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# PREFACE

Dear reader,

We are pleased to present our 2023 annual report, a document that reflects our continuous commitment to ensure transparency, integrity and efficiency when verifying the use of European funds in Flanders. The year 2023 marks a period of significant progress and challenges, in which FAA has continued its efforts to guarantee and improve the efficacy of its audit processes. This report provides a detailed overview of our activities and findings so that stakeholders can gain insight into the results of our efforts.

Our audit activities in 2023 focused on various programmes, including ESF, ERDF, Interreg Flanders-Netherlands, AMIF and other Interreg programmes. We are proud of the fact that the residual error rate remains below 2% for each of these programmes, which proves the robustness of the management and control systems in place and demonstrates our constant commitment to financial accuracy and accountability.

We have also worked on the RRF, devoting particular attention to the implementation of strategic milestones which are essential to uphold the integrity and effectiveness of the programme. Our efforts mostly centred around reinforcing fraud prevention mechanisms, avoiding conflicts of interest and eliminating double financing risks. These milestones, aimed at developing an intergovernmental risk-based method, mark a significant step forward in our mission to create a resilient, fair and ethical funding environment.

In 2023, considerable progress has also been made on the CATE project. This will not only result in more efficient audits, but also contributes to a vision of a modern, future-oriented government. This innovative system, reinforced by artificial intelligence, embodies our ambition to take the lead in the digitalisation of audit processes. The successful implementation of the first prototype in the context of Interreg Flanders-Netherlands is an important milestone in our ongoing efforts to perform reliable automated audits. CATE's development illustrates our commitment to technological innovation, providing a solid basis for the future of auditing.

The 2023 annual report reflects our efforts and achievements in guaranteeing the financial integrity of European funds in Flanders. We are grateful for the dedication and hard work of our team and partners, and look forward to the challenges and opportunities lying ahead in 2024.

On behalf of Flanders Audit Authority,  
 Tony Mortier  
 Inspector General of Finance

Tom Blockmans  
 Finance Inspector

## LIST OF ABBREVIATIONS

|                   |  |                    |  |
|-------------------|--|--------------------|--|
| <b>ACR</b>        | Annual Control Report  | <b>IB</b>          | Intermediate body  |
| <b>AMIF</b>       | European Asylum, Migration and Integration Fund                          | <b>IF</b>          | Inspectorate of Finance  |
| <b>AO</b>         | Audit of operations  | <b>Interreg VA</b> | Interregional cooperation programme (e.g. border region: Flanders and South Netherlands) |
| <b>BAR</b>        | Brexit Adjustment Reserve  | <b>KR</b>          | Key requirement  |
| <b>CA</b>         | Certifying authority   | <b>MA</b>          | Managing authority   |
| <b>EC</b>         | European Commission  | <b>MCS</b>         | Management and control system  |
| <b>ERDF</b>       | European Regional Development Fund                                       | <b>PFIU</b>        | Protection of the Financial Interests of the Union                                       |
| <b>ESF</b>        | European Social Fund   | <b>QR</b>          | Quality review   |
| <b>Europa WSE</b> | European programmes unit of the Department of Work and Social Economy    | <b>REACT-EU</b>    | Recovery Assistance for Cohesion and the Territories of Europe                           |
| <b>FAA</b>        | Flanders Audit Authority   | <b>RRF</b>         | Recovery and Resilience Facility   |
| <b>FLC</b>        | First Level Control  | <b>RRP</b>         | Recovery and Resilience Plan   |
| <b>FSI</b>        | Flemish Social Inspectorate of the Department of Work and Social Economy | <b>RTER</b>        | Residual Total Error Rate  |
| <b>FU</b>         | Follow-up audit of a system audit  | <b>SYA</b>         | System audit   |
| <b>GFO</b>        | Government of Flanders Order   | <b>TA</b>          | Technical assistance   |
|                   |  | <b>TER</b>         | Total Error Rate   |

# MANAGEMENT SUMMARY

## 01

This management summary outlines our main findings relating to the 2023 accounting year.

### AUDITED FUNDS

Based on all audit results for ESF, ERDF PA2, Interreg VA Flanders-Netherlands, AMIF and other Interreg programmes relating to the 2023 accounting year, the residual error rate per fund identified by FAA is below 2%.

Based on the SYAs for ESF, ERDF and Interreg VA Flanders-Netherlands and follow-up audits of the previous accounting year, FAA believes that the management and control systems in place are functioning properly (category 1 and 2). Minor improvements are needed for a limited number of SYAs in category 2.

### TOP EVENTS EVENT FLANDERS

The audit committee issued 11 opinions, mainly related to questions about financial aspects, public procurement legislation, the allocation of subsidies, the eligibility of submitted costs and the payment of grant instalments.

5 audits were conducted for the World Gymnastics Championships, FIBA 3x3 World Cup, European Open, Royal Museum of Fine Arts Antwerp (KMSKA) and FIAF. These audits revealed that for certain events there might be major budgetary changes compared to the initially approved budget. Given the financial impact on grant disbursements, both ATEF and Event Flanders will monitor those budgets more closely.

### RECOVERY AND RESILIENCE

In 2023, a follow-up audit has been launched, which focuses on the management and control systems of various policy areas and

pays particular attention to the adequacy of system descriptions in relation to previous audit results and recent changes in the revised RRP (recovery and resilience plan). The audit also examines the effectiveness of procedures for drawing up management declarations. Apart from the existing milestones for audit and controls (M209 and M210), two new milestones (M250 and M251) have been introduced in response to the PFIU audit by the European Commission. The new milestones cover the establishment of an anti-fraud policy and the prevention of conflicts of interest, as well as the development of an interfederal risk-based method. These audits will be completed in 2024.

Moreover, twelve project audits have been initiated in 2023. Ten of those were completed in that same year and two are still in progress. These audits examine the effectiveness and reality of the procedures described. The remaining audits are expected to be finalized in 2024.

### BREXIT ADJUSTMENT RESERVE

In 2023, we also initiated the assessment of the management and control system at Flanders Innovation & Entrepreneurship and provided preliminary feedback on the draft versions. This audit is expected to be finalized in 2024. In addition, 10 projects were selected for a pilot audit, aimed at evaluating the effectiveness and reality of the procedures described.

### CATE

Following a positive evaluation of the proof of concept in 2023, further progress has been made with the development of the first CATE prototype, an innovative system designed to offer a wide range of functionalities by means of three core products: 'Check', 'Risk', and 'Assure'. The first prototype was built around the 'Check' product, which focuses on individual cost lines and uses AI to enhance its

automated checks. In 2023, multiple test sessions were held to check the design, functionality and user-friendliness of this prototype, in cooperation with Deloitte, FAA and the MA.

The MA of Interreg Flanders-Netherlands and FAA have started to use the successfully developed first prototype in early 2024. The next steps in 2024 will focus on a second prototype built around the 'Assure' product, intended to ensure CATE's reliability. For the 'Check' product, the automated checks of horizontal principles will be extended, the onboarding of the ESF programme will be launched and the dataset in CATE will be expanded. All this will form a strong basis for further developing and implementing this promising system.

## DID YOU KNOW

that the audit findings from FY2023 result in an identified residual error below 2% per programme.





# FLANDERS AUDIT AUTHORITY (FAA)

## 02

The mandate of Flanders Audit Authority (FAA) for the 2014-2020 programme period of the **European Structural Funds** was extended in the management agreement of 17 July 2015.

In order to carry out the work of Flanders Audit Authority (FAA) two Finance Inspectors were appointed, under the authority of the Flemish Government. These tasks are undertaken by Tony Mortier and Tom Blockmans.

FAA executes the functions mentioned in article 127 and article 128 of Regulation (EU) No 1303/2013, as well as the provisions that have already been issued for its implementation and those that will be issued in the future.

The Finance Inspectors concerned belong to the Interfederal Corps of the Inspectorate of Finance, whose organisational structure is regulated by the Royal Decree of 28 April 1998 concerning the organisation of the Interfederal Corps of the Inspectorate of Finance.

With the GFO of 23 December 2016, the Flemish Government decided to transfer the competence to perform second level controls for specific cooperation programmes (Interreg) to FAA. Initially, this competence was assigned to Flanders Innovation & Entrepreneurship.

Top events financed by the Flemish Government through Event Flanders are monitored and supported by the **Audit Committee Top Events Flanders (ATEF)**, established by protocol as of 1 January 2019. For the execution of its tasks, ATEF can rely upon FAA. More specifically, ATEF relies upon FAA for the external audit of accounts and consultancy, in accordance with international standards on auditing. For these audits, FAA bases itself on the applicable legislation and auditing standards.

On 30 April 2021, the Flemish Government decided to appoint FAA to implement the proposed audit strategy for the **Recovery and Resilience Facility (RRF)**. As independent audit body, FAA will carry out audits on projects and the facility's management and control system.

FAA also acts as independent audit body for the **Brexit Adjustment Reserve (BAR)**, responsible for conducting the necessary audits and issuing an audit opinion in the final report.

The Flemish Government consented to the financing and procedure of the **CATE** project. The procedure to set up an innovation partnership was concluded at the end of December 2021 by awarding the contract to a consortium comprising Deloitte and ML6. The first prototype was developed in 2023.

For its operations, FAA is assisted by 8 auditors. Article 2 of the GFO of 30 November 2007 states that these auditors are working under the functional authority of FAA and under the administrative framework of the Finance and Budget department. The structure of FAA is illustrated in the annex.

The present report aims to provide all stakeholders with an overview of the activities carried out by FAA in 2023.

# EUROPEAN STRUCTURAL FUNDS

## 03

### 3.1 INTRODUCTION

The central aim consists in providing the European Commission with a reasonable degree of assurance with respect to:

- the operations of the management and control system of the bodies managing assistance packages (MA, CA and IBs) and of the projects cofinanced by the European Structural Funds;
- the accuracy of the expenditure statements presented to the Commission in order to provide reasonable assurance on the legality and regularity of the underlying transactions.

The main audit activities within the framework of the European Structural Funds are listed below. These activities were carried out in order to obtain a reliable picture of the functioning of MA's and CA's management and control systems:

- sampling of operations to be audited (projects or payment requests);
- carry out AOs;
- follow up AO results;
- carry out SYAs;
- carry out follow-up audits (FU) of SYAs where problems have been identified;

- carry out an audit of the accounts and check the annual summary;
- draw up annual control reports for the European Commission;
- ...

All these activities contributed to FAA's aims.

In addition, other activities were undertaken, such as:

- permanently monitoring and updating audit strategies where necessary;
- providing continuous professional development opportunities;
- consultations with the European Commission, other audit authorities, MA and CA, as well as the steering committees involved and political decision-makers;
- preparatory activities for the new programme period 2021-2027.

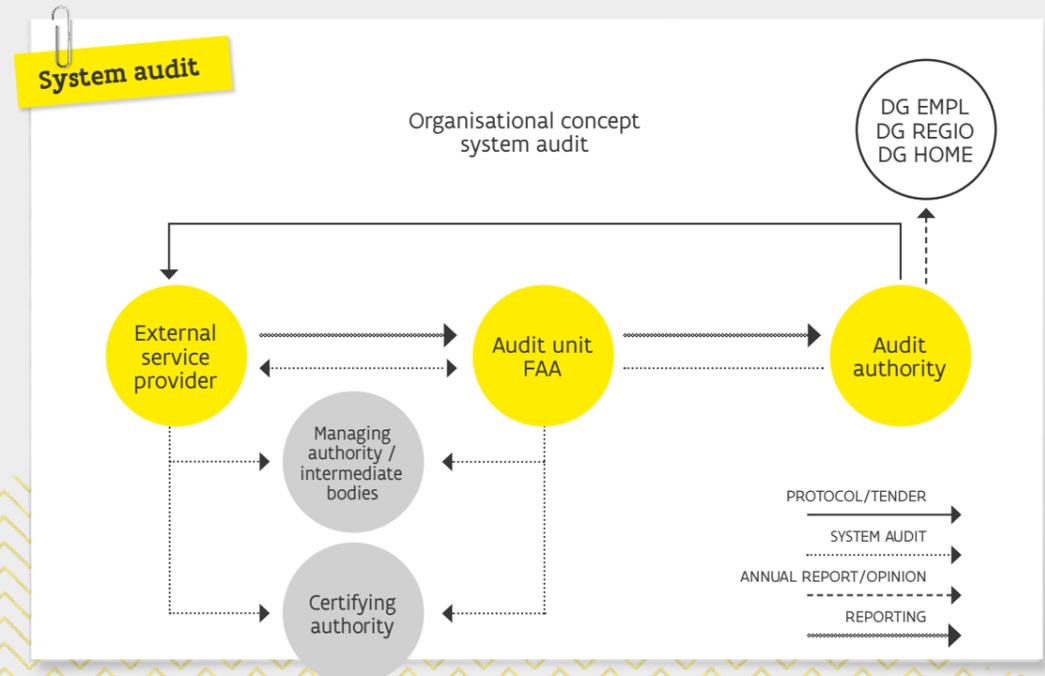
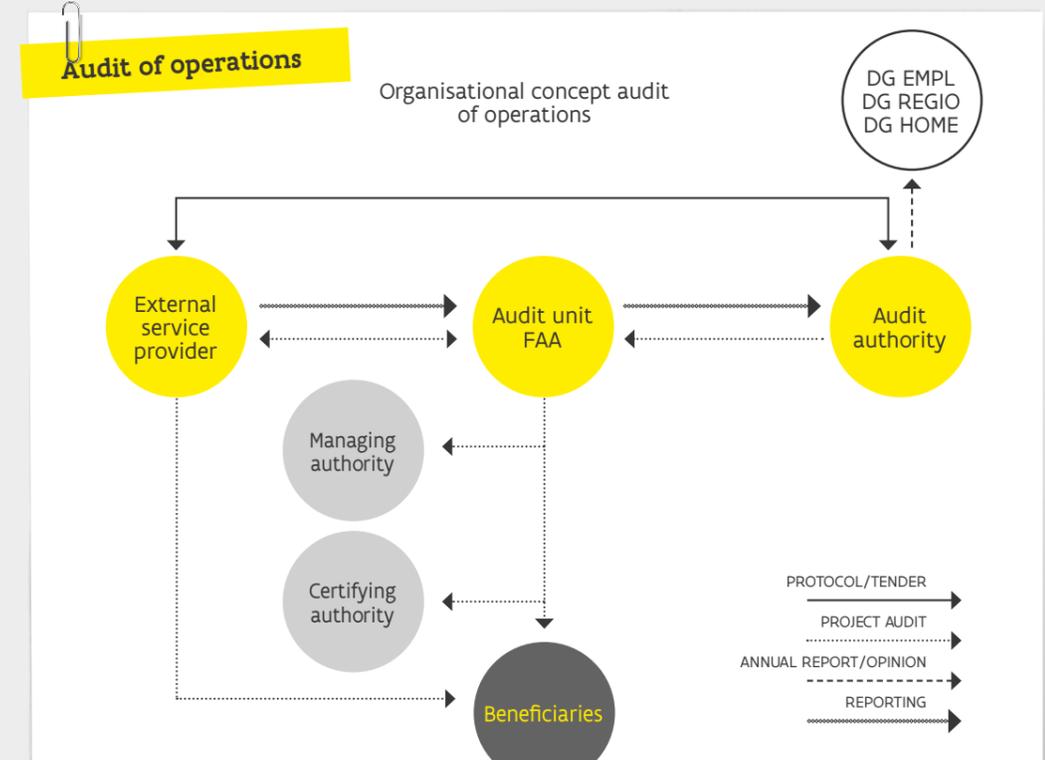
For its operations, FAA is assisted by auditors who:

- carry out SYAs to check if the management and control system of operational programmes is functioning effectively;
- carry out AOs to verify the expenditure declared to the European Commission.

The outcomes of both activities should enable FAA to report to the European Commission before 15th February of the current year, on the basis of the audit operations for the accounting year in question<sup>1</sup>, by providing for each fund:

- an annual report with the results of these audits, reporting on possible shortcomings in the management and control system of the programme;
- an annual audit opinion about the reliability of the management and control system, and the correct use of EU funding.

The diagrams below illustrate AO and SYA activities:



<sup>1</sup> An accounting year runs from 1 July year N-1 to 30 June year N.



### 3.2 ACTIVITIES IN 2023 RELATING TO THE PROGRAMME PERIOD 2014-2020

The table below shows the funding related to the 2014-2020 Operational Programme (OP) for all funds under the responsibility of FAA, including European financing from structural funds as well as Flemish private and public cofinancing. Project costs relating to the 2014-2020 OP can be incurred until 31 December 2023.

#### FUNDING PROGRAMME PERIOD 2014-2020 (IN EUROS)

|                     | ESF (€)              | ERDF PA2 (€)       | Interreg VA FL-NI (€)    | AMIF (€)   |
|---------------------|----------------------|--------------------|--------------------------|--|
| <b>TOTAL</b>        | <b>1,024,665,509</b> | <b>435,508,940</b> | <b>305,151,170</b>       | <b>16,678,503</b>                                |
| European funding    | 398,502,847          | 175,592,098        | 152,575,585              | 16,678,503                                       |
| Flemish cofinancing | 561,333,319          | 178,131,968        | 152,575,585 <sup>2</sup> | Determined separately for each call <sup>3</sup> |
| Private funding     | 64,829,343           | 81,784,874         | 40,889,571 <sup>4</sup>  |  |

The table below provides a summary of the expenditure declared per fund, and the audit results for the accounting year 2022-2023. It also includes more detailed information on each fund.

#### EXPENDITURE DECLARED AND AUDIT SAMPLES PER FUND

| Fund                             | Expenditure declared | Expenditure selected for audit |            | Value of errors identified in sample | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|----------------------------------|----------------------|--------------------------------|------------|--------------------------------------|-------------------------------------|---|
|                                  | AMOUNT (IN EUROS)    | AMOUNT (IN EUROS)              | COVERAGE % | AMOUNT (IN EUROS)                    | %                                   | %   |
| ESF                              | 173,437,283          | 50,677,253                     | 29.22      | 255,757                              | 2.05                                | 1.91  |
| ERDF PA2                         | 40,859,430           | 16,138,855                     | 39.50      | 21,267                               | 0.30                                | 0.20  |
| Interreg VA Flanders-Netherlands | 27,476,086           | 1,773,153                      | 6.45       | 1,777                                | 0.21                                | 0.21  |
| AMIF <sup>5</sup>                | 630,066              | 217,330                        | 34.49      | 1,297                                | 0.60                                | 0.39  |

<sup>2</sup> Flemish-Dutch cofinancing.

<sup>3</sup> The Flemish cofinancing and private funding are not determined by the National Programme. The amount of Flemish cofinancing is determined separately for each project call. The minimum co-financing rate for AMIF actions is 25%.

<sup>4</sup> The private funding is part of the national cofinancing of € 152,575,585.

<sup>5</sup> These figures only include final payments of AMIF funding and do not include advance payments.

### 3.3 THE AUDIT PROCESS

The execution of both SYAs and AOs involves different tasks. These activities can be subdivided as follows:

- **PREPARATION:** sampling of projects, making appointments with auditees, downloading project data from the programme database or retrieving data from the MA and making a first assessment, asking questions to the auditee and/or MA, deciding for which audits site visits are necessary, making additional appointments if needed, reading up on the project aims...
- **LETTER OF INTENT:** The auditee receives a letter of intent by e-mail in order to inform them that an audit will be conducted. This letter includes the planning of the

audit, contact details and a first series of questions based on the auditor's preparations.

- **SCREENING:** checking previously requested documents and selected items; verifying the physical existence of the project; consulting original documents; asking specific questions about project administration, accounting or HR; examining specific issues related to the terms of approval (reality check), public procurement legislation, state aid and publicity; assessing the risk of conflicts of interest and double financing.

- **REPORT:** filling in the checklist and documenting the audit trail, extrapolating where necessary, transferring findings to the report, keeping working documents in order, QR and possible adjustments after QR.
- **ADVERSARIAL PROCEDURE:** assessing the rebuttal, updating the audit trail, adjusting and recalculating the findings if needed, QR and possible adjustments after QR.
- **FOLLOW-UP EXTERNAL PARTIES:** QR and possible adjustments after QR, follow-up of the adversarial procedure, organizing trainings...

### 3.4 EUROPEAN SOCIAL FUND (ESF)

This fund aims to support projects that will strengthen the labour market and increase employment. It helps people retrain for a new career or assists those whose are looking for their first job. The fund offers support to companies wishing to improve their work organisation structure and the work-life balance of their employees. It also targets socially vulnerable groups, such as low-skilled workers, immigrants or persons with an employment disability. Moreover, the ESF encourages organisations to work innovatively and internationally.

In order to help Flemish workers, job-seekers and organisations face the changing labour market, the ESF receives funding from the European Union and the Flemish

government. These resources are distributed by ESF Flanders in the form of subsidies paid to organisations that stimulate the Flemish labour market in order to create new opportunities for job-seekers and keep employees satisfied with their jobs. ESF Flanders falls within the competence of the Flemish ministers of Work and Social Economy.

ESF Flanders receives € 398,502,847 from the European Social Fund to invest in valuable projects during the 2014-2020 programme period.

#### 3.4.1 ANNUAL CONTROL REPORT

The ACR must be submitted each year to the European Commission on 15 February. The

ACR contains the main results of the audits carried out, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. This report provides information on audits of expenditure declared to the European Commission in the period between 1 July 2022 and 30 June 2023.

FAA believes that the implemented management and control systems were functioning properly during the above-mentioned period, that the expenditure declared to the European Commission and included in the annual accounts is legal and regular, and that the annual accounts give a true and fair view as laid down in Article 29, paragraph 5 of Regulation (EU) No 480/2014. The RTER is 1.91%.

The error rate of the random sample is largely determined by typological errors<sup>6</sup> :

- **8.7** 'Ineligible beneficiary';
- **8.4** 'Expenditure outside of the eligibility area';
- **12.2** 'Wrong application of the methodology (off-the-shelf or other)'.

### 3.4.2 SYSTEM AUDITS

The SYAs focused on the follow-up of open recommendations resulting from previous SYAs. New recommendations were also proposed. Some recommendations will be subject to further follow-up during future SYAs and the 2021-2027 programme period.

All SYA activities were performed by FAA.

### SYSTEM AUDITS PERFORMED FOR ESF

| SYSTEM AUDIT OR FU AUDIT  | AUDITED AUTHORITY    |
|---------------------------|----------------------|
| FU 1SYA27 FLC             | Managing authority   |
| FU 1SYA28 CA              | Certifying authority |
| FU 1SYA29 Indicators      | Managing authority   |
| FU 1SYA30 supervision IBs | Managing authority   |
| FU 1SYA31 MA              | Managing authority   |

The different SYAs conducted at the MA and CA sufficiently confirm the appropriateness and effectiveness of the procedures. All findings corresponded to category 1 or 2, which means that the management and control system still has some minor deficiencies with limited impact. These are not fundamental problems that obstruct the proper functioning of the programme. The level of assurance obtained based on the SYAs is average.

Based on the SYAs and follow-up audits, FAA believes that the management and control systems in place at the MA and CA are functioning properly, but some improvements are needed (category 2).

### 3.4.3 AUDITS OF OPERATIONS

The audits of operations for this programme are carried out by FAA and VSI, an external service provider.

All draft reports (including working documents) written by the external service provider are subject to a quality check and final approval by FAA.

The selection of the AOs to be carried out is based on the 'Guidance on sampling methods for audit authorities EGESIF\_16-0014-01' of 20 January 2017 (hereafter 'Guidance') published by the EC and with the help of a template provided by the EC.

A statistical sampling method was used, following a simple random sampling (SRS) selection procedure. The sample included 1 'high value' project and 30 randomly selected projects from a population of 418 projects.

The RTER is below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made during the accounting year and as a result of the audits.

### EXPENDITURE DECLARED AND AUDIT SAMPLES

| Fund | Expenditure declared | Expenditure selected for audit |            | Value of errors identified in sample | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|------|----------------------|--------------------------------|------------|--------------------------------------|-------------------------------------|---|
|      | AMOUNT (IN EUROS)    | AMOUNT                         | COVERAGE % | AMOUNT (IN EUROS)                    | %                                   | %   |
| ESF  | 173,437,283          | 50,677,253                     | 29.22      | 255,757                              | 2.05                                | 1.91  |

### 3.5 EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF) PRIORITY AXIS 2

This fund aims to support projects that strengthen regional competitiveness and increase employment. With regard to ERDF PA2, sufficient economic growth must be achieved in Flanders in order to maintain and increase the level of prosperity and well-being, taking into account the economic and demographic developments (population ageing).

Flanders receives € 175,592,098 from the ERDF to invest in valuable projects during the 2014-2020 programme period.

#### 3.5.1 ANNUAL CONTROL REPORT

The ACR must be submitted each year to the European Commission on 15 February. The ACR contains the main results of the audits carried out, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. This report provides information on audits of expenditure declared to the European Commission in the period between 1 July 2022 and 30 June 2023.

FAA believes that the implemented management and control systems were sufficiently functioning during the above-mentioned period despite some deficiencies

with limited impact, that the expenditure declared to the European Commission and included in the annual accounts is legal and regular, and that the annual accounts give a true and fair view as laid down in Article 29, paragraph 5 of Regulation (EU) No 480/2014. The residual total error rate (RTER) is 0.20%.

The error rate of the random sample is largely determined by typological errors<sup>7</sup>:

- **1.2** 'Artificial splitting of works/services/ supplies contracts';
- **1.9** 'Failure to publish in the contract notice the selection and/or award criteria (and their weighting), or conditions for performance of contracts or technical specifications. Or failure to describe in sufficient detail the award criteria and their weighting. Or failure to communicate/publish clarifications/ additional information.';
- **1.12** 'Insufficient or imprecise definition of the subject-matter of the contract';
- **2.10** 'Error in the application of the SGEI';
- **8.2** 'Expenditure not paid by beneficiary';
- **8.3** 'Expenditure is not related to the project';
- **8.4** 'Expenditure outside of the eligibility area'.

<sup>6</sup> The typology of project findings is set out in European Commission guidelines.

<sup>7</sup> The typology of project findings is set out in European Commission guidelines.

### 3.5.2 SYSTEM AUDITS

The SYAs focused on the follow-up of open recommendations resulting from previous SYAs. Several recommendations were closed and new ones were also proposed. Some recommendations will be subject to further follow-up during future SYAs and the 2021-2027 programme period.

All SYA activities were performed by FAA.

#### SYSTEM AUDITS PERFORMED FOR ERDF

| SYSTEM AUDIT OR FU AUDIT | AUDITED AUTHORITY     |
|--------------------------|-----------------------|
| FU 2SYA27 MA/IB: KR 1-3  | Managing authority/IB |
| FU 2SYA28 CA: KR 9-13    | Certifying authority  |
| FU 2SYA29 FLC: KR 4      | Managing authority/IB |
| FU 2ITA3 IT: KR 6        | Managing authority/IB |
| 2SYA26 REACT-EU: KR 1-4  | Managing authority/IB |

The different SYAs conducted at the MA and CA sufficiently confirm the appropriateness and effectiveness of the procedures. All findings corresponded to category 1 or 2, which means there are no fundamental problems that obstruct the proper functioning of the programme. The level of assurance obtained based on the SYAs is average.

#### EXPENDITURE DECLARED AND AUDIT SAMPLES

| Fund     | Expenditure declared    |            | Expenditure selected for audit |            | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|----------|-------------------------|------------|--------------------------------|------------|-------------------------------------|---|
|          | AMOUNT (IN EUROS)       | COVERAGE % | AMOUNT                         | COVERAGE % |                                     |   |
| ERDF PA2 | 40,859,430 <sup>8</sup> | 39.50      | 16,138,855                     | 39.50      | 0.30                                | 0.20  |

<sup>8</sup> This amount does not include the lump-sum payment for TA.

Based on the SYAs and follow-up audits, FAA believes that the management and control systems in place at the MA are functioning properly, but some improvements are needed (category 2). As for the CA, category 1 indicates that the system is functioning properly, with no or only minor improvements needed.

### 3.5.3 AUDITS OF OPERATIONS

The selection of the AOs to be carried out is based on the Guidance published by the EC and made with the help of a template provided by the EC.

A statistical sampling method was used: the monetary unit sampling method (MUS), a form of probability-proportional-to-size (PPS) sampling with the monetary value as sampling unit. The sample included 1 'high value' item and 29 randomly selected projects from a population of 240 payment requests.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made during the accounting year and as a result of the audits.



## 3.6 INTERREG VA VLAANDEREN-NEDERLAND

The aim of Interreg VA Flanders-Netherlands is to contribute to sustainable social and economic development throughout the border region of Flanders and the southern provinces of the Netherlands by means of targeted crossborder initiatives. Interreg VA Flanders-Netherlands is a subsidy programme which has worked to foster collaboration between (border) regions in different member states of the European Union since 1990. The programme is financed by the European Regional Development Fund (ERDF). This structural fund supports authorities and organisations in different regions to carry out crossborder projects that contribute to the economic and/or social development of those regions. Interreg V is the fifth phase of this programme, running from 2014 to 2020. The programme is subdivided into three types: Interreg VA for crossborder cooperation, Interreg VB for transnational cooperation and Interreg VC for interregional cooperation. FAA is responsible for performing the second level controls for Interreg VA Flanders-Netherlands.

Interreg Flanders – Netherlands receives € 305,151,170 (including € 152,575,585 from the ERDF) to invest in valuable crossborder projects during the 2014-2020 programme period.

### 3.6.1 ANNUAL CONTROL REPORT (ACR)

The ACR must be submitted each year to the European Commission on 15 February. The ACR contains the main results of the audits carried out, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. This report provides information on audits of expenditure declared to the European Commission in the period between 1 July 2022 and 30 June 2023.

FAA believes that the implemented management and control systems were functioning properly during the above-mentioned period, that the expenditure declared to the European Commission and included in the annual accounts is legal and regular, and that the annual accounts give a true and fair view as laid down in Article 29, paragraph 5 of Regulation (EU) No 480/2014. The residual total error rate (RTER) is 0.21%.

The error rate of the random sample is determined by typological errors<sup>9</sup>:

- **1.1** 'Lack of publication of contract notice or unjustified direct award (i.e. unlawful negotiated procedure without prior publication of a contract notice)'.

### 3.6.2 SYSTEM AUDITS

The SYAs focused on the follow-up of open recommendations resulting from previous SYAs. Several recommendations will be subject to further follow-up during the 2021-2027 programme period. One recommendation will be subject to further follow-up during a future SYA for the period 2014-2020.

All SYA activities were performed by FAA.

<sup>9</sup> The typology of project findings is set out in European Commission [guidelines](#).

### SYSTEM AUDITS PERFORMED FOR INTERREG VA

| SYSTEM AUDIT OR FU AUDIT | AUDITED AUTHORITY  |
|--------------------------|--------------------|
| FU 3SYA24 MA: SV 1-3     | Managing authority |

The different SYAs conducted at the MA and CA sufficiently confirm the appropriateness and effectiveness of the procedures. All findings corresponded to category 1 or 2, which means there are no fundamental problems that obstruct the proper functioning of the programme. The level of assurance obtained based on the SYAs is average.

Based on the SYAs and follow-up audits, FAA believes that the management and control systems in place at the managing authority are functioning properly, but some improvements are needed (category 2). As for the CA, FAA is of the opinion that the management and control system is functioning properly, with no or only minor improvements needed (category 1).

### EXPENDITURE DECLARED AND AUDIT SAMPLES

| Fund                               | Expenditure declared | Expenditure selected for audit |            | Value of errors identified in sample | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|------------------------------------|----------------------|--------------------------------|------------|--------------------------------------|-------------------------------------|---|
|                                    | AMOUNT (IN EUROS)    | AMOUNT                         | COVERAGE % | AMOUNT (IN EUROS)                    | %                                   | %   |
| Interreg VA Flanders - Netherlands | 27,476,086           | 1,773,153                      | 6.45       | 1,777                                | 0.21                                | 0.21  |

### 3.6.3 AUDITS OF OPERATIONS

The sample audits for this programme were carried out by the Group of Auditors under supervision of FAA, as described in the approved audit strategy. This group of auditors consists of Flemish and Dutch audit authorities. The audits for Flemish project partners (= subsample unit) were conducted by an external party, under supervision of FAA. The Central Government Audit Service of the Dutch Ministry of Finance is responsible for audits of Dutch project partners.

The selection of the AOs to be carried out is based on the Guidance published by the EC and made with the help of a template provided by the EC.

A non-statistical sampling method was used, spread over 2 periods, based on equal probability (EP) selection. In total (period 1 and 2), the sample included 5 randomly selected projects from a population of 52 projects. The costs submitted by 7 project partners were selected: 2 Dutch and 5 Flemish partners.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made during the accounting year and as a result of the audits.

## 3.7 EUROPEAN ASYLUM, MIGRATION AND INTEGRATION FUND (AMIF)

The European Asylum, Migration and Integration Fund (AMIF) is a European Commission financial tool aiming to promote a more efficient management of migration flows and the strengthening and development of a common approach to asylum, migration and integration.

AMIF resulted from the merge of 3 funds from the 2007-2013 programming period: the European Integration Fund (EIF), the European Refugee Fund (ERF) and the European Return Fund (RF).

As an EU member state, Belgium can draw on AMIF funding. The available European funding amounts to 89 million euros for the entire programming period 2014-2020. About one third of the budget is allocated to integration.

As delegated authority, the European programmes unit Europa WSE is responsible for the management of the Flemish integration component of AMIF. Europa WSE has years of experience with programme management in the context of the European Social Fund (ESF) and can also use this expertise for the call and project management processes of AMIF. For the preparation of project calls, Europa WSE closely cooperates with the Civic Integration Team at the Agency for Home Affairs, which also provides cofinancing for these projects.

The AMIF National Programme 2014-2020 describes the strategy, objectives and results for Belgium. Flanders will use the European resources to boost its inclusive and horizontal integration policy. The funding will primarily be used to close the employment gap, improve access to public

services and set up initiatives for specific target groups (e.g. women, youngsters,...). All initiatives specifically target non-EU nationals (third country nationals).

### 3.7.1 ANNUAL CONTROL REPORT

Each year on 15 February, the ACR must be submitted by the federal audit authority to the European Commission. For AMIF an extension was granted until 1 March. The ACR of the Flemish component contains the main results of the audits carried out, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. This report provides information on audits of expenditure declared in the period between 16 October 2022 and 15 October 2023.

FAA believes that the implemented management and control systems were functioning properly during the above-mentioned period, that the expenditure declared to the European Commission and included in the annual accounts is legal and regular, and that the annual accounts give a true and fair view as laid down in Article 14, paragraph 5 of Delegated Regulation (EU) No 1042/2014. The residual total error rate (RTER) is 0.39%.

The error rate of the random sample is determined by typological errors<sup>10</sup>:

- **8.2:** 'Expenditure not paid by beneficiary';
- **8.8:** 'Double financing'.

### 3.7.2. SYSTEM AUDITS

Europa WSE carried out several SYAs of the management and control system for the ESF operational programme. These audits also apply to AMIF, since its management and control system is based on the ESF programme. The procedures for AMIF did not change, so in 2023 no additional SYA was needed in relation to differences between AMIF and ESF.



<sup>10</sup> The typology of project findings is set out in European Commission [guidelines](#).

### 3.7.3 AUDITS OF OPERATIONS

Based on the data of 15 October 2023, the delegated audit authority responsible for AMIF takes stock of the situation by using the evaluation reports for accounting year 2022-2023. The expenditure audits were conducted by FAA.

The selection of the AOs to be carried out is based on the Guidance published by the EC and made with the help of a template provided by the EC.

A non-statistical sampling method was used, based on equal probability (EP) selection. The sample included 4 randomly selected project reports from a population of 42 projects.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

#### EXPENDITURE DECLARED AND AUDIT SAMPLES

| Fund               | Expenditure declared | Expenditure selected for audit |            | Value of errors identified in sample | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|--------------------|----------------------|--------------------------------|------------|--------------------------------------|-------------------------------------|---|
|                    | AMOUNT (IN EUROS)    | AMOUNT                         | COVERAGE % | AMOUNT (IN EUROS)                    | %                                   | %   |
| AMIF <sup>11</sup> | 630,066              | 217,330                        | 34.49      | 1,297                                | 0.60                                | 0.39  |

### 3.8 SUPPORTING ACTIVITIES FOR OTHER PROGRAMMES

In a supporting role, FAA conducts AOs for other programmes involving Flemish project partners where FAA is not the responsible audit authority. These funding programmes are included in the table below.

#### OVERVIEW OF THE POPULATION AND SAMPLE

| Fund                                  | Expenditure declared (in euros) | Number of sample items in population | Number of sample items relating to Flanders |
|---------------------------------------|---------------------------------|--------------------------------------|---|
| Interreg V A France-Wallonia-Flanders | 53,363,903                      | 30                                   | 6   |
| Interreg V A Euregio Meuse-Rhine      | 19,758,810                      | 16                                   | 6   |
| Interreg V A 2 Seas                   | 78,499,294                      | 11                                   | 7   |
| Interreg V B North Sea Region         | 55,970,686                      | 18                                   | 2   |
| Interreg V B North-West Europe        | 116,161,530                     | 14                                   | 2   |
| Interreg Europe                       | 62,439,475                      | 25                                   | 0   |
| URBACT III                            | 16,698,218                      | 6                                    | 1   |

<sup>11</sup> These figures only include final payments of AMIF funding and do not include advance payments.

#### RESULTS OF THE AUDITS

| Fund                                  | Expenditure selected for audit |                   | Total error       | Total extrapolated error rate (TER) | Residual total extrapolated error rate (RTER) |
|---------------------------------------|--------------------------------|-------------------|-------------------|-------------------------------------|---|
|                                       | AMOUNT (IN EUROS)              | COVERAGE %        | AMOUNT (IN EUROS) | %                                   | %   |
| Interreg V A France-Wallonia-Flanders | %                              | Amount (in euros) | %                 | %                                   | 1.43  |
| Interreg V A Euregio Meuse-Rhine      | 3,612,992                      | 18.29             | 23,992            | 2.15                                | 1.96  |
| Interreg V A 2 Seas                   | 3,542,398                      | 4.51              | 20,722            | 0.36                                | 0.34  |
| Interreg V B North Sea Region         | 3,325,244                      | 5.94              | 15,462            | 0.90                                | 0.88  |
| Interreg V B North-West Europe        | 2,712,048                      | 2.33              | 6,753             | 0.28                                | 0.27  |
| Interreg Europe                       | 5,679,549                      | 9.10              | 3,129             | 0.43                                | 0.40  |
| URBACT III                            | 1,702,631                      | 10.20             | 953               | 0.21                                | 0.20  |

#### 3.8.1 INTERREG VA FRANCE – WALLONIA – FLANDERS

The responsible audit authority is the Cellule Audit de l'Inspection des finances pour les fonds européens (CAIF) in Wallonia.

For the AOs, the responsible audit authority used statistical sampling spread over two periods. The sample included 30 items and 6 of these involved a Flemish beneficiary. Audits relating to Flanders were conducted by an external party, under supervision of FAA.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

#### 3.8.2 INTERREG VA EUREGIO MEUSE-RHINE

The responsible audit authority is the Central Government Audit Service in the Netherlands.

For the AOs, the responsible audit authority used a non-statistical sampling method. The sample consisted of 16 items, including 6 Flemish project partners. Audits relating to Flanders were conducted by an external party, under supervision of FAA.

The RTER is below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

#### 3.8.3 INTERREG VA 2 SEAS

The responsible audit authority is the Commission Interministérielle de Coordination des Contrôles des fonds européens (CICC) in France.

The responsible audit authority used a non-statistical sampling method for the AOs. The sample included 6 projects and the selected expenditure was submitted by 11 partners, including 7 Flemish ones. Audits relating to Flanders were conducted by an external party, under supervision of FAA.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

#### 3.8.4 INTERREG VA NORTH SEA REGION

The responsible audit authority is the EU Audit Danish Business Authority in Denmark.

The responsible audit authority used a non-statistical sampling method for the AOs. The sample included 6 projects and the selected expenditure was submitted by 18 partners, including 2 Flemish ones. Audits relating to Flanders were conducted by FAA.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.



# AUDIT COMMITTEE TOP EVENTS FLANDERS – ATEF

## 04

### 3.8.5 INTERREG VB NORTH-WEST EUROPE

The responsible audit authority is the Commission Interministérielle de Coordination des Contrôles des fonds européens (CICC) in France.

The responsible audit authority used a non-statistical sampling method for the AOs. The sample included 7 projects and the selected expenditure was submitted by 14 partners, including 2 Flemish ones. Audits relating to Flanders were conducted by an external party, under supervision of FAA.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

### 3.8.6 INTERREG EUROPE

The responsible audit authority is the Commission Interministérielle de Coordination des Contrôles des fonds européens (CICC) in France.

The responsible audit authority used a non-statistical sampling method for the AOs. The sample included 13 projects and the selected expenditure was submitted by 25 partners. No audits of Flemish beneficiaries have been carried out for this programme in 2023.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

### 3.8.7 INTERREG VA SOUTH BALTIC

The responsible audit authority for this fund is the 'Head of the National Revenue Administration' in Poland.

No audits of Flemish beneficiaries have been carried out for this programme in 2023.

### 3.8.8 URBACT III

The responsible audit authority is the Commission Interministérielle de Coordination des Contrôles des fonds européens (CICC) in France.

The responsible audit authority used a non-statistical sampling method for the AOs. The sample included 4 projects and the selected expenditure was submitted by 6 partners, including 1 Flemish project partner. Audits relating to Flanders were conducted by an external party, under supervision of FAA.

Both the TER and RTER are below the materiality threshold of 2%, so no additional financial corrections are needed apart from the corrections made as result of the audits.

## 4.1 INTRODUCTION

The GFO of 19 January 2001 establishes the activities of the Finance Inspectors, who are accredited by the Flemish government. This order also includes the possibility to assign specific audit tasks to the inspectors; the GFO of 30 November 2007 focuses on the appointment of FAA and its organisation.

On 20 May 2016, the Flemish government approved the concept paper 'Top event policy – Event Flanders', presenting a framework for the development of a Flemish top event policy with the aim of attracting more major international events to Flanders or supporting the organisation of Flemish top events. The implementation of this concept paper resulted in the creation of 'Event Flanders', a specialised service established within Visit Flanders.

Audit committee Top Events Flanders (ATEF) is responsible for the support and follow-up of top events financed by the Flemish government through Event Flanders. ATEF was established through a protocol which entered into force on 1 January 2019 and its tasks consist in checking financial aspects

related to contract performance, in line with single audit principles. This implies that all grant files for top events, defined as such by the Flemish government, are monitored by ATEF.

## 4.2 RESPONSIBILITIES

### 4.2.1 FINANCIAL REPORTING

**A.** Monitor the integrity of legal transactions and financial statements of beneficiaries relating to Flemish government subsidies granted for top events organised by Event Flanders, while taking into account:

- possible changes in the assessment rules and associated accounting principles/procedures;
- compliance with the accounting standards, laws and regulations applicable in particular to listed companies;
- the applicable public procurement legislation.

**B.** Examine all other published documents and check if the information included corresponds to the annual statutory and/or consolidated financial statements.

**C.** Evaluate interim financial statements with the members of the board and if necessary the supervisory director, as well as all other announcements or financial publications aimed at shareholders, analysts and/or the general public.

**D.** Report at regular intervals to the steering committee on the progress of audit activities, final audit results and possible major deficiencies that fall outside the standard reporting scope.

**E.** Inform the competent ministers at regular intervals about the progress of audit activities.

### 4.2.2 INTERNAL CONTROL – RISK MANAGEMENT AND COMPLIANCE

**A.** Make sure that appropriate risk management and control systems are put in place, ensure their proper functioning, and evaluate potential proposals to identify and reduce major risks. Provide the necessary assurance in the absence of such systems, if so required by the steering committee.

**B.** Examine information about internal control and risk management systems published in the annual report.

**C.** Evaluate all results of inspections conducted at beneficiaries in the event of fraud, errors or for any other reason; analyse the subsequent decisions made by the Flemish government and make own recommendations.

**D.** Monitor specific systems that enable the beneficiary's staff to confidentially voice their concerns about possible irregularities in the way financial information is reported or about other subjects.

**4.2.3 OTHER**

**A.** Formulate recommendations to the steering committee about all domains which fall within the remit of the audit committee.

**B.** Fulfil all other assignments delegated by the steering committee.

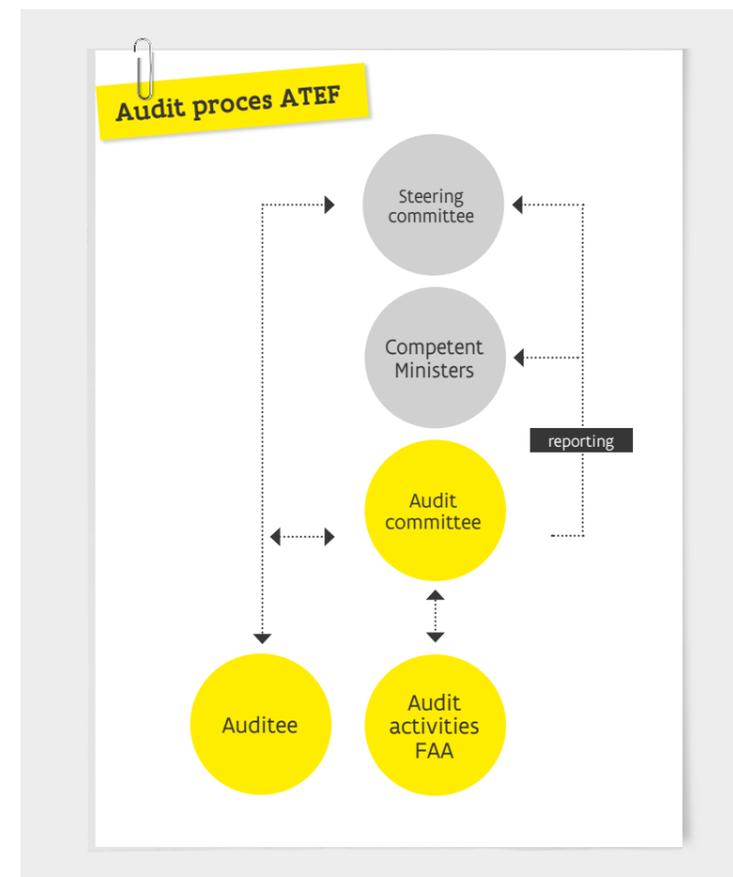
**4.3 OBJECTIVES, STRUCTURE AND ORGANISATION**

The audit committee consists of 5 members: 1 member of FAA, 2 members of the Inspectorate of Finance and an independent member. In addition, a secretary was appointed.

The role of the audit committee is to assist the Event Flanders steering committee with the organisation of top events. Their assistance includes:

- guaranteeing the independence, objectivity and quality of FAA's audit capacity during supporting audit activities;
- monitoring the efficiency of FAA;
- making proposals relating to FAA in order to detect opportunities and exploit possible synergies;
- monitoring the efficiency of audit reports on the auditees' internal control and risk management systems;

- providing audit reports to the Event Flanders steering committee and informing the competent ministers;
- streamlining and finetuning the activities included in FAA's audit plan and programmes with external audit plans and programmes, and possible ex-ante audit tasks of the competent Finance Inspector in order to avoid overlap and reduce the audit burden on auditees ('single audit').



**4.4 REPORTING AND INFORMATION EXCHANGE**

The audit committee reports to the Event Flanders steering committee, informs the competent ministers and coordinates the activities of the auditors.

All audit reports are written in Dutch.

The scope of this assignment requires only limited legal interpretations or advice.

The reports, presentations and all relevant or supporting documents are exclusively addressed to and solely intended for the auditees and the parties concerned.

All information of a stable nature resulting from verification activities is communicated in written form within the most reasonable timescale and in a structured way, in accordance with the Charter.

**MEMBERS OF THE AUDIT COMMITTEE TOP EVENTS FLANDERS (ATEF)**

| NAME              | ROLE             | APPOINTMENT   | AS FROM                  |
|-------------------|------------------|---------------|--------------------------|
| Lieve Schuermans  | President        |               | 01/05/2023               |
| Tony Mortier      | President Member | MB 15/10/2020 | 15/10/2020               |
| Geert De Roover   | Member           | MB 15/10/2020 | 15/10/2020               |
| Filip Strobbe     | Member           | MB 15/10/2020 | 15/10/2020               |
| Paul van Sprundel | Member           | MB 15/10/2020 | 15/10/2020 to 30/04/2023 |
| Gert Adams        | Secretary        | Decision ATEF | 01/04/2022               |



# RECOVERY AND RESILIENCE FACILITY – RRF

## 05

### 4.5 SINGLE AUDIT APPROACH

The audit committee consists of a Finance Inspector and persons responsible for the auditing. This means that the single audit principle is applied towards Event Flanders and the auditees, as described in the GFO of 7 September 2012, and that the Inspectorate of Finance does not have to provide a separate opinion apart from the report on the audit structure.

### 4.6 PROJECTS EVENT FLANDERS

Event Flanders is part of Visit Flanders and supported by the Department of Foreign Affairs, the Department of Culture, Youth and Media and Sports Flanders.

Some of the events planned by Event Flanders for the next few years are:

- Ensor 2024
- Flanders Technology and Innovation 2024
- European road cycling championships 2024
- Gravel World Championships 2024
- Flanders Street Festival

The following events were organised in 2023:

- World Breaking Championship 2023
- World Gymnastics Championships 2023
- Stories Unfold 2023
- Exhibition 'Rare and Indispensable: masterpieces from Flemish collections' 2023
- Bouts 2023

### 4.7 ATEF ACTIVITIES

The audit committee assembled 9 times in 2023 and issued 11 opinions, which were sent to the steering committee.

These opinions mostly relate to questions about budgetary aspects, public procurement legislation, the allocation of subsidies, the eligibility of submitted costs and the payment of grant instalments.

In addition, 5 audits were conducted for the World Gymnastics Championships, FIBA 3x3 World Cup, European Open, Royal Museum of Fine Arts Antwerp and FIAF.

These audits focused on compliance with budgetary guidelines, accounting standards and public procurement legislation, and also verified the submitted income and expenses.

The audits examine budgetary changes compared to the initially approved event budget. Given the possible financial impact on grant disbursements by Event Flanders, both ATEF and Event Flanders will closely monitor the respective budgets.

### 5.1 INTRODUCTION

The European Recovery and Resilience Facility is the key instrument at the heart of NextGenerationEU. Its 672.5 billion euro budget is intended for loans and grants that support reforms and investments by EU countries. The facility aims to mitigate the economic and social impact of the coronavirus pandemic, and to make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

To achieve these aims, the maximum subsidy amount for Flanders was originally set at 2.225 billion euros. In late June 2022, the amount allocated to Belgium was reduced to 4.52 billion euros, amongst others because the economic growth turned out

to be higher than expected. As a result, the amount allocated to Flanders was adjusted downwards to 1.72 billion euros. This budget is part of the recovery plan 'Flemish Resilience', which totals 4.3 billion euros. The recovery and resilience plan has been reviewed as a result of the updated financial contribution and objective circumstances affecting the achievement of milestones and targets. At the end of 2023, this revision was approved by the ECOFIN Council. 15 Flemish Resilience projects with associated milestones and targets were withdrawn from the RRF. In addition, 8 Flemish Resilience projects received a partially reduced RRF grant, and for some projects the associated milestones and targets were adjusted. RRF reforms or investments are linked to specific milestones and targets. Moreover, 9 Repower EU projects have been added.

One of the particularities of RRF is that the financing is not linked to costs but based on the fulfilment of those milestones and targets. Disbursements are requested twice a year and each payment request includes a detailed explanation on whether the agreed milestones and targets for this period have been met. All RRF projects must not have started earlier than 2020 and must be implemented by 2026 at the latest.

## 5.2 RESPONSIBILITIES

### 5.2.1 ASSESSMENT OF PROJECTS SUBMITTED UNDER THE RECOVERY AND RESILIENCE PLAN

To benefit from the support of the Recovery and Resilience Facility, all member states had to submit a recovery and resilience plan. The submitted projects are structured around six axes: (1) climate, sustainability and innovation, (2) digital transformation, (3) mobility, (4) social cohesion and living together, (5) economy of the future and productivity and (6) public finances. Prior to the submission of this plan in April 2021, FAA was asked to assess the projects under the plan and check if the European Commission's requirements would be met. The projects were screened for the following aspects:

- feasibility of the projects: project monitoring and implementation;
- a detailed and substantiated budget plan/ cost estimate, using SCOs (simplified cost options), historical data,... where appropriate;
- additionality of European funding;
- the presence of a data collection and registration system to keep track of the final recipients and beneficiaries of funds, using a standardised and readable electronic data format;
- reliability of the proposed indicators, milestones and data collection;
- conformity with state aid rules;
- a correct application of the green transition rates and digital transformation rates.

### 5.2.2 ASSESSMENT OF MANAGEMENT AND CONTROL SYSTEMS FOR POLICY AREAS

The RRF Regulation<sup>12</sup> states that in implementing the facility, member states should ensure the functioning of an effective and efficient internal control system. To that end, every Flemish policy area creates its own management and control system (MCS). FAA is responsible for monitoring the adequacy of the MCS and its compliance with the requirements established in the RRF Regulation. This assessment covers the following items:

- checking if resources are managed according to all applicable rules (both European and national);
- prevention, detection and correction of fraud, corruption and conflicts of interest;
- prevention of double funding;
- data collection and registration system to keep track of the final recipients and beneficiaries of funds, using a standardised and interoperable electronic format;
- collection of indicators, milestones...;
- communication strategy.

### 5.2.3 AUDITS OF PROJECTS

Tests are carried out to assess the adequacy of the MCS, its compliance with the requirements established in the RRF Regulation and its effectiveness based on the above-mentioned items.

These effectiveness audits are performed on projects that have already started. The selection of projects that will be audited (first) will be based on sampling and risk analysis. The procedure for project audits involves continuous auditing, so these audits will also be followed up.

### 5.2.4 ASSESSMENT OF THE ACCURACY AND RELIABILITY OF REPORTED MILESTONES AND TARGETS

From 2022, Belgium can submit a payment request to the European Commission twice a year. This payment request will also report on whether the milestones and targets for this period have been met.

For each payment request FAA will express an opinion on whether the Flemish milestones and targets have been achieved based on the submitted supporting documents.

### 5.2.5 VERIFICATION OF THE MANAGEMENT DECLARATION, SUMMARY OF AUDITS, AND PROVIDING AN AUDIT OPINION FOR EACH PAYMENT REQUEST

For each payment request FAA will not only check the fulfilment of milestones and targets but will also verify the management declaration and provide a summary of audits undertaken.

When verifying the management declaration, FAA will check the correctness and completeness of the information included therein as well as the usage of the right template. FAA will also provide a summary of its audits undertaken during the period covered by the payment request.

Finally, FAA will formulate an audit opinion for each payment request. This opinion is based on the audit work performed and assesses the truthfulness of the statements in the management declaration.

## 5.3 OBJECTIVES, STRUCTURE AND ORGANISATION

Flanders Audit Authority supports the Recovery and Resilience Facility and has developed an audit strategy specific to this context (Flemish Government decision of 26 February 2021). As an independent audit body, FAA will conduct audits on the projects and the facility's management and control system. In addition, an assessment of the project fiches submitted to the European Commission was carried out together with the Inspectorate of Finance.

On 30 April 2021, the Flemish Government decided on the Flemish component of the Recovery and Resilience Facility. It was decided that Flanders Audit Authority could implement the proposed audit strategy, for which the government would provide additional staff and operating resources.

The developed audit strategy should enable FAA to formulate an audit opinion on the completeness, accuracy and reliability of data reported to the European Commission. The management and control activities used are partly governed by the RRF Regulation and partly by international audit standards.

## 5.4 ACTIVITIES

The follow-up audit of the management and control systems for each policy area was launched in 2023. With this audit, FAA focuses on the adequacy of MCS descriptions in relation to the follow-up of previous MCS audit results and the changes resulting from the revised RRP. FAA also pays particular attention to the effectiveness of procedures for drawing up management declarations.

Apart from the existing milestones for audit and controls (M209 and M210), the activities also centred around two new milestones for audit and controls, i.e. M250 and M251. These new milestones have been added to the revised Recovery and Resilience Plan in response to the Belgian PFIU<sup>13</sup> audit by the European Commission. M250 covers the establishment of an anti-fraud policy for Flanders and its policy areas. M251 involves the prevention of conflicts of interest as well as the development of an intergovernmental risk-based method or one that applies to all Flemish government areas. These audits will be completed in 2024.

Moreover, 12 project audits have been initiated in 2023. Ten of those were completed and two are still in progress. In these audits, FAA examined the effectiveness and reality of the procedures described. The remaining two audits are expected to be finalized in 2024.

# BREXIT ADJUSTMENT RESERVE – BAR

## 06

### 6.1 INTRODUCTION

The Brexit Adjustment Reserve was established on 6 October 2021 to support EU member states, regions and sectors that were negatively affected by the UK's withdrawal from the EU. This support mechanism intends to preserve the economic, territorial and social cohesion, and to minimise the environmental consequences where appropriate. The maximum amount available for BAR is 5.4 billion euros in total for all member states. In the Belgian constitutional context, Flanders Innovation & Entrepreneurship is the designated authority that will receive the provisional allocations and additional payments under the Reserve for the whole of Belgium. Flanders Innovation & Entrepreneurship thus serves as a go-between, passing on BAR funding to the other regions, i.e. the Walloon Region and Brussels-Capital Region. The Flemish Region receives 244,056,157 euros from BAR. This amount has been lowered to € 143,247,436.10 as a result of the transfer to Repower EU projects.

For BAR only one payment request has to be submitted to the European Commission by 30 September 2024 at the latest. This request includes an implementation report and a comprehensive overview of all

expenses, together with an accompanying audit opinion.

### 6.2 RESPONSIBILITIES

#### 6.2.1 ASSESSMENT OF MANAGEMENT AND CONTROL SYSTEMS FOR POLICY AREAS

The BAR Regulation provides that when implementing the regulation, member states must put a management and control system in place in accordance with the principles of sound financial management. FAA is responsible for monitoring the adequacy of the MCS and its compliance with the requirements established in the BAR Regulation. This assessment covers the following items:

- checking if resources are managed according to all applicable rules (both European and national);
- prevention, detection and correction of fraud, corruption and conflicts of interest;
- prevention of double funding;
- data collection and registration system to keep track of the final recipients and beneficiaries of funds, using a standardised and interoperable electronic format;
- collection of indicators, milestones...;
- communication strategy.

#### 6.2.2 AUDITS OF PROJECTS

Tests are carried out to assess the adequacy of the MCS, its compliance with

the requirements established in the BAR Regulation and its effectiveness based on the above-mentioned items.

These effectiveness audits are performed on projects that have already started. The selection of projects to be audited will be based on sampling. The results of these audits will be extrapolated to formulate an audit opinion for the European Commission in order to establish with reasonable certainty that the expenditure declared to the European Commission is legal and regular, and that the submitted final report gives a true and fair view.

### 6.3 OBJECTIVES, STRUCTURE AND ORGANISATION

Flanders Audit Authority was appointed as independent audit body for BAR by government order. As an independent audit body, FAA will conduct audits on the projects and the fund's management and control system. To this end, FAA will develop an audit strategy in 2024, enabling them to formulate an audit opinion on the completeness, accuracy and reliability of data reported to the European Commission. The management and control activities used are partly governed by the BAR Regulation and partly by international audit standards.

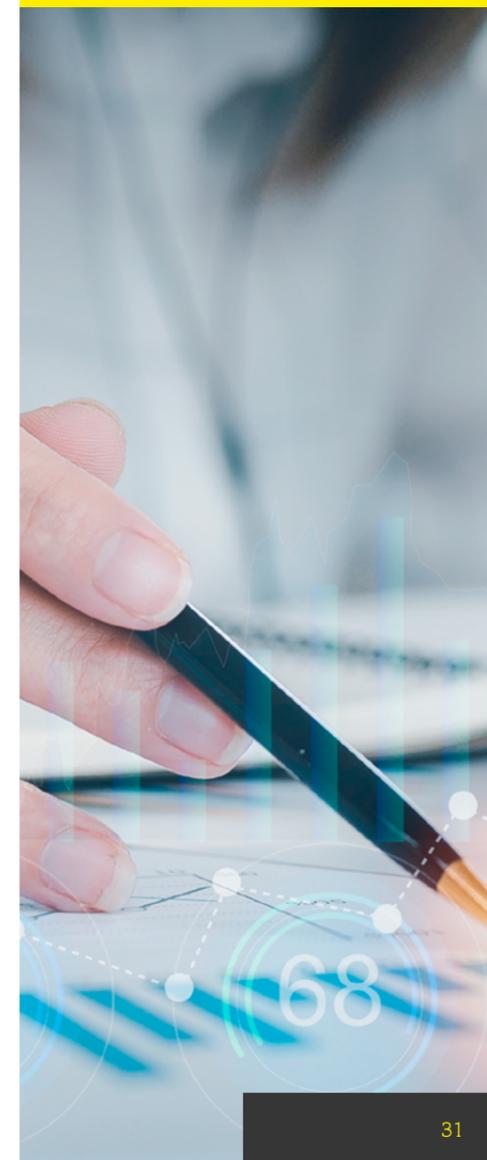
### 6.4 ACTIVITIES

In 2023, FAA initiated the assessment of the management and control system at Flanders Innovation & Entrepreneurship and already provided feedback on the draft versions. This audit is expected to be finalized in 2024.

In addition, 10 projects were selected through sampling for a pilot audit, aimed at evaluating the effectiveness and reality of the procedures described.

## DID YOU KNOW

that the Flemish Region gets € 143,247,436.10 available from BAR.



# CATE

## 07



### 7.1 CHALLENGES

The CATE project is part of the Programme for Innovation Procurement (PIP). This project wants to completely rethink the audit process on a technological as well as a conceptual level, with the following objectives: increased assurance at a lower cost, within a shorter time frame, with greater added value and lower loss of (European) resources.

With the CATE project, Flanders Audit Authority wants to obtain a platform that assesses the functioning of the management and control system of European structural funds in a fully autonomous way. To this end, FAA will collaborate with partners of the ESF, ERDF and Interreg Flanders-

Netherlands fund. From this point of view, the opinion on the functioning of the management and control system of a European structural fund programme consists of various elements. The platform should, for instance, indicate where the risks of projects and MAs & CAs working methods lie, and when they will occur. This means that risks are already being followed up from the start of the audit process and that the possible emergence of problems within the management and control system is continuously being monitored. Feedback to stakeholders allowing for timely adjustments forms an integral part of this opinion, as well as the reporting of error rates or other problems to the EC.

Rethinking the audit process, both on a conceptual and a technological level, does not at all mean that the existing process will be automated, but only that a fundamentally new approach is required. More concretely, this means that there is complete freedom to entirely change the procedural stages, milestones, utilised data sources, algorithms, technologies and FAA's input, in order to create an autonomous end-to-end platform.

### 7.2 IMPLEMENTATION

For this project, FAA looked for a private partner to set up an innovative partnership. Deloitte Consulting & Advisory has started the project development in mid-March 2022.

Following a positive evaluation of the proof of concept in 2023, further progress has been made with the development of the first prototype. CATE offers a wide range of functionalities, all in one three-product package:

1. 'Check': This module checks individual cost lines, brings together information from supporting documents and performs automated checks, enhanced by artificial intelligence where necessary.

2. 'Risk': This module focuses on checking groups of cost lines. For each cost line, all risks computed by CATE are combined into a single risk score by means of 'Risk Estimators' and 'Risk Aggregation'.
3. 'Assure': This module ensures that CATE meets the required assurance level (an error rate below 2% with an assurance level of 95%).

The first prototype focused on developing the 'Check' product. In 2023, multiple test sessions were organised to check the design, functionality and user-friendliness of this prototype, in cooperation with Deloitte, FAA and the MA.

The MA of Interreg Flanders-Netherlands and FAA have started to use the successfully developed first prototype in early 2024. The next steps in 2024 will focus on a second prototype built around the 'Assure' product. For the 'Check' product, the automated checks of horizontal principles (such as public procurement, state aid and double financing) will be further developed. This phase also includes the onboarding of the ESF programme and the expansion of the dataset in CATE.

# ANNEX

## Structure of FAA

In order to carry out the work of FAA, two half-time Finance Inspectors were appointed to fulfil its tasks, under the authority of the Flemish Government and as part of the government system for administrative and budgetary control. This position is currently held by Tony Mortier and Tom Blockmans.

In 2023, FAA consisted of 8 auditors. The following staff members are working as full-time auditors for FAA and are seconded from the Finance and Budget department:

- An Beirnaert (coordinator structural funds)
- Gert Adams (coordinator RRF)
- Wout Dejonckheere
- Khadija El Jafoufi
- Lusine Ovanisian
- Emily Vanmechelen
- René van den Heuvel
- Anneleen Verdeyen

FAA is supported by an administrative assistant, Nathalie Brees.

