

Interreg



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Central Baltic Programme

Annual Control Report

The Central Baltic 2021-2027 programme

CCI No. 2021TC16RFCB013

1. Introduction

1.1 Identification of the audit authority and other bodies that have been involved in the preparation of the report

The Annual Control Report (ACR) is prepared by the Audit Authority (AA) of the Central Baltic 2021-2027 programme.

Identification of the AA:

Ministry of Finance of Finland
 Government Financial Controller's Function
 Audit Authority Unit
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The AA is assisted by the Group of Auditors (GoA) where all the Member States and Åland participating to the programme are represented. The GoA has been given an opportunity to review and comment the draft ACR via e-mail.

1.2 Reference period

The ACR covers the period from 01.07.2023 till 30.06.2024.

1.3 Audit period

This is the first ACR of the programme 2021-2027 and covers the period from the start of the programme till 12.02.2025. The work that has been carried out is according to the work plan of audit strategy's version 1.

1.4 Identification of the programme covered by the report and of its managing authority

The ACR covers the Central Baltic programme 2021-2027 (CCI No. 2021TC16RFCB013). The programme's Managing Authority is in the Regional Council of Southwest Finland.

1.5 A description of the steps taken to prepare the report and to draw up the corresponding audit opinion

The MA has submitted three payment claims concerning the accounting year to the Commission in SFC2021. For delivering data for common sample, the AA ensured correctness of the sampling data by reconciling it against the expenditure declared to the Commission in payment claims. Programme's sampling data was then submitted to the Commission via SFC2021 system on 24.06.2024.

Audits of operations were performed by GoA members in different member states according to the results of the common sample selected by the Commission. Each audit on operation report and checklist provided by the GoA members were reviewed by the AA and found acceptable.

The AA has ensured that the amounts in the accounts are consistent with the information provided to the Commission for the purpose of the common sample selection, and that adequate deductions has been done in the accounts.

The AA has considered the results of audits of operations, system audit and audit of accounts in the preparation of the ACR and in drawing the audit opinion. The AA has also assessed that information provided in the management declaration is not inconsistent with the audit results for the purpose of audit opinion.

2. Significant changes in management and control system

2.1 Details of any major changes in the management and control systems

The MA has prepared first Description of the Management and Control Systems on 30.06.2023 and it has not been updated since as there has not been major changes in the management and control systems.

3. Changes to the audit strategy

3.1 Details of any changes made to the audit strategy and related explanations

The AA has drawn up the audit strategy and validated the first version of the audit strategy after consulting the GoA on 19.6.2024 and the audit strategy has not been updated since. The audit strategy will be updated on a yearly basis.

4. System audits

4.1 Details of the bodies that have carried out system audits

Programme's AA has carried out system audits.

4.2 A description of the basis for the audits carried out

According to the Audit Strategy of Central Baltic 2021-2027 Programme, the AA carried out the system audit on reference period 1.7.2023-30.6.2024 regarding following key requirements:

- Key requirement 1: Appropriate separation of functions and written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body
- Key requirement 2: Appropriate criteria and procedures for the selection of operation
- Key requirement 3: Appropriate information to beneficiaries on applicable conditions for support for the selected operations
- Key requirement 4: Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options
- Key requirement 5: Effective system to ensure that all documents necessary for the audit trail are held
- Key requirement 7: Effective implementation of proportionate anti-fraud measures

The audit work has been completed before drawing the audit opinion for accounting year 1.7.2023-30.6.2024.

4.3 Description of the main findings and conclusions drawn from system audits

The following findings were done, and recommendations given in the system audit related to key requirements 1, 2, 4 and 7:

Key requirement 1:

- Finding: There are some positions in the Managing Authority or Joint Secretariat that are carried out by only one person. This can cause difficulties or delays for programme implementation in case of a

longer and unexpected absence of such person that carries out certain tasks alone. The AA assess that particularly vulnerable tasks for absences are related to preparing and approving project payment decisions due to 80 days' time limit regulated in the Article 74(1)(b) of CPR.

- Recommendation: The MA should prepare plan and make the necessary arrangements that substitute arrangements can be introduced within a short timeframe, when needed.

Key requirement 2:

- Finding: The AA noted few flaws in procedures related to project applications' assessments within the MA/JS that should be improved. Findings were related to documenting the check concerning absence of double funding, eligibility of VAT in cases when the funding is granted under GBER's article 20 and in one case result of state aid assessment was not reflected in the subsidy contract.
- Recommendation: Procedures and documentation should be improved related to findings during project applications' assessment and selection procedures.

Key requirement 2:

- Finding: Absence of conflict of interest was not ensured properly; declarations of impartiality and confidentiality were missing from few Monitoring Committee members. The AA noted during control testing that two MC members declared conflict of interest in the first phase regarding two projects during 2-step application procedure, but not anymore in the MC meeting where full applications of call were handled. It is unclear whether this could be faulty recording in the MC meeting's minutes. The MC did not change proposal of funding made by the MA/JS in its meeting. Therefore, another one of these projects was selected for funding and another one was rejected. The AA sees that if these persons were disqualified to be in present when the funding decisions were made, there is no evidence that they affected the decisions.
- Recommendation: The MA needs to ensure that declarations of impartiality and confidentiality are signed and collected before any action takes place and are stored reliably. The MA should as well ensure that such situation is avoided in the future that disqualified person might be present in the MC meeting, when decisions regarding project funding is made.

Key requirement 4:

- Finding: Documentation of National Controller's work varied between Member States/Åland and could be improved and harmonized. Some documents needed in management verifications seemed also be missing in Jems system.
- Recommendation: The MA is recommended to give guidance for the national controllers of the adequate level of documentation. It should be ensured that national controllers request all the relevant documentation that is needed in verifications, and they should be reminded to upload requested additional material to Jems system.

Key requirement 7:

- Finding: Programme's fraud risk assessment seems to contain controls that does not exist, such as whistle-blowing channel.
- Recommendation: The MA should update fraud risk assessment and critically consider whether controls exist and can be evidenced, or not. If the control does not exist, then it should be considered whether control should be established and update action plan accordingly. The AA strongly recommends that at least whistle-blowing channel for the programme would be implemented.

The MA has agreed with audit finding and recommendation and is planning to do necessary corrections to improve management and control systems. The AA will follow-up the implementation of audit recommendations in the coming system audits.

4.4 Indications as to whether any irregularities identified were considered to be of a systemic character

The AA does not consider that irregularities identified in the system audit are systemic in character.

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

This is the first system audit in the programme, so there are not recommendations from previous accounting years to be followed-up.

4.6 A description of irregularities or deficiencies specific to expenditure or costs covered by particular rules (e.g. State aid, public procurement, simplified cost options)

Nothing to report.

4.7 Level of assurance obtained following the system audits

The management and control systems are assessed to be in category 2 on the basis of first system audit related to key requirements 1, 2, 3, 4, 5, and 7, which means that management and control system works, but some improvements are needed. Assurance obtained following the system audit is considered to be average.

5. Audits of operations

5.1 Identification of the bodies that carried out the audits of operations

Audits of operations were carried out by the programme's Audit Authority and GoA members.

The GoA members per MS/Åland are from the following organizations:

- Estonia: Ministry of Finance of Estonia
- Latvia: Ministry of Environmental Protection and Regional Development of Latvia
- Sweden: The Swedish National Financial Management Authority
- Åland: National Audit Office of Åland

The GoA has approved the Rules of Procedures (RoP), which among other things defines the functions and tasks of the GoA, in its first GoA meeting in October 2022. Audits of operations are carried out by the AA and the members of the GoA or external auditors in case the audit work is outsourced according to the RoP's point 2.5. The AA provides audit report and audit checklist templates to be used in the audits of operations, which harmonize the audit work in MS/Åland.

The audits of operations to be carried out by the members of the GoA are limited to the beneficiaries located in the territory of the participating MS/Åland represented by the members of the GoA. The national member of the GoA reports the audit results to the AA in the form of a final audit report and a final audit checklist fully completed and signed. The GoA members will make certain that the audit works are carried out and documented according to internationally accepted audit standards.

5.2 A description of the sampling methodology applied and information as to whether the methodology is in accordance with the audit strategy

Section 5.2 is not applicable for Interreg programme falling under the common sample selected by the Commission.

5.3 An indication of the sampling parameters and other information for statistical or nonstatistical sampling procedures

The programme provided data to the Commission for the selection of the common sample according to article 49(1) of Interreg regulation (EU) 2021/1059. Provided data was at the project partner level, which was sampling unit, and consisted of 150 individual partners whose approved expenditure the MA had declared to the Commission during the accounting year 1.7.2023-30.6.2024. Total amount of declared expenditure was 4 925 250,36 €.

5.4 A reconciliation between the amounts included in the accounts, as well as the amounts declared in payment applications during the accounting year and the population from which the random sample was drawn

Information	in Euro	Comments
A. The expenditure declared in payment claims 1.7.2023-30.6.2024	4 925 250,36	Accounts: Appendix 4, column A
B. CB 2021-2027 population in the common sample	4 925 250,36	Reconciles with amount A.
C. The expenditure included in the accounts	4 913 556,99	Accounts: Appendix 1, column A
D. Difference (A-C)	11 693,37	Accounts: Appendix 4, column E Irregularity was detected by the MA after submission of last payment claim for accounting year 2023-2024, but before submission of the accounts 2023-2024. Amount is therefore deducted directly from the accounts of 2023-2024.

5.5 Negative sampling units

There has been no negative sampling unit within the population of the accounting year.

5.6 Where a non-statistical sampling method is used, specify the reasons for using the method

Section 5.6 is not applicable for Interreg programme falling under the common sample selected by the Commission.

5.7 Analysis of the main findings of the audits of operations,

The outcome of the common sample resulted in three project partners to be audited by the respective GoA members in their member states.

Ineligible costs were not detected in the audits of operations.

Summary of audit of operations and audit results of the common sample for Central Baltic 2021-2027 programme on the accounting year:

Operation ID	Acronym	Partner number	Partner name	Member state	Expenditure in audit sample	Ineligible expenditure
CB100014	BALTIC2HAND	PP4	Tallin Business Incubators Foundation	Estonia	8 545,30 €	0,00 €
CB100070	CeMeWE	PP2	Riga Technical University	Latvia	2 500,00 €	0,00 €
CB100091	StopWa	LP1	City of Lahti	Finland	29 012,12 €	0,00 €
Total					40 057,42 €	0,00 €

5.8 Details of any financial corrections relating to the accounting year and implemented by the managing authority before submitting the accounts to the Commission, and as a consequence of the audits of operations, including flat rate or extrapolated corrections leading to a reduction to 2 % of the residual error rate of the expenditure included in the accounts pursuant to Article 98

The MA has implemented financial correction of 11 693,37 €, which is described in the ACR's section 5.4.

5.9 Comparison of the total error rate and the residual error rate

Section 5.9 is not applicable for Interreg programme falling under the common sample selected by the Commission.

5.10 Details of whether any irregularities identified were considered to be systemic in nature, and the measures taken

There were no irregularities identified that have been considered to be systemic in nature.

5.11 Information on the follow-up of audits of operations carried out in respect of the common sample for Interreg programmes

Nothing to report.

5.12 Information on the follow-up of audits of operations carried out for previous accounting years

The accounting year 2023-2024, covered by this ACR is the first of the Central Baltic 2021-2027 Programme.

5.13 A table categorising errors identified by type

No audit findings in audits on operations.

5.14 Conclusions drawn from the main findings of the audits of operations with regard to the proper functioning of the management and control system

There were no findings related to audits on operations. Therefore, it is concluded that programme's management and control systems is working well.

6. Audits of accounts

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

Programme's AA has carried out audit of accounts.

6.2 Description of audit approach used to verify that the accounts are complete, accurate and true

The approach and methodology for audits of accounts is based on the audit strategy and 'Methodological note on the Preparation, Submission, Examination and Audit of Accounts' (CPRE_23-0012-01) for programming period 2021-2027, where appropriate.

The results of system audit described in section 4 have been considered and there are not such findings which would affect completeness, accuracy and veracity of the amounts reported in the accounts. The AA has not carried out system audit of key requirement 10, which is related to procedures for drawing up and submission of payment applications and of accounts. The MA including CA function was responsible authority for preparing accounts also on programming period 2014-2020 and therefore system audit has not been needed to carry out yet. Also results of system audits on period 2014-2020 indicate that management and control systems work well related to preparing accounts.

Audits of operations carried out during the accounting year confirmed that audit trail exists for the audited expenditure to the amount of expenditure entered in the payment application to the Commission. Audit trail also exists between payment applications submitted to the Commission and the total amount of eligible expenditure declared in the accounts. In the audits of operations was not detected any irregular amounts.

It can be concluded that payments to the beneficiaries in the audits of operations were done in the regulatory deadline of 80 days (Article 74(1)(b) of CPR).

The MA prepared draft accounts in SFC2021 system, which were ready on 23.01.2025. The AA ensured that all the elements required in Article 98 and annex XXIV of CPR are correctly included in the accounts and supported by underlying accounting records. It was verified that corrections entered in the accounts were handled properly. Final accounts in SFC2021 system were ready on 10.2.2025.

6.3 Conclusions drawn from the audits in relation to the completeness, accuracy and veracity of the accounts

In the audits of accounts is considered results of system audits and audits of operations carried out during the accounting year that would have effect in the accounts. Such audit findings were not noted. There are not final audit reports by the Commission or the Court of Auditors concerning the programme.

The AA has checked the reconciliation made by MA concerning the information presented in appendix 4 of the accounts. Information regarding financial corrections was accurate. No such deductions are known for the accounting year that should have been deducted from the accounts, including amounts under ongoing assessment.

The AA concludes that the accounts contain complete, accurate and truthful information. No inconsistencies were found in the management declaration.

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

The AA did not identify systemic errors in the audit of accounts.

7. Other information

7.1 Audit authority's assessment of the cases of suspicions of fraud detected in the context of their audits

The audits carried out by the AA did not reveal any findings of suspected fraud. The AA is not aware of any suspicions of fraud related to the audits reported by other national or EU bodies. In the audit of operations checklist is question concerning suspicion of fraud detected during the audit.

7.2 Subsequent events occurred after the end of the accounting year and before the transmission of the annual control report to the Commission

There have not occurred such subsequent events after the end of accounting year and transmission of the ACR to the Commission, that would affect the audit opinion.

8. Overall level of assurance

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

The overall level of assurance is reflected in the audit opinion, which is unqualified.

The overall level of assurance is defined based on:

- The assurance on the accounts is based on the results of the audits on the accounts and conclusions on this matter are disclosed in the ACR's section 6. The AA concludes that the accounts contain complete, accurate and truthful information.

- The assurance on the effective functioning of the management and control systems is based on the results of system audits presented in the ACR's section 4. The programme's management and control systems is assessed to be in category 2. This means that the management and control system works, some improvement are needed. Also results of audits of operations during the accounting year support this assessment.

8.2 Assessment of any mitigating actions not linked to financial corrections that were implemented, financial corrections implemented and an assessment of the need for any additional corrective measures

The MA will improve its procedures based on recommendations given in the system audit and described in the ACR's section 4.3. The AA will follow-up of implementation of audit recommendations in the coming system audits. Therefore, there's nothing to report at this point.

Annexes to the ACR

Annex 1 - Results of system audit

Annex 2 - Results of audits of operations

Annex 3 - The results of the audits of operations 2023-2024 within the common sample

Helsinki 12.2.2025

Electronically signed

Kari Rouvinen
Head of Audit Authority

VN/34682/2024-VM-5

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This document has been signed electronically by the following persons: