



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 2014TC16RFCB053

**referred to the 8th accounting year
from 1 July 2021 to 30 June 2022**

Final Version



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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 also BSO)

Other European Funds and Mechanisms 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 also DGAEF)

Bartók Béla út 105-113

1115 Budapest - Hungary

1.2 Indication of the reference period.

The period from 1 July 2021 to 30 June 2022 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 2021 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

Interreg and Financial Mechanisms Office

Cross-border Programmes Management Division

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 December 2022 the MA submitted to the AA the revised version of the Description of the Management and Control System (hereinafter DMCS), which include changes of the management and control system (hereinafter MCS), referred to the period from December 2021 to December 2022.

The 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 December 2022 as follows:

- The GODC has re-organized European Territorial Cooperation and Financial Mechanisms Division into new Interreg and Financial Mechanisms Office.
- In the frame of the Interreg and Financial Mechanisms Office are organized two divisions:
 - o MA and JS of the CP Interreg SI-HU 2014-2020 works within Cross-Border Programmes Management Division¹.
 - o Slovenian National Authority (NA) of the CP Interreg SI-HU 2014-2020 works within the Interreg Division².
- Slovenian Control Unit (CU) of the CP Interreg SI-HU 2014-2020 is organized separately in the Control and Evaluation Division, Interreg Programmes and Financial Mechanisms Control Section³.
- No important personnel changes followed the organisational changes.

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

Audit Authority: In September 2022 Mrs. Patricija Pergar has been appointed as the Head of the Audit Authority⁴. Due to some internal organisational changes (not referred to the INTERREG Programmes) the name of division responsible for the audit of INTERREG Programmes changed into Other European Funds and Mechanisms audit Division⁵.

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

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

³ Before NCU was organized in Control Division, Objective 2 Control Section.

⁴ Mrs. Patricija Pergar was appointed as the Acting Director of the BSO.

⁵ Before AA organizational unit name was Other European Shared Management Funds Audit Division.

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 1.5 of the audit strategy was updated in May 2022. 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 control unit in Slovenia and Audit Body has concluded planned system audit of control unit in Hungary in the 8th 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 participate in the MCS and in addition 2 of them (MA/JS and CU in Slovenia) are part of the internal organisation of the same institution - Government Office of the Republic of Slovenia for Development and European Cohesion Policy (GODC) 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 per period 2018 – 2022 (where the above assurance is fulfilled).

According to the rank list system audits of MA, CA, CUs in Slovenia and Hungary have been planned and implemented in 2018 and follow-up of these audits have been implemented 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 CA⁶ has been implemented.

In 2021 system audit of the Managing Authority⁷ and system audit of specific thematic area - withdrawals and recoveries have been implemented.

Considering that no substantial changes of the MCS occurred and no specific problem areas were identified during the previous audits, in 2022, according to the audit plan, system audits of CUs in Slovenia and Hungary have been implemented for the second time in the programming period 2014-2020 (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 1st of July 2021 until the submission of this report in accordance with the audit plan, the following system audits have been performed by AA and AB:

- System audit of control unit in Hungary (finalized in August 2022),
- System audit of control unit in Slovenia (finalized in August 2022).

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

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

System audit of the MCS of the Control Unit in Hungary

In the first half of year 2022 according to the audit plan, the system audit of control unit in Hungary has been implemented by AB.

The audit was subject to verification of the effectiveness of MCS in the CU for the audited CP. The system audit of the CU was carried out for the second time in the programming period 2014-2020. The assessment criteria for the key requirements KR1, KR4 and KR5 that are applicable to the CU, have been audited and assessed.

Only minor important findings have been detected during the system audit of CU in Hungary. In the time to preparation of this report both of recommendations have been fulfilled and therefore based on the audit performed and upon the additional verifications AB (re)assessed the part of MCS related to the Control Unit in Hungary in *Category 1: Works well. No or only minor improvements needed.*

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

⁷ The system audit of the MA was carried out for the second time in the programming period 2014-2020.

System audit of the MCS of the Control Unit in Slovenia

In the first half of year 2022 the system audit of control unit⁸ in Slovenia 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 CU and JS.

The audit was subject to verification of the effectiveness of MCS in the CU for the audited CPs. In the frame of the system audit also management verifications in function of the Joint Secretariat (JS) were audited. The audit of the system was carried out for the second time in the programming period 2014-2020. The assessment criteria for the key requirements KR1, KR4 and KR5 that are applicable to the CU and JS, have been audited and assessed. The following findings have been identified during the audit:

KR 1: Adequate separation of functions and monitoring of delegated tasks

<i>Finding No.1:</i> The position of the head of the Objective 2 Control Section is vacant. The tasks of the head of the Section are temporarily performed by the controller within the Objective 2 Control Section.	<i>Recommendation No.1:</i> AA recommends CU that, due to the importance of the tasks performed by the Head of the Control Section, the post should be filled as soon as possible.
<i>Finding No.2:</i> CUs internal manuals are deficient in the part that relates to the closure and monitoring of the sustainability of projects and the monitoring of irregularities and other findings within the framework of management verifications.	<i>Recommendation No.2:</i> AA recommends MA and CU to supplement the internal manuals and upgrade the system in such a way that it will ensure proper handling of all tasks.

KR 4: Adequate management verifications

<i>Finding No.3:</i> AA found that CU did not establish adequate procedures for checking possible double funding.	<i>Recommendation No.3:</i> CU should revise the internal manuals and upgrade the system in such a way that the risk of double financing and an audit trail of the performed checks are adequately ensured.
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⁸ In the frame of the audit also JS functions on management verifications were audited.

<p>Finding No.4:</p> <p>AA found that in some cases the checklists do not provide an adequate audit trail of the controller's work.</p>	<p>Recommendation No.4:</p> <p>CU should give guidelines in the internal manuals on how the controller should ensure the proper audit trail of the controller's work in the checklist.</p>
<p>Finding No.5:</p> <p>The risk analysis for the selection of the on-the-spot check sample was not properly timed, justified and documented.</p>	<p>Recommendation No.5:</p> <p>AA recommends CU that, in the future, when preparing and performing a risk analysis, it considers the provisions of the Guidelines for management verifications and ensures an appropriate time frame, justification of the criteria and a proper audit trail.</p>
<p>Finding No.6:</p> <p>AA found that from the documentation of the on-the-spot checks carried out, there is no adequate audit trail on certain management verifications, and there is not enough information on the scope of the checks.</p>	<p>Recommendation No.6:</p> <p>CU should provide all relevant information about on-the-spot checks in checklists and in eMS.</p>

KR 5: Adequate audit trail

<p>Finding No.7:</p> <p>AA found that in some cases eMS does not include all the documentation related to the controller's work within the CU and JS attachments, which results in a deficient audit trail.</p>	<p>Recommendation No.7:</p> <p>AA recommends CU and JS to include in eMS all documentation related to verifications, as well as documentation which controllers and JS contract managers have on their shared drives.</p>
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No other important findings have been detected during the system audit.

Based on the audit performed, AA assessed MCS in the Control Unit in Slovenia in *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 2021 until submission of this report.

Regarding the fulfilment of the open recommendation from the System audit of Managing Authority / Joint Secretariat / National Authority⁹, in December 2022 the AA carried additional verifications of received documentation from the MA. The status of the recommendations is following:

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

KR 7: Effective implementation of proportionate anti-fraud measures

<p>Finding No.1:</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>Recommendation No.1:</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>
<p>Implementation of the recommendation:</p> <p>The recommendation is closed. The auditee has submitted new version of self-assessment of fraud risks, in which individual risks, the total gross and target risks of fraud are assessed in compliance with EC guidelines for fraud risk assessment.</p>	

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 CU, in most cases there are no comments about the type or the content of the irregularity.</p>	<p>Recommendation No.2:</p> <p>MA, should in cooperation with the CU, 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>Implementation of the recommendation:</p> <p>The recommendation remains open. The IT system eMS does not enable comments about the type or the content of the irregularities in the category "Other". The change of the IT system is not foreseen, nevertheless, the recommendation will be considered for the future programming period.</p>	

⁹ Implemented in June 2021.

<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 should in preparation of annual summaries, 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 of the CU to ensure more appropriate analysis of irregularities with financial corrections.</p>
<p>Implementation of the recommendation:</p> <p>The recommendation is closed, the auditee has implemented the recommendation.</p>	

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 second system audit of CA (assessed with Category 1), and of the second system audit of MA (assessed with Category 2), and of the second system audit of CU in Hungary (assessed with Category 1), and of the second system audit of CU in Slovenia (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 audit 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 (8th 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 (8th 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 8th accounting year, the CA declared, in the frame of the CP, to the Commission the expenditure in the total amount of **2.349.292,86 €**. The value of the population from which the random sample was drawn corresponds to **2.349.292,86 €** (hereinafter population sampled).

The values of population sampled, and the total amount of expenditure declared to CP are the same, due to the absence of negative sampling units.

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.

No negative sampling units in population for 8th accounting year have been identified.

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 2.349.292,86 € includes 41 Project Progress Reports¹⁰ which corresponds to 22 operations with expenditures certified in the 8th accounting year.

Considering the size of the population sampled, AA decided to use, in accordance with the Audit Strategy a non-statistical sampling 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.

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 8th accounting year the assurance level from system audits was estimated, based on the results¹¹ of the performed system audits of MA, CA, and CUs.

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 8th accounting year¹².

Analysing¹³ the population, no “high value” operations were identified. Following the recommended coverage on operations, 3 (2,2) operations were randomly selected¹⁴ in the population of 22 operations. The selected operations are briefly described in the following table:

	Operation	Priority Axes	Certified amount in €	Audited amount in €
1.	SIHU163 GardEN	I	178.699,87	178.699,87
2.	SIHU212 DUAL TRANSFER	II	111.552,92	111.552,92
3.	SIHU217 SENS NETWORK	II	67.855,99	67.855,99
	Total		358.108,78	358.108,78

The size of the selected sample corresponds to 15,24 % of total certified expenditure in 8th accounting year and 13,63 % of the total number of operations. Consequently, the size of selected sample follows the recommended coverage.

¹⁰ Lead Partner level.

¹¹ Please see the results of system audits in Annex 1.

¹² The minimum coverage in accordance with Art. 127(1) of Regulation (EU) 1303/2013 is observed.

¹³ According to calculation for “high level” operation, it was identified, that in the frame of population no items are above 783.097,62 € (2.349.292,86 € total certified amount /3 operations to be selected).

¹⁴ No sub-sampling was applied in the frame of audits of selected operations.

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

During the audits of operations 6 irregularities (with financial correction) in the amount of 2.884,09 € were 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:

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.	SIHU163 GardEN	178.699,87	2.687,83	0,00	2.687,83	1,50%
2.	SIHU212 DUAL TRANSFER	111.552,92	196,26	129,81	66,45	0,18%
3.	SIHU217 SENS NETWORK	67.855,99	0,00	0,00	0,00	n/a
Total		358.108,78	2.884,09	129,81	2.754,28	

During the audit of the operation “GardEN” (LP: Local Government of Lenti; PP2: “Our health resort” Lenti Health tourism Public Foundation) the AB detected the financial irregularities (in the total sum of 284,54 €) regarding the double financing of the photo shooting services. In the frame of audits of both partners it was established, that several contracts¹⁵ also included photo shooting service for the same festivals/events. The photo services from events organization contracts were overlapping with the contract purposely concluded for taking photography’s. Due to a violation of the principle of cost effectiveness, when partners declared photography costs twice, AB established the financial irregularity for the photo costs based on events organization contracts. In that regard, AB audited also invoices that were not part of the audit sample and were declared during the previous periods. In that connection, the irregular amount in total sum of 156,75 € was identified. The irregular amount has been withdrawn in 2nd Interim Payment Application in the frame of 9th accounting year.

The AA analysed the irregularities detected during the audits of operations and concluded that all of them are categorized as random errors. No systemic or anomalous errors were found by the AA and AB during the audits.

A brief description of the irregularities 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 8th accounting year, which amounts to 46.985,86 €.

In the projection of sampling error, the AA applied the “ratio estimation” method¹⁶.

¹⁵ 3x contracts between LP, PP2 and three contractors (1 contract for making 1.200 photos during festivals, 2 events organization contracts that also contains taking 25 photos/festival)

¹⁶ Please see the calculation of projection method and calculation of TER in Annex 3.

The total error rate (TER) (calculated with this method) presents **0,805 %** of the amount of the certified eligible expenditure for the 8th accounting year, which corresponds to the amount of 18.920,43 €. 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 (2.884,09 €), related to the irregularity detected during the audits of operations performed in 2022, has been deducted¹⁷ 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 **0,683%**¹⁸ 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 8th accounting year.

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 8th 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 7th accounting year. All financial corrections (3.690,00 €) related to the irregularities detected during the audits of operations performed in 2021 have been deducted by CA before submitting the final accounts for 7th 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”).

¹⁷ Please see also in the Chapter 6.3 of this report.

¹⁸ Please see the calculation of RTER in Annex 3.

6. AUDITS OF ACCOUNTS

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

The audit of accounts for the 8th 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 8th accounting year in the period May-November 2022;
- additional final verifications of audits of accounts in January 2023.

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 relation to the 8th 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 8th 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 22 Partner Progress Reports.

During the final additional verifications 8 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 8th 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 **2.913,76 €**.

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

- the amount of 2.884,09 € corresponds to the irregularities detected during audit of operations “DUAL TRANSFER” and “GardEN”;
- the amount of 29,67 € corresponds to the irregularity detected during CU desk-check (ex-post certification) of operation “DUAL TRANSFER”.

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.

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.

8 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 €)
	2.349.292,86	2.243.876,79	2.346.379,10	2.240.966,35	2.913,76	2.910,44

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 found to be legal and regular and were not included in an applications for interim payment relating to 8th accounting year.

In January 2023 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 CUs, including administrative verifications with the description of the main results and type of errors detected by the CUs as well as the on the spot checks performed by the Slovenian and Hungarian CUs.

The AA compared the reported data in the Annual Summary with the annual accounts and the analytical evidences available in the eMS. No inconsistency have 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 2022.

Based on these 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 8th 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.

In May 2022, AA together with AB organized the on-line meeting, where the members of GoA were informed about the sample for audit of operations in 2022 and about the changes of audit strategy.

The AB agreed with the sample of operations for the 8th accounting year¹⁹ and the audit plan regarding the implementation of the system audits of control units. 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 7th of February 2023.

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 8th accounting year, no fraud or suspicions of fraud have been detected.

In the context of the implementation of the financial corrections deriving from European Commission or European Court of Auditors audits, AA confirms that no such audits and therefore no financial corrections took place in the 8th accounting year.

¹⁹ 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.

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.

In January 2022, in the period of preparation of this report, the information from the MA have been received regarding the institutional and organizational changes of the MA/JS/NA and CU in Slovenia. The modification, based on Government Act of Republic of Slovenia include the changes related to the organizational structure in the frame of the Government; instead of the Government Office, the Ministry of Cohesion and Regional Development in the Republic of Slovenia was established. Regarding the organizational structure related to INTERREG Programmes, no changes have been implemented (see also Chapter 2.1).

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 2022, since from spring 2022 all restrictions considering the COVID-19 epidemic were lifted in Slovenia and Hungary. All planned on-the-spot checks regarding audit of operations (field audits) were concluded. System audits of the CUs were implemented on the desk-based²⁰ audit work and on-the-spot interviews. 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 8th accounting year the AA took in consideration the results of the performed system audit of the MA carried out during previous accounting year and of the system audit of CU in Slovenia carried out during this accounting year (both assessed with Category 2), and of the system audit of CU in Hungary (assessed with Category 1), and of the system audit of CA (assessed with Category 1), and of 2 system audits of specific thematic area - performance data reliability and of withdrawals and recoveries (all 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 2022 - January 2023.

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

During the audits of operation, the irregularity in the total amount of 2.884,09 € has been identified; upon these results, the TER calculated corresponds to the **0,805%** of the amount of the certified eligible expenditure for the 8th 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.

²⁰ The examination of documentation of system audits were carried out with the help of IT system eMS.

The RTER calculated upon the corrections applied corresponds to **0,683%**.

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

Based on these partial conclusions on audit work performed in 2022 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, which corrective measures have been implemented by MA and CA before the final version of this report.

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		
MA / JS	ERDF	<i>System audit of specific thematic area - performance data reliability</i>	July 2020	1	1	1	1	1	1	/	/						1	
CA ²¹	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	
MA ²² / JS / NA	ERDF	<i>2nd System audit of the Managing Authority/Joint Secretariat / National Authority</i>	June 2021	1	1	1	/	2	1	2	2						2	
CU SLO ²³	ERDF	<i>2nd System audit of the Control Unit in Slovenia</i>	August 2022	1	/	/	2	2	/	/	/						2	
CU HU ²⁴	ERDF	<i>2nd System audit of the Control Unit in Hungary</i>	August 2022	1	/	/	1	1	/	/	/						1	

Note: The parts in grey in the table above refer to key requirements that are not applicable to audited entity.

²¹ Second system audit of CA in the programming period 2014-2020.

²² Second system audit of MA in the programming period 2014-2020.

²³ Second system audit of CU SLO in the programming period 2014-2020.

²⁴ Second system audit of CU HU in the programming period 2014-2020.

ANNEX 2 - "RESULTS OF AUDITS OF OPERATIONS" – 8th 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 oper. covered	% of expend. covered						
ERDF	2014TC16R FCB053	INTERREG V-A SI HU	2.349.292,86	358.108,78	15,24	13,63	15,24	2.884,09	0,805%	2.884,09	0,683%	/	/

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	DUAL TRANSFER	SIHU212	111.552,92	HU	Zala Megyei Kereskedelmi és Iparkamara (PP2)	13.705,63	66,45	Staff costs including 15% flat rate office and administration costs	Uneligible fringe benefits for the period that person was not employed on a project.	Ineligible expenditure	Random error	66,45
				SI	Razvojni center Murska Sobota (PP5)	24.274,64	129,81	Staff costs including 15% flat rate office and administration costs	Double financing of annual leave holiday expenses.	Ineligible expenditure	Random error	129,81
DUAL TRANSFER - TOTAL												196,26
2	GardEN	SIHU163	178.699,88	HU	Lenti Város Önkormányzata (LP/PP1)	49.394,13	70,17	External expertise and services costs	Double financing of the photography costs.	Ineligible expenditure	Random error	70,17

							2.403,29	Staff costs including 15% flat rate office and administration costs	Overtime work exceeded the 400 hours of the employees overtime in one year.	Ineligible expenditure	Random error	2.403,29
					Gyógyhelyünk Lenti Egészségturisztikai Közalapítvány (PP2)	43.747,46	140,48	External expertise and services costs	Double financing of the photography costs.	Ineligible expenditure	Random error	140,48
							73,89	External expertise and services costs	Double financing of the photography costs.	Ineligible expenditure	Random error	73,89
	GardEN -TOTAL											2.687,83
Total irregular expenditure (in €)											2.884,09	

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

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