

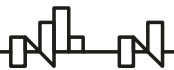
# Irregularities EEA and Norway Grants 2014-2021

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25 April 2024

# Irregularities

- I. What constitutes an irregularity
- II. Handling and reporting of irregularities
- III. Remedies
- IV. Quiz
- V. Final messages
- VI. Irregularities reporting in IFRs



## I.a. Definition of Irregularity

Broad definition of irregularities (Article 12.2 of the Regulation):

An infringement of:

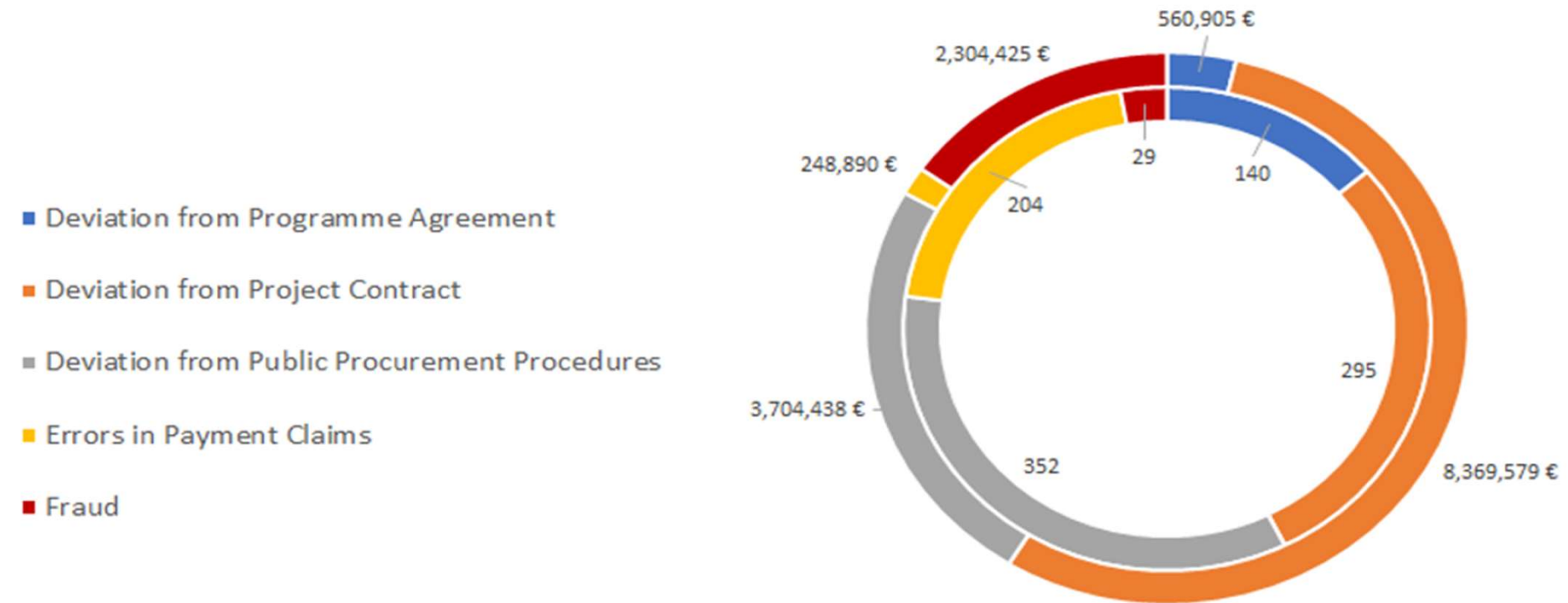
- (a) the legal framework of the EEA/Norwegian FM 2014-2021 referred to in Article 1.5;
- (b) any provision of European Union Law; or
- (c) any provision of the national law of the Beneficiary State,

which affects or prejudices any stage of the implementation of the EEA/Norwegian Financial Mechanism in the Beneficiary State

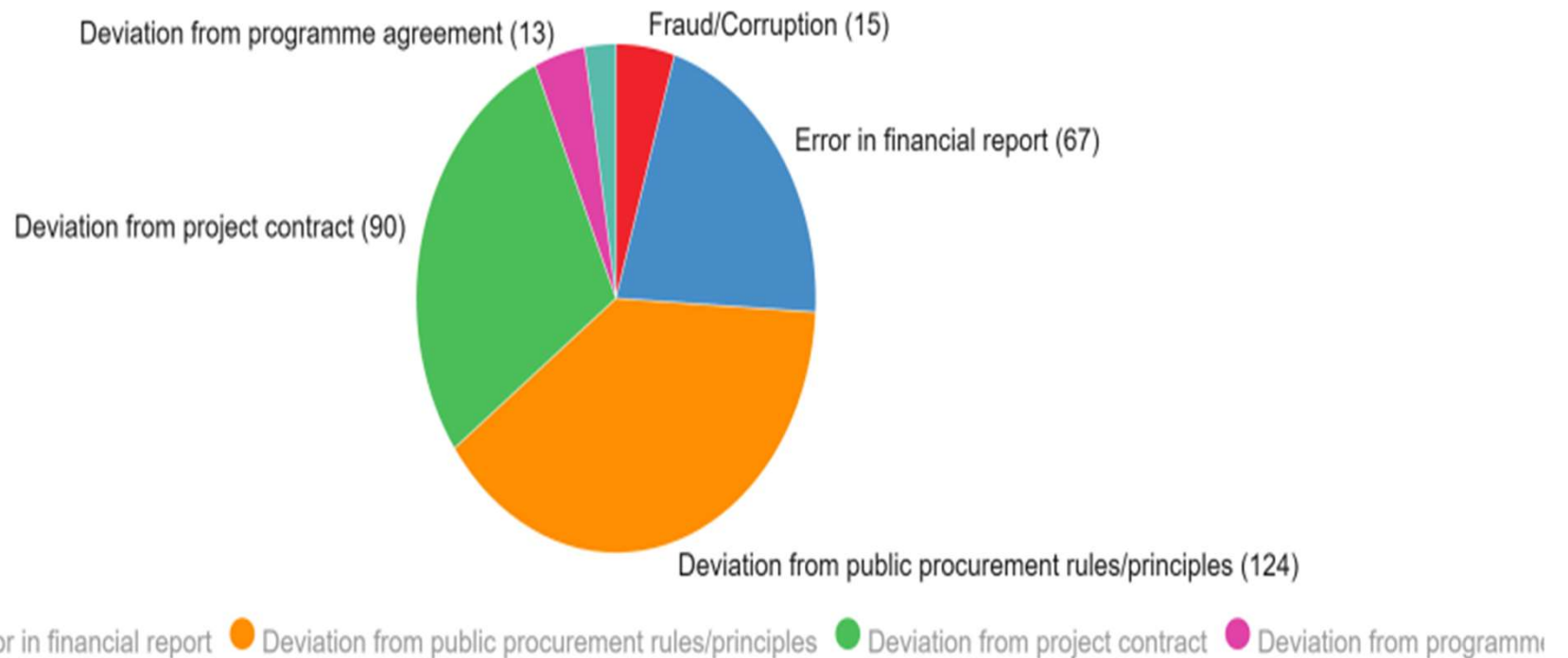


## I.b. Statistics irregularities

### 09-14 overview



## 1.c Statistics irregularities FM 2014-2021

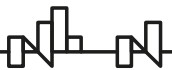


# I.d. Types of irregularities

## Types of irregularities

*Programme, Project, Bilateral Fund or Technical Assistance*

- *Fraud, corruption, bribery, embezzlement*
  - *Conflict of interest*
  - *Other types of irregularities:*
    - *breach of public procurement rules*
    - *errors in payment claims*
    - *breach of Programme Agreement / project contract*
    - *breach of the Regulation*
    - *etc.*
- *Where the irregularity is the result of a deliberate act or omission, it is a fraud*
- *Most irregularities are a result of mistakes*



## II.a. Handling of irregularities

### *Responsibilities of Programme Operators (Articles 12.1 and 12.3 of the Regulations)*

The **PO** has the overall **responsibility** for reaching the objectives and implementing the Programmes. The PO must **prevent, detect and nullify/remedy/correct** any cases of **irregularities** (Art. 12.1.).

The **PO** is also responsible for the reporting to the national Irregularity Authority of irregularities, their investigations and remedies taken (Article 12.3.3.).

**Irregularities Authority:** reporting to the FMO; keeping a **register of all irregularities**.



## II.b. Detection of irregularities

### Mechanisms to identify irregularities

- Monitoring/verification visits, on the spot checks
- Notifications by Project Promoters
- Check of payment claims/progress reports
- Media/general public
- Complaints
- Audits





## II.c Handling and reporting of irregularities

**FM 14-21 Reporting to the FMO → Via ..... GrACE !!!**

- Immediate reporting in case of serious irregularities  
(Art. 12.5.1 of the Regulations)
- Regular (quarterly) reporting on suspected/actual irregularities  
(Art. 12.5.2 of the Regulations)
- Reporting on progress regarding already reported irregularities  
(Art. 12.6 of the Regulations)

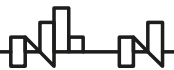


## II.d. Immediate reporting

**Immediate reporting of all suspected and actual cases of irregularities when any of the following applies:**

- they involve allegations of an act or omission which constitutes a **criminal offence** under the national legislation of the Beneficiary State, such **as corruption, fraud, bribery or embezzlement**; (→ there is no exception)
- they indicate the presence of serious mismanagement affecting the use of the financial contribution from the EEA and Norway Financial Mechanism 2014-2021; or
- they pose an immediate threat to the successful completion of any project due to the amounts in proportion to the total project cost, their gravity or any other reason.

see it,  
report it,  
STOP IT!



## II.e. Exceptions to reporting of irregularities

(Art. 12.5.3 of the Regulations) - project level irregularities only

- Failure to implement a project, in whole or in part, owing to the bankruptcy of the project promoter
- Detected and corrected in the course of the verification of the expenditure declared
- Below EUR 2000 (NB: Public procurement overall value)

There are no exceptions to reporting at programme level (programme managements costs) nor when it is a serious case that should be reported immediately

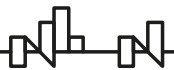


## III.a. Remedies

By the BS (suspension of the implementation, suspension of payments, cancellation/termination of projects, reimbursement/recovery of the irregular amounts, financial corrections)

By the FMC:

- Suspension of payments (Art. 13.1. of Regulation)
- Financial corrections (Art.13.2. of the Regulation)



## III.b. Remedies

### Financial correction \* Article 13.3. of the Regulations

The FMO's corrections can be the result of the legal review, control and audit work done by the FMO if, inter alia, there are:

- ✓ serious deficiencies in the management and control system of a programme which put at risk the financial contribution
- ✓ serious breach of the programme agreement
- ✓ expenditure reported is irregular and has not been corrected- the PO has not complied with its obligations to investigate and/or remedy irregularities



## III.c.Remedies

### Financial correction \* Article 13.3.2. and 13.3.3 of the Regulations

Proportionality is to be considered in the application of a financial correction

- ✓ If the amount is known: this identified amount is corrected
- ✓ If the amount is not known: a flat rate correction applies or extrapolation

In case of procurement related irregularity, the EU COCOF guidelines can be the basis for the flat rate correction

[GL corrections pp irregularities EN.pdf \(europa.eu\)](#)

[https://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/GL\\_corrections\\_pp\\_irregularities\\_annex\\_EN.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/GL_corrections_pp_irregularities_annex_EN.pdf)



## III.d. Remedies

### Consequences of the financial corrections

Project level financial corrections (Article 13.2.2 of the Regulations):

- ✓ Funds lost for the project/not to be reused within the project (the grant to the project shall be reduced)
- ✓ But can be reused for other projects under the same programme



## III.e. Remedies

### Consequences of the financial corrections

- ✓ Funds may not be re-used when a financial correction is made for a systemic irregularity, or an irregularity related to the management or control systems within the Programme (Article 13.2.4 of the Regulations)

= *Net correction*

Systemic irregularities are irregularities, which may be of a recurring nature, that could be due to serious failings in the functioning of the MCS

- ✓ Funds may be re-used for costs other than those that were subject of the correction for the TA, BF, PO management costs relating financial corrections (Art.13.2. of the Regulations).





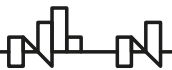
## IV. Quiz

1.

*You (IA) will have an actual fraud case to report in a programme. The project promoter has used the majority of funds for other purposes than the one agreed in the project contract. The Programme Operator has suspected issues for some months and informed you about. Now you are convinced this is an irregularity. Therefore, you are convinced that you should report it in the next quarterly report.*

**A) True**

**b) False (suspected fraud subject to immediate reporting)**



## IV. Quiz

2.

*The Programme Operator has realised that they had paid twice for the same service from the management costs (double funding under the management costs of the Programme Operator) for an amount of EUR 1,890. However, since the Programme Operator has spotted the error and corrected it before requesting the funds, they understand that they do not need to report this irregularity to the Irregularities Authority as this has been corrected and the amount is so low. The Irregularities Authority agrees.*

**A) True**

**b) False (programme level irregularity to be reported by the PO to the IA and by the IA to the FMO in Grace)**



## V. Final messages

Important to provide all necessary information on irregularities

- ✓ Sufficient information regarding the nature and the financial consequences of the irregularity
- ✓ Basis for the suggested correction
- ✓ Amounts in euros: grant part and co-financing
- ✓ The FMO verifies the reports, the level of correction and asks full clarity to the Irregularities Authority before a case can be closed!



# Irregularities reporting in IFRs

**Malgorzata Zdunek**  
Head of Finance and Control

Finance and Control Unit  
Financial Mechanism Office

25 April 2024

# How to encode an adjustment in Grace?

## Usual procedure

Incurring (Part A)

Proposed (Part B)

Outcomes

Verification PO

☐ Incurring (Part A)

Part A - Statement of actual expenditure incurred

☒ Show decimals

Interim financial report number  
9

Start date of incurred expenditure period  
01.01.2022

End date of incurred expenditure period  
30.06.2022



Eligible expenditure	Month	Eligible expenditure	EUR	Eligible expenditure (EUR)
	January 2022	0	1.9558	€ 0.00
	February 2022	0	1.9558	€ 0.00
	March 2022	0	1.9558	€ 0.00
	April 2022	0	1.9558	€ 0.00
	May 2022	0	1.9558	€ 0.00
	June 2022	0	1.9558	€ 0.00
	Total	0.00	-	€ 0.00

Adjustments	Month	Adjustment type	Description	Adjustment	EUR	Adjustment (EUR)
	<a href="#">Add new adjustment</a>					



# How to encode an adjustment in Grace?

	Month	Adjustment type	Description	Adjustment	EUR	Adjustment (EUR)
Adjustments	Select month	Adjustment type				€ 0.00
Total	December 2016	Return of unspent funds		0.00	-	€ 0.00
	January 2017	Irregularity not reported yet				
	February 2017	Recovery due to irregularity				
EEA Grants	March 2017	Previously non-reported eligible expenditure	this period	Total to date	Budget	Available balance
Eligible expend	April 2017	Other	€ 1,306.37	€ 123,307.26	€ 8,485,000.00	€ 8,361,692.74
	May 2017					
	June 2017					

- option “**Previously non-reported eligible expenditure**” now also available – indicate **when** did the cost occur and **why** it was not reported before;
- **the month of the expenditure – now mandatory** also for the Beneficiary States using the Euro.



# How to encode an adjustment in Grace?

## Types of adjustments

- |                                       |   |                              |
|---------------------------------------|---|------------------------------|
| • Return of unspent funds             | → | always negative (-)          |
| • Irregularity not reported yet       | → | always negative (-)          |
| • Recovery due to irregularity        | → | always negative (-)          |
| • Previously non-reported expenditure | → | always positive (+)          |
| • Other                               | → | positive (+) or negative (-) |





# Adjustments in the FPR

## Types of adjustments

- |   |   |                              |
|---|---|------------------------------|
| • Recovery due to irregularity                          | → | always negative (-)          |
| • Irregularity not reported yet                         | → | always negative (-)          |
| • Return of unspent funds                               | → | always negative (-)          |
| • Recovery due to (partial) non-completion of a project | → | always negative (-)          |
| • Previously non-reported expenditure                   | → | always positive (+)          |
| • Other   | → | positive (+) or negative (-) |

New!





# Adjustments

Return of unspent funds **vs** Recovery due to (partial) non-completion of a project

- Return of unspent funds

→ for **on-going** and (fully) **completed** projects

- Recovery due to (partial) non-completion of a project

→ for **partially completed** and **terminated** projects that qualify for partial or full reimbursement of their EEA and/or Norway grant



# Effect on reported expenditure

## Example – return of EUR 5,000

– Outcome 1:

EEA Grants	(=)	Incurred this period (-)	Total to date (-)	Budget (=)	Available balance (+)
Eligible expenditure	€ 3,315,276.10	€ -5,000.00	€ 3,310,276.10	€ 18,221,144.41	€ 14,910,868.31
Grant rate (85.00 %)	€ 2,817,984.68	€ -4,250.00	€ 2,813,734.68	€ 15,487,972.75	€ 12,674,238.07
EEA Grants	€ 2,817,984.68	€ -4,250.00	€ 2,813,734.68	€ 15,487,972.75	€ 12,674,238.07
Co-financing (15.00 %)	€ 497,291.42	€ -750.00	€ 496,541.42	€ 2,733,171.66	€ 2,236,630.24

	MM/YYYY adjusted	Adjustment type	Description	Adjustment (-)
Adjustments	Select month ▼	Adjustment type ▼		€ -5,000 
	<a href="#">Add new adjustment</a>			



# ‘Other’ adjustments

## When to use – some examples

- Transfers between budget headings – e.g. from the NFP to AA heading under the TA
- Transfers between projects – wrong project initially selected in the IFR
- Ineligible programme and/or project expenses following the verification
- Various other corrections not fitting under other pre-defined adjustment types



# ‘Other’ adjustments

## When NOT to use – examples showing that PO selected a wrong adjustment type

- |   |   |  |
|---|---|--|
| • ‘Irregularity fully recovered’                                      | → | • use ‘Irregularity not reported yet’<br>or ‘Recovery due to irregularity’ |
| • ‘The value of the grant was reduced’                                | → | • use ‘Return of unspent funds’  |
| • ‘Salaries for implementation team,<br>requested in excess in IFR#1’ | → | • use ‘Return of unspent funds’  |
| • ‘Return of advance payment due to<br>withdrawal from the contract’  | → | • use ‘Return of unspent funds’  |



# Examples

## Adjustment type and unclear wording

- Reporting period: January - June 2020; preparation in July 2020
- IFR: 5
- Adjustment type: 'Other'
- **Comment:** 'According to Irregularities Authority, it is the case no IR 14. We were forced to select "other", because "due to irregularity" did not give any selection for irregularity cases. As to the case IR 14 (whole irregular amount EUR 356,08) the irregular amount of EUR 128,43 was excluded from IFR3. The irregular amount of EUR 227,65 (regarding costs in IFR2) was offset this period.'
- IR 14 was opened in Grace in January 2021.
- **Advice 1:** If the adjustment is related to an irregularity which is not yet in the Grace system >>> select the 'Irregularity not reported yet' adjustment type
- **Advice 2:** Word '**offset**' might also mean that the amount was already offset with the eligible expenditure, and that the adjustment is done on top of the offsetting >>> Avoid ambiguous wording!



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# Adjustments – advices

How to avoid wrong type, unclear wording, wrong amount, etc.

- Ensure that **PO's comment** is recorded for each adjustment
- Ensure that the type of adjustment **matches** the comment provided
- Ensure that the comment clearly states **why, when, who, how**, as necessary
- Ensure that the amount recorded is negative when necessary
- Avoid adjustments with EUR 0 values
- Use Grace SSDA to review or report on your adjustments; i.e., improve quality
- CA comment on adjustments is not necessary if PO's entry is clear and correct



# Adjustments in Grace SSSA

SSSA = Self-service Data Analytics >>> Use Data source: **Payment's adjustments**

1.

3.

4.

The screenshot displays the Grace SSSA interface. On the left, a blue sidebar contains a menu with items: Notifications, My Dashboard, Grants, Finance, Irregularities, Contact Registry, Documents, Analytics, Standard Reports, Self-service data analysis, Data and Results Portal, Indicators, System Administration, and Help. The 'Contact Registry' item is highlighted with a red box and a red arrow. The main area shows a table of payment adjustments. The table has columns: Name, Category, Owner, Shared with users, Shared with Roles/Groups, Date created, and Date modified. The table is divided into two sections by a dotted line. The top section contains two rows of data, and the bottom section contains six rows of data. The 'Create' and 'Import' buttons are visible at the top of each table section.

Name	Category	Owner	Shared with users	Shared with Roles/Groups	Date created	Date modified
AM annotated agenda - BF disbursed and Incurred amount and %		Andrea Borrini	Katarilina Pentti	Financial Officers Head of Finance and Control	09.09.2020	09.09.2020
AM annotated agenda - BF disbursed and Incurred amount and %			Ellen Våland Mauritzen			
Bilateral Initiative - LT MTR		Andrea Borrini	Katarilina Pentti Niels Bekkhus ...		25.02.2021	25.02.2021
Conditions fulfilled (one-off) n/d		Anton Popic		FMO All Users	07.05.2021	22.09.2021
DPP payments (all statuses)		Josip Živanović			16.11.2020	14.02.2022
DPP payments and Workplans merged		Josip Živanović			14.02.2022	14.02.2022
AM annotated agenda - BF disbursed and Incurred amount and % - Clone		Andrea Borrini	Ellen Våland Mauritzen Niels Bekkhus ...		28.05.2021	28.05.2021
AM annotated agenda - Programmes' financial implementation		Andrea Borrini	Katarilina Pentti	Financial Officers Head of Finance and Control	09.09.2020	06.05.2021
Bilateral Initiative - LT MTR		Andrea Borrini	Katarilina Pentti Niels Bekkhus ...		25.02.2021	25.02.2021
Conditions fulfilled (one-off) n/d		Anton Popic		FMO All Users	07.05.2021	22.09.2021
DPP payments (all statuses)		Josip Živanović			16.11.2020	14.02.2022
DPP payments and Workplans merged		Josip Živanović			14.02.2022	14.02.2022
			Josip Živanović			



# Adjustments in Grace SSDA

## Examples

Programme short name	Total Sum of Adjustment amount total	Total Sum of Adjustment amount (Norway + EEA)	Total Sum of Adjustment amount (co-financing)	Total Max of MM/YYYY adjusted
GR-ENERGY	-20,196.99	-15,147.74	-5,049.25	01/10/2023
GR-HOMEAFFAIRS	614,181.09	522,053.92	92,127.17	01/06/2023
Grand Total	593,984.10	506,906.18	87,077.92	01/10/2023





# Adjustments in Grace

Eligible expenditures period  
January 2023 - June 2023

Eligible expenditure	Payment to project				Eligible expenditure
	GR-HOMEAFFAIRS-0001				€ 57,026.02
	GR-HOMEAFFAIRS-0002				€ 87,000.00
Adjustments	Payment to project	MM/YYYY adjusted	Adjustment type	Description	Adjustment
	GR-HOMEAFFAIRS-0002	May 2023	Previously non-reported eligible expenditure	Rentals of the RAOs that incurred in previous reference period (01/07-31/12/2022)	€ 33,612.90
	GR-HOMEAFFAIRS-0001	June 2023	Other	12.4.3.(b): Case which was detected and corrected by the Programme Operator, in the course of the verification of the expenditure declared within PDP 1.	€ -1,098.64
Total					€ 176,540.28



# Adjustments in Grace

January 2023 - June 2023

Eligible expenditure	Payment to project				Eligible expenditure
	GR-ENERGY-0002				€ 19,605.23
	GR-ENERGY-0003				€ 13,284.88
	GR-ENERGY-0004				€ 13,256.57
	GR-ENERGY-0005				€ 79,901.76
	GR-ENERGY-0007				€ 20,810.28
	GR-ENERGY-0009				€ 4,853.93
	GR-ENERGY-0010				€ 15,776.40
	GR-ENERGY-0011				€ 115,987.86
	GR-ENERGY-0013				€ 19,448.10
Adjustments	Payment to project	MM/YYYY adjusted	Adjustment type	Description	Adjustment
	GR-ENERGY-0009	September 2022	Other	Correction that does not concern irregularity. It concerns expenditure of the Project Promoter "Municipal Water Supply-Sewerage Company of Drama" declared in the Statement of Expenditure for Subproject 3, whereas it concerns Subproject 4.	€ -6,212.48
Total					€ 296,712.53

