

**Interreg
Europe**



European Union | European Regional Development Fund

Buying in the wild market: public procurement rules

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Quality checks/audits

- To ensure proper use of funds, several bodies carry out quality checks/audits:



Région
Hauts-de-France



Second Level Auditors



EUROPEAN
COURT OF AUDITORS

National checks





Financial corrections

- Following quality checks/audit, irregularities may be detected and corrected through a financial correction:

Home > FLC Check > Expenditure

Summary ✓ Activities summary ✓ Contact details ✓ List of contracts ✓ Expenditure ✓ Financial corrections ✓ FLC checklist ✓ FLC report

Save Check Export to Excel

Reporting period 2 Version 6 (certified, Included in joint report)

4. List of Expenditure ?

Do any corrections linked to previous PRs have to be implemented in the current PR? ?



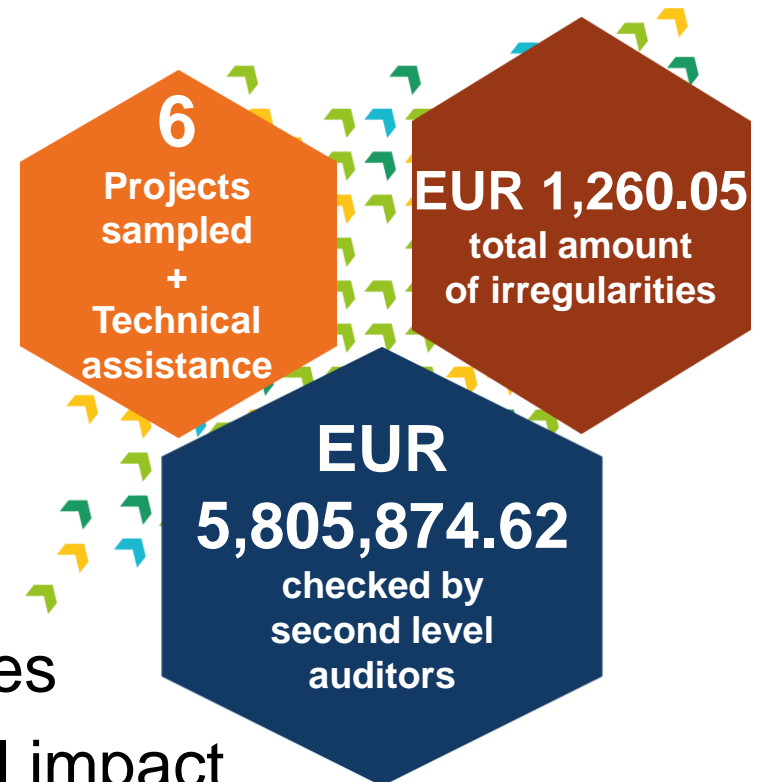
Budgetline ?		Total budget	Previously reported	Currently reported	Certified amount	Total reported so far	% of Total reported so far	Financial correction	Remaining budget
Staff costs	✓	127,332.00	26,048.42	22,631.50	22,631.50	48,679.92	38.23 %	-604.70	79,256.78
Office and administration		19,099.00	3,907.26	3,394.73	3,394.73	7,301.99	38.23 %	-90.70	11,887.71
Travel and accommodation	✓	17,626.00	2,571.75	1,303.89	1,303.89	3,875.64	21.99 %	0.00	13,750.36
External expertise and services	✓	67,810.00	2,780.47	862.19	862.19	3,642.66	5.37 %	0.00	64,167.34
Equipment	✓	0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
(Net Revenue)		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00	0.00
Total		231,867.00	35,307.90	28,192.31	28,192.31	63,500.21	27.39 %	-695.40	169,062.19

Second level audit campaign 2018-2019



Main reason for irregularities:

- Lack or incomplete audit trail
- Miscalculation in staff costs
- Expenditure not related to the project



No systemic irregularities:



CHECKED

only individual irregularities
with **very** limited financial impact

Second level audit campaign 2018-2019



Main lessons learnt:

- Pay attention to the audit trail
- Make it simple for staff costs



Anti-fraud strategy



- **Regulatory requirement for MAs to**

*“put in place **effective and proportionate anti-fraud measures** taking into account the **risks identified**”
(Article 125(4)(c) of Regulation (EU) No 1303/2013)*

- implemented notably through:
 - information of project and FLC on the main risks identified
 - recommendations included in the programme manual
 - FLC checklist taking into account risks identified
 - procedures for the reporting of suspected fraud



Definition of fraud

Irregularity

Error /bad
management



Fraud

Intentional

Consequences

Financial correction

Financial correction

Investigation & sanctions



Fraud risks identified

Irregularity	Fraud
Added hours on the timesheet wrongly so claimed excess hours than worked.	Intentionally added more hours on the timesheet than actually worked. Repeated on a number of occasions.
Used same invoice twice. The amount relates to goods and services received.	Charged invoice for goods not related to project for personal gain or for goods not received.
Travelled on project related activities but unable to provide the key supporting evidence.	Travelled for personal reason and charged the costs to the project.
Followed the tendering process correctly but did not fully comply with all the requirements.	Followed the tendering process but internally manipulated the bids to favour a particular tenderer.



Fraud risks identified

Main risks identified for Interreg Europe programme:

- **Staff costs** reported do not correspond to the reality
- **Public procurement** (conflict of interests, favouritism, corruption)
- **Double financing**



Fraud risks - origin

Fraud risks may be at the level of:

- the beneficiary staff
- the external contractors
- collusion between the two
- JS / FLC staff (conflict of interest, corruption...)

Fraud prevention and detection



To prevent and detect fraud, partners should:

- be aware of the potential risks of fraud
 - have internal procedures in place to prevent and detect fraud
- ▶ See revised programme manual
- general info in section 7.9
 - recommendations for public procurement in section 7.5.6

Fraud prevention and detection



- FLC should check the beneficiaries' reports and supporting documents with “appropriate skepticism” (in particular for staff costs and public procurement)



appropriate skepticism = “an attitude that includes a questioning mind and a critical assessment of audit evidence”



Reporting suspected or established fraud

How can the MA/JS be informed ?


- whistleblowing procedure for general public/beneficiaries (address available at <https://www.interregeurope.eu/about-us/anti-fraud-policy/>)
- specific reporting template for FLC



FLC reporting template on suspected or established fraud

- Available for download in iOLF from FLC report tab of the partner report:

The screenshot shows a navigation breadcrumb: Home > FLC Check > FLC report. Below this is a row of tabs: Summary, Activities summary (with a green checkmark), Contact details (with a green checkmark), List of contracts (with a green checkmark), Expenditure (with a green checkmark), FLC checklist (with a green checkmark), and FLC report (with a green checkmark and highlighted in yellow). Below the tabs is a row of buttons: Save, Check for errors, Back to list, FLC report, FLC certificate, and Report on fraud (with a document icon and highlighted in yellow).

First level control report 

- To be sent by the FLC to the JS financial control and audit officer by email



Complying and controlling public procurement rules



Basics

- Public procurement applicable rules*
 - the EU public procurement directives (Directive 2014/24/EU)
 - national rules
 - internal rules of the partner organization
- No programme-specific rules
 - Section 7.4.6 Public procurement of the programme manual



*** The strictest rules must always be applied**
in case of doubts, check with your procurement department



Private non-profit bodies

- The private non-profit bodies
 - have to respect national rules and internal partner rules (if they exist)
 - have to be able to demonstrate good use of public funds
 - in some countries need to comply with national public procurement rules



If not sure, contact your national point of contact!

Procurement and reporting



- FLC checks compliance with public procurement rules
 - see: first level control report incl. checklist (section 5. Public procurement)
- List of contracts to be filled in by each partner
 - see: list of expenditure incl. list of contracts in iOLF
- List of contracts subject to EU procurement directives
 - Automatically compiled in the progress report from partner reports

Common procurement findings

- Inadequate procedure chosen (e.g. direct award of contract not justified)
- Insufficient publicity
- Value of the contract not estimated at institutional level
- Splitting the contracts to fit below thresholds
- Insufficient audit trail (e.g. missing documents)



Direct award of contract

- Common non-justified reasons:

“urgency”

“the only one”

“more economic
– no cost for
training new
person”

“good value
(based on old
comparison)”

- Direct award for these reasons is rarely justified
- Objective reasons needed (the market should prove)

Group discussion





Group discussion (20 min)

1. Discuss and list the main steps needed to contract an external consultant through:
 - group 1: a public procurement above EU threshold?
 - group 2: a consultation of several providers?
2. Your cousin owns one of the biggest catering firms in the market.
 - How do you take this into account?

Main steps – EU procedure 1/2



1. Definition and estimation of the need
2. Selection of
 - the type of tender (eg. with lots or not, framework contract, etc.)
 - the EU procedure (open, restricted, etc.)
3. Drafting administrative & technical terms of reference
4. Publication in OJEU (+ other publicity? e.g. website)

Main steps – EU procedure 2/2



5. Opening & analysis of offers + drafting selection report
6. Notification to rejected tenderers
7. Notification to selected tenderer & signature of contract
8. Contract award notice (OJEU)



Main steps – below thresholds

1. Definition & estimation of the need (at the level of the legal entity)
2. Drafting terms of reference /request
3. Sending terms of reference /request to several providers
4. Analysis of offers/quotes and drafting selection report
5. Notification to rejected providers
6. Notification to selected provider + signature of contract / order form

Conflict of interests and how to deal with them



1. Inform yourself about your organization's internal rules and procedures
2. Inform your line manager about this situation
3. Make sure that the internal procedure is applied
4. Document this to ensure audit trail in case of control



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BACK UP SLIDE:

Documents to keep and control !

- 1) Terms of reference (incl. transparent and non discriminatory selection & award criteria)
- 2) Procurement notice / requests sent to several providers (with same info and deadline)
- 3) Offers/quotes received
- 4) Evaluation/selection report (incl. justification of procedure and application of announced criteria)
- 5) Notification letters to rejected and selected tenderers
- 6) Contract and any amendment / renewal
- 7) Invoices and proofs of payments (matching contract/order)
- 8) Proof of delivery of goods and services