



REPUBLIC OF SLOVENIA
MINISTRY OF FINANCE

BUDGET SUPERVISION OFFICE
OF THE REPUBLIC OF SLOVENIA

ANNUAL CONTROL REPORT

**COOPERATION PROGRAMME INTERREG V-A
Slovenia - Hungary 2014 – 2020**

CCI No 2014TC16RF053

**referred to the 7th accounting year
from 1 July 2020 to 30 June 2021**

Final Version



No.: 0621-1/2016/18

Ljubljana, February 2022

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1. INTRODUCTION

1.1 Identification of the responsible audit authority and other bodies that have been involved in preparing the report.

Audit Authority (hereinafter AA):

Republic of Slovenia

Ministry of Finance - Budget Supervision Office (hereinafter BSO)

Other European Shared Management Funds Audit Division

Fajfarjeva 33

1000 Ljubljana – Slovenia

The AA is assisted, as envisaged under Art. 25 (2) of Regulation (EU) No. 1299/2013, by the Group of Auditors (hereinafter GoA).

The GoA is composed by representatives of AA (above) and Audit Body (hereinafter AB):

Audit Body:

Directorate General for Audit of European Funds (hereinafter DGAEF)

Bartók Béla út 105-113

1115 Budapest - Hungary

1.2 Indication of the reference period.

The period from 1 July 2020 to 30 June 2021 represents the reference period in accordance with Art. 2(29) of Regulation (EU) No.1303/2013

1.3 Indication of the audit period.

The Annual Control Report is referred to the audit work performed in the (audit) period from 1 July 2020 to the date of the submission of it to the EC.

1.4 Identification of the operational programme(s) covered by the report and of its/their managing and certifying authorities.

COOPERATION PROGRAMME INTERREG V-A Slovenia - Hungary 2014 – 2020

CCI No 2014TC16RFCB053

Managing Authority (hereinafter MA):

Government Office for Development and European Cohesion Policy (hereinafter GODC)

European Territorial Cooperation Division

Cross-border Programmes Management Section

Kotnikova ulica 5

1000 Ljubljana – Slovenia

Certifying Authority (hereinafter CA):

Public Fund of the Republic of Slovenia for Regional Development and Development of Rural Areas (hereinafter SRDF)

Škrabčev trg 9a

1310 Ribnica – Slovenia

1.5 Description of the steps taken to prepare the report.

The report was drafted in accordance with Art. 63 (7) of Regulation No.1046/2018 and revised version of Guidance for Member States on ACR and Audit Opinion (Programming Period 2014-

2020) and is based on activities envisaged in the audit strategy drawn up by the AA with the support of the GoA.

2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEM(S)

2.1 Details of any significant changes in the management and control systems related with managing and certifying authorities' responsibilities.

In November 2021 the MA submitted to the AA the revised version of the Description of the Management and Control System (hereinafter DMCS), which includes changes of the management and control system (hereinafter MCS), referred to the period from November 2020 to November 2021.

In the second part of 2021 some changes of management structure in the frame of the programme have been realized, as follows:

- In May 2021 Mr. Uroš Klopčič has been appointed as the new Head of the Certifying Authority.
- In October 2021 Mrs. Tanja Renner has been appointed as the new Head of the Managing Authority and Mr. Aleš Mrkela as the new Deputy Head of the Managing Authority.

The last changes related to the MA/JS are partly related to the organisational changes within the Government Office for Development and European Cohesion Policy (hereinafter GODC) and were implemented in October 2021 as follows:

- The GODC has re-organized ETC and Financial Mechanism into new European Territorial Cooperation and Financial Mechanisms Division.
- In the frame of the European Territorial Cooperation and Financial Mechanism Division two sections are organized:
 - o MA and JS of the CP Interreg SI-HU 2014-2020 work within the Cross-Border Management Section¹.
 - o Slovenian National Authority (hereinafter NA) of the CP Interreg SI-HU 2014-2020 works within the European Territorial Cooperation and Financial Mechanisms Section².
- Slovenian National Control Unit (hereinafter NCU) of the CP Interreg SI-HU 2014-2020 is organized separately in the Control Division, Objective 2 Control Section³.

With regarding to the organizational changes of the GODC considering the MA, JS, NCU and NA in Slovenia as well the changes of the managing structure, AA on base of the desk analysis considers that the changes will not have substantial impact on the functioning of the MCS for the following reasons:

- In major part of the new appointments human resources are involved with several years of work experience in the frame of the INTERREG programmes.
- The changes refer to internal organisational structure of GODC (the work is organised in the frame of the Division/Sections instead of Office/Sections as before), all the implementation and control processes remained unchanged.

¹ Before MA was organized in ETC and Financial Mechanism Office, Cross-Border Programmes Management Division.

² Before NA was organized in ETC and Financial Mechanism Office, European Territorial Cooperation and Financial Division.

³ Before NCU was organized in ETC and Financial Mechanism Office, Control Division ETC, IPA and IFM Programmes.

The last changes are only linguistic nature and it is referred to the official name in English of the internal organisation in the frame of the BSO, and responsible for the audits of the INTERREG programmes: Other European Shared Management Funds Audit Division⁴.

2.2 Information relating to the monitoring of the designated bodies according to Article 124(5) and (6) of Regulation (EU) No 1303/2013.

No information relating to the monitoring of the designated bodies according to art 124(5)(6) of Regulation No. 1303/2013 have been received until the phase of the preparation of this report.

2.3 The dates from which these changes apply, the dates of notification of the changes to the audit authority, as well as the impact of these changes to the audit work are to be indicated.

Please see chapter 2.1 of this report.

3. CHANGES TO THE AUDIT STRATEGY

3.1 Details of any changes to the audit strategy, and explanation of the reasons.

The version 1.4 of the audit strategy was updated in April 2021. The long-term/mid-term audit plans were updated. No other significant changes have been made to the audit strategy for the CP from the previous version.

3.2 Differentiation between the changes made or proposed at a late stage, which do not affect the work done during the reference period and the changes made during the reference period, that affect the audit work and results.

n/a

4. SYSTEM AUDITS

4.1 Details of the bodies (including the Audit Authority) that have carried out audits on the proper functioning of the management and control system of the programme – hereafter "system audits".

Audit Authority has performed the planned system audit of specific thematic area – withdrawals and recoveries, and system audit of the Managing Authority/Joint Secretariat/National Authority in the 7th accounting year.

4.2 Description of the basis for the audits carried out, including a reference to the audit strategy applicable, more particularly to the risk assessment methodology and the results that led to establishing the audit plan for system audits.

Taking into consideration that relatively small number of the programme/bodies participates in the MCS and in addition that 2 of them (MA and NCU in Slovenia) are part of the internal organisation of the same institution - Government Office of the Republic of Slovenia for

⁴ Before AA organizational unit name was Sector for Auditing other Funds under shared Management.

Development and European Cohesion Policy no risk assessment methodology has been adopted in the Audit Strategy to establish the audit plan for system audits.

Instead of this it will be assured that all the authorities/bodies included in the MCS will be audited at least twice in the programming period. Additionally, the sequence order for the system audits of thematic issues has been created.

Based on this premises the AA in cooperation with AB established the rank list of system audits for period 2018 – 2022 (where the above assurance is fulfilled).

According to the rank list system audits of MA, CA, NCUs in Slovenia and Hungary have been planned and implemented in 2018 and follow-up of these audits have been performed in 2019.

In July 2020, according to the rank list, the system audit of specific thematic area on performance data reliability was finalized, and in the period November 2020 - January 2021, the system audit of the CA⁵ has been implemented.

Considering that no substantial changes of the MCS occurred and no specific problem areas were identified during the previous audits, in 2021 system audit of the MA/JS/NA⁶ and system audit of specific thematic area - withdrawals and recoveries have been implemented (please see chapter 4.3 of this report).

4.3 Description of the main findings and conclusions drawn from system audits, including the audits targeted to specific thematic areas, as defined in section 3.2 of Annex VII of Regulation (EU) 2015/207.

In the period from 1 of July 2020 until the submission of this report in accordance with the audit plan, the following system audits have been performed by AA:

- System audit of specific thematic area – withdrawals and recoveries (finalized in February 2021),
- System audit of the Managing Authority / Joint Secretariat / National Authority (finalized in June 2021).

In January 2021 the system audit of the Certifying Authority has been finalized by AA. Findings and recommendations of this system audit have been reported in the 6th Annual Control Report in the Chapter 4.3.

The table in annex 1 to this report indicates for each body audited by the AA the assessment related to each key requirement, resulting from the system audits listed above.

Summary of important findings and conclusions of the system audits performed:

System audit of specific thematic area - withdrawals and recoveries

In the period November 2020 – February 2021 the system audit of specific thematic area / withdrawals and recoveries has been implemented by AA. The audit has been performed for all three INTERREG programmes together (CP Slovenia-Austria, CP Slovenia-Hungary, CP Slovenia – Croatia) for which GODC and SRDF have a role as MA and CA.

⁵ The system audit of the CA was carried out for the second time in the programming period 2014-2020.

⁶ The system audit of the MA was carried out for the second time in the programming period 2014-2020.

The audit was subject to verification of compliance of the management and control system at the MA and CA for the audited CPs, more specifically verifying the performance of the subsystem of the withdrawals and recoveries and the accuracy of the reporting of withdrawals and recoveries in the eMS, iCenter⁷, Interim Payment Applications and Annual Accounts issued to EC. In the context of the audit key requirements 1, 5, 9, 12 and 13 were assessed.

No important findings have been detected during the system audit. Based on the audit performed, AA assessed the part of MCS related to withdrawals and recoveries with Category 1: *Works well. No or only minor improvements needed.*

System audit of the MCS of the Managing Authority / Joint Secretariat / National Authority

In the first half of year 2021 the system audit of MA/JS/NA has been implemented by AA. The audit has been performed for all three INTERREG programmes together (CP Slovenia-Austria, CP Slovenia-Hungary, CP Slovenia – Croatia) for which GODC has a role as MA, JS and NA.

The audit was subject to verification of the effectiveness of MCS in the MA, JS and NA for the audited CPs. The audit of the system was carried out for the second time in the programming period 2014-2020. The assessment criteria for all key requirements applicable to the MA/JS/NA from KR 1 to KR 8⁸ have been audited and assessed. The following findings have been identified during the audit:

KR 7: Effective implementation of proportionate anti-fraud measures

<p><i>Finding No.1:</i></p> <p>MA did not adequately assess the total gross, net and target risk of fraud in the framework of the self-assessment of fraud risk for individual risks.</p>	<p><i>Recommendation No.1:</i></p> <p>MA should re-prepare a self-assessment of fraud risks in accordance with the EC guidelines for fraud risk assessment, with an appropriate self-assessment team whereas, for individual risks, it should properly assess the total gross and net and target risk of fraud, as well as properly assess the management of these risks with existing and possible additional controls.</p>
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⁷ CA's accounting system.

⁸ Except KR4 which is related to the system audit of NCU.

KR 8: Appropriate procedures for drawing up the Management Declaration and Annual Summary of the final audit reports and of controls carried out

<p>Finding No.2:</p> <p>In the Annual Summary of controls carried out, in the case of irregularities in the category "Other" and in categories with similar characteristics of irregularities identified by the NCU, in most cases there are no comments about the type or the content of the irregularity.</p>	<p>Recommendation No.2:</p> <p>MA, in cooperation with the NCU, should ensure more detailed information, for the purpose of a complete and accurate analysis of identified errors and irregularities, which may allow for appropriate corrective actions.</p>
<p>Finding No.3:</p> <p>In the Annual Summary of controls carried out, that most irregularities in the "Other" categories and in categories with similar irregularities are classified as administrative errors, which in the annual summary were not considered to be of a temporary nature.</p>	<p>Recommendation No.3:</p> <p>MA in preparation of annual summaries, should perform an appropriate analysis of irregularities in such a way that the so-called temporary irregularities or administrative errors without financial corrections are classified separately from other identified irregularities by the NCU, in order to ensure more appropriate analysis of irregularities with financial corrections.</p>

No other important findings have been detected during the system audit.

Based on the audit performed, AA assessed MCS in the Managing Authority with *Category 2: System works, but some improvements are needed.*

4.4 Indication of whether any problems identified were considered to be of a systemic character, and of the measures taken, including a quantification of the irregular expenditure and any related financial corrections, in line with Article 27(5) of Regulation (EU) No 480/2014.

No errors of systemic nature were identified during system audits.

4.5 Information on the follow-up of audit recommendations from system audits from previous accounting years.

No follow-up of system audit has been performed during the period from 1st July 2020 to 31 June 2021.

Regarding the fulfilment of the open recommendation from the System audit of Certifying Authority⁹, in January 2022 the AA carried additional verifications of data in the frame of audit of accounts for 7th accounting year.

⁹ Please see ACR for 6th accounting year, chapter 4.3.

KR10: Adequate procedures for drawing-up and submitting Payment Applications

Finding No.1: It was established that in some audited cases in CA certificates no proper audit trail on formal and accounting control in Accountancy is assured.	Recommendation No.1: CA should assure proper audit trail at executing all CA confirmations, taking into consideration also »four eyes principle«.
Implementation of the recommendation: The recommendation is closed, the auditee has fully implemented the recommendation. In the frame of the audit of accounts for 7 th accounting year, on the basis of additional data testing of CA confirmations, it was concluded that proper audit trail on formal and accounting control trail at executing CA confirmations exists.	

4.6 Description (where applicable) of specific deficiencies related to the management of financial instruments or other type of expenditure covered by particular rules (e.g. State aid, revenue-generating projects, simplified cost options), detected during system audits and of the follow-up given by the managing authority to remedy these shortcomings.

n/a

4.7 Level of assurance obtained following the system audits (low/average/high) and justification.

Overall conclusion by the MCS:

BSO as the AA for the CP, on the basis of the results and conclusions of the follow-up of system audit of NCU in Hungary (assessed with Category 2), and of the system audit of CA (assessed with Category 1), and of the system audit of MA (assessed with Category 2), assessed the overall MCS for the CP INTERREG V-A Slovenia Hungary in Category 2 (“System works, but some improvements are needed”).

5. AUDITS OF OPERATIONS

5.1 Indicate the bodies that carried out the audits of operation, including the audit authority.

For the reference period the audits of operations for the CP were carried out by the BSO (in Slovenia) and by the DGAEF (AB in Hungary). According to Rules of Procedure of the Group of Auditors, each body prepared the partial reports on performed audits of operations for the beneficiaries (project partners) in the relevant territory of the programme.

5.2 Description of the sampling methodology applied and information whether the methodology is in accordance with the audit strategy.

AA used a non-statistical sampling method to select a sample of operations for the reference period (7th accounting year). According to Audit Strategy the method used by the AA, was

defined analysing the characteristics of the population: number of operations (with certified amounts), number of Project Progress Reports and Partner Progress Reports, size (in terms of certified amount per year) and type of operations.

5.3 Indication of the parameters used for statistical sampling and explanation of the underlying calculations and professional judgement applied.

AA used a non-statistical sampling method to select a sample of operations for the reference period (7th accounting year). Please see explanation in Chapter 5.6 of this report.

5.4 Reconciliation between the total expenditure declared in euro to the Commission in respect of the accounting year and the population from which the random sample was drawn.

In the 7th accounting year, the CA declared to the Commission in the frame of the CP the expenditure in the total amount of **3.157.614,82 €**. The value of the population from which the random sample was drawn¹⁰ corresponds to **3.157.622,96 €** (hereinafter population sampled).

The AA reconciled these two amounts; the difference between the above amounts corresponds to the negative amount identified.

5.5 Where there are negative sampling units, confirmation that they have been treated as a separate population according to Article 28(7) of Commission Delegated Regulation (EU) No 480/2014.

In the frame of the total expenditure relating to a sampling unit for the accounting year one (1) negative sampling unit has been identified in the amount of **8,14 €**¹¹. It was excluded from the population and was treated separately.

Analysing the above negative amount, the AA can confirm that it is consistent with amount of financial correction registered in the CA's accounting system.

5.6 In case of the use of non-statistical sampling, indicate the reasons for using the method in line with Article 127(1) of Regulation (EU) No 1303/2013, the percentage of operations/expenditure covered through audits, the steps taken to ensure randomness of the sample (and thus its representativity) and to ensure a sufficient size of the sample enabling the Audit Authority to draw up a valid audit opinion.

The population sampled in total value of 3.157.622,96 € includes 52 Project Progress Reports¹² which corresponds to 25 operations with expenditures certified in the 7th accounting year.

Considering the size of the population sampled, AA decided to use a non-statistical sampling method in accordance with the Audit Strategy and selected the sample by means of random selection method.

Applying a non-statistical sampling, the sample size is calculated using professional judgment and considering the level of assurance provided by the system audits.

¹⁰ Population of positive sampling units.

¹¹ Negative amount is related to the operation: SIHU11 TELE-KA-LAND.

¹² Lead Partner level.

In accordance with the Audit Strategy the following (minimum level) of thresholds is observed in dependence of the level of assurance from the system audits:

Assurance level from the system audit	Recommended coverage	
	on operations	on expenditure declared
Works well. No or only minor improvements needed.	5%	10%
Works. Some improvements are needed.	5%-10%	10%
Works partially. Substantial improvements needed.	10%-15%	10%-20%
Essentially does not work.	15%-20%	10%-20%

For the 7th accounting year the assurance level from system audits was estimated, based on the results¹³ of the performed system audits and follow-up of system audits of MA, CA and NCUs.

The Category 2, according to the Methodology included in the Audit Strategy, corresponds to medium-high level of assurance gained from the system, which in terms of the % of population represents 10% of operations, and in terms of expenditure declared 10% of amount of expenditure declared in the 7th accounting year¹⁴.

Analysing¹⁵ the population, no “high value” operations were identified. Following the recommended coverage on operations, 3 (2,5) operations were randomly selected¹⁶ in the population of 25 operations. The selected operations are briefly described in the following table:

	Operation	Priority Axes	Certified amount in €	Audited amount in €
1.	SIHU190 ETHOS LAND	I	255.956,05	255.956,05
2.	SIHU96 MURA RABA TOUR	I	171.151,78	171.151,78
3.	SIHU232 SI-HU PRO	II	46.499,92	46.499,92
	Total		473.607,75	473.607,75

The size of the selected sample corresponds to 15% of total certified expenditure in 7th accounting year and 12% of the total number of operations. Consequently, the size of selected sample follows the recommended coverage.

5.7 Analysis of the principal results of the audits of operations.

During the audits of operations 1 irregularity (with financial correction) in the amount of 3.690,00 € was detected. The following table presents the basic data in relation to the amount of irregularity detected per operation by the single audit authority and the % of error rate calculated on the level of operation:

¹³ Please see the results of system audits in Annex 1.

¹⁴ The minimum coverage in accordance with Art. 127(1) of Regulation (EU) 1303/2013 is observed.

¹⁵ According to calculation for “high level” operation, it was identified, that in the frame of population no items are above 1.052.540,99 € (3.157.622,96 € total certified amount /3 operations to be selected).

¹⁶ No sub-sampling was applied in the frame of audits of selected operations.

Acronym of operation	Sample/Certified amount (in €)	Total amount of irregularities (in €)	The amount of irreg. (in €) detected by the BSO (Slovenia)	The amount of irreg. (in €) detected by the DGAEF (Hungary)	The error rate / audited amount per operation (in %)
1. SIHU190 ETHOS LAND	255.956,05	0,00	0,00	0,00	n/a
2. SIHU96 MURA RABA TOUR	171.151,78	3.690,00	3.690,00	0,00	2,15 %
3. SIHU232 SI-HU PRO	46.499,92	0,00	0,00	0,00	n/a
Total	473.607,75	3.690,00	3.690,00	0,00	

The AA analysed the irregularity detected during the audits of operations and concluded that is categorized as random error. No systemic, known or anomalous errors were found by the AA and AB during the audits.

A brief description of the irregularity detected during audits of operation together with the information on the single operations, project partners, ineligible amount and type of error are included in the Annex 4(B) of the present report.

The materiality threshold is determined at 2% from the certified eligible expenditure for the 7th accounting year, which amounts to 63.152,46 €.

In the projection of sampling error, the AA applied the “means-per-unit” method¹⁷.

The total error rate (TER) (calculated with this method) presents **0,974%** of the amount of the certified eligible expenditure for the 7th accounting year, which corresponds to the amount of 30.750,00 €. Therefore, the materiality threshold is not exceeded.

5.8 Explanations concerning the financial corrections relating to the accounting year and implemented by the certifying authority/managing authority before submitting the accounts to the Commission as a result of the audits of operations, including flat rate or extrapolated corrections.

The financial corrections in absolute value (3.690,00 €), related to the irregularity detected during the audits of operations performed in 2021, has been deducted¹⁸ by CA before submitting the accounts to the Commission.

5.9 Comparison of the total error rate and the residual total error with the set materiality level, in order to ascertain if the population is materially misstated and the impact on the audit opinion.

As the corrective measures have been taken before the finalization of the ACR, the RTER has been calculated. It corresponds to **0,858%**¹⁹ and it is below the materiality level of 2%.

5.10 Information on the results of the audit of the complementary sample.

No complementary sample has been audited in the 7th accounting year.

¹⁷Please see the calculation of projection method in Annex 3.

¹⁸ Please see also in the Chapter 6.3 of this report.

¹⁹ Please see the calculation of RTER in Annex 3.

5.11 Details of whether any problems identified were considered to be systemic in nature.

No systemic errors were found by the AA and AB during the audit of operations in the 7th accounting year.

5.12 Information on the follow-up of audits of operations carried out in previous years, in particular on deficiencies of systemic nature.

No systemic errors were found by the AA and AB during the audit of operations in the 6th accounting year. All financial corrections (655,26 €) related to detected irregularities during the audits of operations performed in 2020 have been deducted by CA before submitting the final accounts for 6th accounting year to the Commission.

5.13 Conclusions drawn from the overall results of the audits of operations with regard to the effectiveness of the management and control system.

Based on the results of the audits of operations performed we can conclude that the results confirm our assessment of the effectiveness of the management and control system (“System works, but some improvements are needed”/ “Category 2”).

6. AUDITS OF ACCOUNTS

6.1 Indication of the authorities/bodies that have carried out audits of accounts.

The audit of accounts for the 7th accounting year have been performed by the Audit Authority for the CP.

6.2 Description of audit approach used to verify the elements of the accounts.

The audit approach, used to verify the elements of accounts, defined in Art.137 of Regulation (EU) No.1303/2013, is described as follows.

The AA performed the audits of accounts through:

- audits of operation with the expenditure certified in 7th accounting year in the period May-November 2021;
- the verification of fulfilment of open recommendation from system audit of the CA, which has been performed by the AA in January 2022;
- additional final verifications of audits of accounts in January 2022.

All the procedures for additional final verifications have been implemented in accordance with the timesheet defined in the Partnership Agreement between MA, CA and AA for the Interreg V-A Slovenia-Austria, Slovenia-Croatia and Slovenia-Hungary for the programming period 2014-2020, where the following steps have been defined:

- submission of first draft of Annual Accounts for the previous accounting year until 30 November,
- submission of second draft of Annual Accounts for the previous accounting year until 7 January,

- submission of draft of Annual Summary and Management Declaration until 23 January.

6.3 Indication of the conclusions drawn from the results of the audits in regard to the completeness, accuracy and veracity of the accounts, including an indication on the financial corrections made and reflected in the accounts as a follow-up to the results of the system audits and/or audit on operations.

In accordance with Art.29(4) of the Regulation 480/2014 the part of verifications of audit of accounts of the 7th accounting year for CP was implemented also during the additional verifications of data regarding the fulfilment of open recommendation from the second system audit of the Certifying Authority in Slovenia. In the frame of this verification, AA verified and closed recommendation about proper audit trail when executing CA confirmations that needed to be assured²⁰.

In relation to the 7th accounting year 4 Interim Payment Applications have been submitted to the EC.

The final verifications performed by the AA included the reconciliation between the total amount of expenditure declared in the Final Interim Payment Application and the total amount of expenditure declared in 4 Interim Payment Applications submitted by the CA to the EC in the 7th accounting year. The total amount of eligible expenditure declared in the Final Interim Payment Application corresponds to the cumulative amount of eligible expenditure declared in four (4) Interim Payment Applications.

The existence of the audit trail from the single amount declared by PP in the Partner Progress Report to the inclusion of it by the CA in Interim Payment Application have been checked by the AA (in cooperation with the AB) during the audits of operation. As described in the Chapter 5.6, 3 audits of operations were performed, which included 25 Partner Progress Reports.

During the final additional verifications 10 items of expenditure (CA confirmations) have been selected from 4 Interim Payment Applications with the purpose to verify their existence in the expenditure declared by the Project Partners as well the correctness of the amount paid to them. Upon this additional checks, as well as the checks performed during audits of operation the AA is able to confirm the consistency of data between the Interim Payment Applications and Final Interim Payment Application referred to the 7th accounting year.

The AA reconciled the total amount of eligible expenditure entered in the draft accounts to the total amount of expenditure included in the Payment Applications submitted to the EC. The differences between corresponds to the amount of **6.055,42 €**.

The AA analysed the above amount; it corresponds to the sum of the following final corrections:

- the amount of 3.690,00 € corresponds to the irregularity detected during audit of operation "MURA RABA TOUR";
- the amount of 2.365,42 € corresponds to the irregularity detected during JS desk-check (ex-post certification) of operation "HBT".

The AA considers the CA explanations to be adequate regarding this adjustment, contained in the column G of the Annex 8 of the Annual Accounts.

²⁰ please see Chapter 4.5 of this report.

In the following table the reconciliation between the amounts declared in the Final Interim Payment Application and amounts included in the Annual Accounts (final version) is presented. In correspondence to the draft version (II) of the Annual Accounts no additional informations have been reported in its final version.

7 th accounting year	Final Interim Payment Application (FIPA)		Annual Accounts (Annex 1)		(Annex 8; FIPA-Annex 1)	
	Total amount of eligible expenditure (in €)	Total amount of the corresponding public expenditure (in €)	Total amount of eligible expenditure (in €)	Total amount of the corresponding public expenditure (in €)	Total amount of uneligible expenditure (in €)	Total amount of the corresponding public expenditure (in €)
	3.157.614,82	3.063.511,86	3.151.559,40	3.058.009,94	6.055,42	5.501,92

The AA analysed the amounts of Withdrawals in the Appendix 2 of the Annual Accounts; it corresponds to the irregularity detected during NCU check of operation “TELE-KA-LAND” in total amount of 8,14 €, and is related to 7th Accounting Year. The amount was withdrawn within 4th Interim Payment Application, which occurred during the 7th accounting year. The AA considers the reconciliation made by the CA to be adequate concerning amount presented in Appendix 2 and its consistency with the information in the Annual Summary.

Following provisions of Article 137(2) CPR, no amounts (expenditures) were excluded from the accounts due to ongoing assessment of expenditure's legality and regularity. Also no amounts (expenditures) subsequently were found to be legal and regular and were not included in applications for interim payment relating to 7th accounting year.

In January 2021 the MA submitted the final version of the Management Declaration and the Annual Summary.

In the Annual Summary all the relevant findings related to the system audits and audits of operations are included. The MA analysed them and briefly described the corrective measures, realised or to be realised in the future.

In the second part the MA reported on the work of the NCUs, including administrative verifications with the description of the main results and type of errors detected by the NCUs as well as the on the spot checks performed by the Slovenian and Hungarian NCUs.

The AA compared the reported data in the Annual Summary with the Annual Accounts and the analytical evidences available in the eMS. No inconsistency has been identified during this verifications.

The AA also analysed the Management Declaration. For this purpose the AA compared the statements declared by the MA with the results of the system audits, the audits of operations and audit of accounts as well as the information on the results of first level controls included in the Annual Summary of Controls 2021.

Based on these documents the AA can conclude that the audit work performed is not reducing the assurance of the statements declared by the MA in the Management Declaration.

6.4 Indication of whether any problems identified were considered to be systemic in nature, and the measures taken.

No systemic errors were found by the AA and AB during the audit of operations and system audits in the 7th accounting year.

7. COORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK BY THE AUDIT AUTHORITY

7.1 Description of the procedure for coordination between the audit authority and any audit body that carries out audits.

Due to the COVID-19 epidemic, BSO as the AA launched the written procedure via e-mail to approve the audit sample of operations and change the audit strategy together with DGAEF as the AB in April 2021, and therefore AA did not organize the meeting of GoA as usually in the first quarter of the year.

The AB agreed with the sample of operations for the 7th accounting year²¹. All audits were performed by the AA and AB based on the common methodology for system audits and audits of operation approved by GoA for the CP and part of the Audit Strategy.

Based on the results of the single audits the BSO as the AA for CP prepared this Annual Control Report, approved by GoA by written procedure on the 27th of January 2022.

7.2 Description of the procedure for supervision and quality review applied by the audit authority to such audit body(ies).

Please see explanation in the chapter above (7.1).

8. OTHER INFORMATION

8.1 Where applicable, information on reported fraud and suspicions of fraud detected in the context of the audits performed.

In the context of the audits performed by the AA (in cooperation with the AB) in the 7th accounting year, no fraud or suspicions of fraud have been detected.

8.2 Where applicable, subsequent events occurred after the submission of the accounts to the audit authority and before the transmission of the annual control report.

No events that could affect the amounts disclosed in the accounts occurred after the submission of the accounts to the Audit Authority and before the transmission of the Annual Control Report and the drawing-up of the audit opinion.

System audit of NCU in Slovenia

Additional information about the audit work in relation to system audits is that in January 2022 the AA started system audit of NCU²² in Slovenia. The results obtained from this system audit will be included in the relevant system audit report and the 8th Annual Control Report.

Information about impact on Audit work due to COVID-19 epidemic

COVID-19 epidemic did not have important impact on audit work of both AA and AB in 2021. Audit sample approval and Audit strategy update were implemented with written procedure via e-mail. All planned on-the-spot checks regarding audit of operations (field audits) were concluded. System audit of the MA and the system audit of withdrawals and recoveries were

²¹ The AA agreed with the MA and CA to anticipate the final data of certification per single accounting year. In accordance with the Partnership agreement the final data of the certification is defined on 10 April n-accounting year.

²² The system audit of the NCU is carried out for the second time in the programming period 2014-2020.

implemented on the desk-based audit work²³. Therefore, all audits of operations and system audits were implemented in time according to audit plan.

9. OVERALL LEVEL OF ASSURANCE

9.1 Indication of the overall level of assurance on the proper functioning of the management and control system.

In the preparation of the audit opinion for the 7th accounting year the AA took into consideration the results of the performed system audit of the MA carried out during this accounting year and 2 NCUs in Slovenia and in Hungary carried out during previous accounting years (all assessed with Category 2), and of the system audit of CA (assessed with Category 1), and of system audits of specific thematic area - withdrawals and recoveries (assessed with Category 1), the results of the audits of operations as well as the additional final audits of accounts performed by the AA in December 2021 - January 2022.

Based on the results obtained from the system audits and follow-up of system audits of the MA, CA and NCUs in both countries, the AA assessed the overall MCS for the CP with Category 2 ("System works, but some improvements are needed").

During the audits of operation, the irregularity in the total amount of 3.690,00 € has been identified; upon these results, the TER calculated corresponds to the **0,974%** of the amount of the certified eligible expenditure for the 7th accounting year, and it is below the materiality level of 2%.

Concerning the irregularity detected during audits of operation, the corrective measures have been implemented by the MA before the final version of the ACR.

The RTER calculated upon the corrections applied corresponds to **0,858%**.

Performing the additional final verifications on annual accounts no important inconsistencies have been found.

Based on these partial conclusions on audit work performed in 2021 by AA in cooperation with the AB, the AA provides reasonable assurance on the completeness, accuracy and veracity of the amounts declared in the accounts.

Considering that the MCS is classified in Category 2 and the TER is below the materiality level of the 2%, the AA expresses the unqualified opinion.

9.2 Assessment of any mitigating actions implemented, such as financial corrections and assessment of the need for any additional corrective measures necessary, both from a system and financial perspective.

Concerning the irregularities detected during audit work, only random irregularities (financial corrections) have been identified, therefore corrective measures have been implemented by MA and CA before the final version of this report.

²³ The examination of documentation of system audits were carried out with the help of IT system eMS.

ANNEX 1 - "RESULTS OF SYSTEMS AUDITS"

Audited Entity	Fund (Multi-funds OP)	Title of the audit	Date of the final audit report	Operational Programme: [CCI No 2014TC16RFCB053, CP INTERREG V-A Slovenia Hungary 2014 – 2020]													Overall assessment (category 1, 2, 3, 4) [as defined in Table 2-Annex IV of Regulation (EU) No 480/2014]	Comments
				Key requirements (as applicable) [as defined in Table 1- Annex IV of Regulation (EU) No 480/2014]														
				KR 1	KR 2	KR 3	KR 4	KR 5	KR 6	KR 7	KR 8	KR 9	KR 10	KR 11	KR 12	KR 13		
NCU SLO	ERDF	<i>Follow-up of System audit of the Control Unit in Slovenia</i>	March 2019	2	/ ²⁴	/	2	2	1	/	/						2	
NCU HU	ERDF	<i>Follow-up of System audit of the Control Unit in Hungary</i>	December 2019	1	/ ²⁵	/	2	2	1	/	/						2	
MA / JS	ERDF	<i>System audit of specific thematic area - performance data reliability</i>	July 2020	1	1	1	1	1	1	/	/						1	
CA ²⁶	ERDF	<i>2nd System audit of the Certifying Authority</i>	January 2021									1	2	1	1	1	1	
MA / CA	ERDF	<i>System audit of specific thematic area - withdrawals and recoveries</i>	February 2021	1	/	/	/	1	/	/	/	1	/	/	1	1	1	

²⁴ KR 2, 3, 7 and 8 were not part of NCU SLO system audit.

²⁵ KR 2, 3, 7 and 8 were not part of NCU HU system audit.

²⁶ Second system audit of CA in the perspective 2014-2020.

MA²⁷ / JS / NA	ERDF	2nd System audit of the Managing Authority/Joint Secretariat / National Authority	June 2021	1	1	1	/ ²⁸	2	1	2	2						2	
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Note: The parts in grey in the table above refer to key requirements that are not applicable to audited entity.

²⁷ Second system audit of MA in the perspective 2014-2020.
²⁸ KR 4 was not part of MA system audit.

ANNEX 2 - "RESULTS OF AUDITS OF OPERATIONS" – 7th accounting year

Fund	Programme CCI number	Programme title	A	B		C		D	E	F	G	H	I
			Amount (in €) corresponding to the population from which the sample was drawn	Expenditure in reference to the accounting year audited for the random sample		Coverage of non-statistical random sample		Amount of irregular expenditure in random sample (in €)	Total error rate (TER)	Corrections implemented as a result of the total error rate (in €)	Residual total error rate (RTER)	Other expenditure audited	Amount of irregular expenditure in other expenditure audited
Amount	%	% of oper. covered	% of expend. covered										
ERDF	2014TC16 RFCB053	INTERREG V-A SI HU	3.157.622,96	473.607,75	15,00	12,00	15,00	3.690,00	0,974%	3.690,00	0,858%	N/A	N/A

ANNEX 4(B) - "TABLE OF IRREGULARITIES"

Nr	Acronym	Project ID	Audited amount per operation (in €)	Country	Partners name (LP/PP)	Audited Expenditure per PP (in €)	Irregular expenditure	Area of errors	Description of irregularity	Type of irregularity	Type of error (random, systematic anomaly)	Financial correction proposed
1	MuraRabaTour	SIHU96	171.151,78	SI	KOCLJEVINA - zavod za usposabljanje in zaposlovanje invalidnih oseb (PP2)	8.610,00	3.690,00	Public Procurement	Conflict of interest and non compliance with transparent and fair conditions for competing on the common market.	Ineligible expenditure	Random error	3.690,00
MuraRabaTour - TOTAL												3.690,00
Total irregular expenditure (in €)												3.690,00

ANNEX 3 - "CALCULATION OF RTER" (table in excel-attached)

ANNEX 4(A) - "TYPES OF FINDINGS" (table in excel-attached)