verifies the eligibility since the auditors work with expenditure which was already declared to the European Commission. In 2021-2027 sampling method in Interreg to choose partners for audits was significantly changed and audits of operations are performed based on **Interreg common sample**[3]**.** Changing the sampling method allowed for a reduction of audits of operations.

With the system of Interreg common sample, programme authorities must cooperate to provide the population in due time[4] (and stop submitting payment applications within the accounting year) so that the audit authority has sufficient time to perform audit of operations. For programmes included in common sample AA´s audit opinion does not cover the legality and regularity of expenditures in the accounts, audit opinion is provided only on the completeness, veracity and accuracy of the accounts and the functioning of the management and control system.

2. Why are we discussing it?

The audit procedure is of great importance to provide independent assurance to the Commission about programme functioning. Auditors verify the effective functioning of the management and control system of the Interreg programme, the legality and regularity of the expenditure (for Interreg programmes not covered by the common sample) and the completeness, veracity and accuracy of the accounts. Auditors' findings can lead to severe consequences for the programme: projects' budgets can be reduced; programmes' budget can be reduced[5]; the whole programme implementation can be interrupted or suspended[6].

Furthermore, the audit procedures often lead to discussions. Sometimes there are disagreements in contradictory procedures on the eligibility or the interpretation of a certain rule, especially when the finding by audit authority leads to a financial correction and sometimes extrapolation (in other words the error rate is projected to the entire population to estimate the potential total error).

3. What are the Legal references and basis for this topic?

Article 77 Functions of the audit authority, CPR

---

[2] Art. 48 (5), art. 48 (6), art. 48 (8) Interreg Regulation

[3] Art. 49 (1) Interreg Regulation

[4] Art. 49 (2) Interreg Regulation

[5] Art. 103 CPR

[6] Art. 96, art. 97 CPR

Article 48 Functions of the audit authority, IR

Article 79 Audits of operations, CPR

Article 49 Audit of operations, IR

Article 77 and 79 of CPR in programmes participating in the Interreg common sample must be interpreted together with the Articles 48 and 49 of Interreg Regulation.

Article 78 Audit strategy, CPR

Article 80, CPR Single audit arrangements (this article does not apply to programmes participating in the Interreg common sample)

Article 103, Financial corrections by Member States, CPR

Article 104, Financial corrections by the Commission, CPR

There are many annexes in CPR which are of importance for audit authorities:

- Audit strategy - Annex XXII,
- List of Key Requirements Annex XI,
- Annual control report - Annex XX,
- Annual audit opinion - Annex XIX,
- Accounts - Annex XXIV,
- Audit trail - Annex XIII,
- Reporting of irregularities - Annex XII
- Determination of the level of financial corrections - Annex XXV,

There are also three methodological notes in this programming period which are related to the functions of audit authorities:

- Methodological Note for the Assessment of Management and Control Systems in the Member States
- Methodological Note on the Annual Control Report, Audit Opinion and Treatment of Errors
- Methodological Note on the Preparation, Submission, Examination and Audit of Accounts

4. What are the challenges, key considerations and frequently asked questions?

How to correctly organise the system of submitting the population for the Interreg common sample?

How to ensure a unified audit standard across all Member States participating in the Interreg programmes?

How to organise the second level control in Interreg programme so that all partners are treated the same way when the national rules may vary?

5. How are they addressed?

Interreg common sample topic is fully covered in Interact website section. All the relevant documents are uploaded there (frequently asked questions, instructions from the European Commission, etc.) The whole system of organisation of the programme control and audit system is described in the Interact Roadmap for the assurance package.

The question of unified audit standards across all Member States is addressed at regular meetings and trainings organised for auditors. The European Commission (EC) meets on a regular basis with the audit authorities (individual meetings with Interreg audit authorities as well as Technical Meeting renamed to Audit Community Forum and a separate Homologues Meeting for auditors of all the EU

funds). Also Interact organises an annual event for auditors and group of auditors' members where audit experiences are shared.

Nevertheless, full harmonisation is difficult in some fields. In public procurement there is one common directive, but the national procurement rules are unique per Member State as the rules specified by the directive had to be transposed on national level and the rules are not always homogenous. This may lead to different treatment of partners from different countries. There are many other rules which may be differently applied among countries: conflict of interest, some areas of eligibility rules (esp. staff costs), treatment of revenues.

6. How does it work in practice?

Audit authority performs the system audit on a regular basis (based on key requirements per programme authority) and gives recommendations to the programme authorities. Programme authorities have to provide to the European Commission the population for Interreg common sample each year (cumulated payments to all partners which were included in the payment applications to the EC within the accounting year). The population must be reconciled (i.e. validated) by the audit authority. The European Commission draws the sample from the provided data (i.e. choses 3 or 5 partners to be audited). Based on this sample, audit authority, assisted by group of auditors' members or private sector auditors, performs the audits of operations. Audit results are normally discussed and approved in the annual meeting of the group of auditors. The results of both system audits and audits of operations, as well as the audit of accounts, are then reflected in the assurance package (and especially in the annual audit opinion and annual control report) which is sent to the European Commission each year by 15 February[7].

7. Good practice examples, innovative approaches

From the programme's point of view, it is very important to be on good terms with your audit authority. Experience shows that applying basic business rules in the contacts with the audit authority can facilitate implementation of the programme from the audit point of view. Regular communication and keeping audit authority informed, providing documents in good time and not very close to the deadline, cooperating on a regular basis during the accounting year and not only when there are irregularities, problems or close deadlines (e.g. for submission of the assurance package), organising regular meetings of all involved authorities (MA/JS, BAF, AA) can probably reduce the risk of irregularities to some extent, but above all it will help establish good working relations.

In recent years, the biggest innovation in the audit field have been the use of online tools in audits as well as AI supported audits which can facilitate primarily the big data analysis. Interact prepared an online tool keep.eu which can be used by auditors to check in which Interreg projects the audited partner has been involved and in such way to check the risk of double financing.

[7] Art. 48 (5) Interreg Regulation

Disclaimer: Cooperation can be complex, and while Interact's job is to make it easier, Interact cannot offer assurances on the accuracy of our pan-European information in any specific context.

Furthermore, understanding and knowledge evolves throughout the programming period. If you spot something out of date or inconsistent, please contact us at communication@interact.eu

Publisher | Interact programme
Date | 11.04.2025
Author | Przemyslaw Kniaziuk
Contributors | Sanna Erkko, Dagmar Kyselova, Jasmina Lukic

Co-funded by the European Union
Interreg