# Verifying eligible expenditure – support is ‘to be’ used for intended purpose

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# VERIFYING FI ELIGIBILITY RULES

## Key principles

- Same principles as in 14-20: eligibility of final recipients and underlying investments as defined in CPR/National rules/FA/financing contract
- NEW! The eligibility of the use for support for intended purposes is prospective (Annex XIII CPR, section II, point 10)
- Checking the eligibility of investments remains the responsibility of the bodies implementing the FIs
- Focus on the documentation collected during the application process ex-ante of the signature of the investment agreement with the final recipient - 'normal banking practice' may vary in relation to the detail of documentation required by the bodies implementing FIs

# SPECIFIC FI ELIGIBILITY RULES

Annex XIII CPR

## Legal requirements

- FI is to be used for intended purpose, typically detailed in the loan agreement or business plan or credit risk assessment
  - No verification of invoices but "standard banking practice" to be observed

    ! Avoid gold-plating
- Funding Agreement should clearly set out the structured application process and supporting documentation that will be required to support the FI audit trail

## Observations / Recommendations with/without financial impact

### Audit aspects

- Check *"is to be used for its intended purpose":*
  - Focus mainly on ex-ante verifications for the intended purpose
  - Forward looking evidence such as funding agreement/ business plan or equivalent, assessment by HF/SF (i.e., investment decision)
  - Understand the "banking practice" and check the control and monitoring system of the MA and the body implementing IF
  - Check the verifications made by the body implementing FI confirming ex-ante, at the moment of the investment decision, that the investment is to be used for its intended purpose

# CONTINUATION OF FI ACROSS TWO CONSECUTIVE PERIODS

Art. 68(2) CPR

Observations / Recommendations with/without financial impact

## Legal requirements

- Continuation of the existing FIs from the current period to the next one and/or from post-2020 to the subsequent one under 3 cumulative conditions: (i) FI continues from previous period; (ii) legal and financial agreements have been made to ensure the continuation; (iii) the eligible expenditure related to one period is declared to the Commission only during that period.
- Possibility to update existing agreements by end 2023 but ensure the selection conditions are still met

## Audit aspects

- Verify the fulfilment of cumulative conditions
- Verify that the conditions for direct award are still fulfilled (in case of direct award) OR that the rules of the PP directives are respected (in case of competitive selection)

# Thank you!

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