

IRREGULARITIES IN THE EEA AND NORWAY GRANTS 2004-09

Report on irregularities – an overview

30 September 2015

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INTRODUCTION

Through the EEA Grants and Norway Grants, Iceland, Liechtenstein and Norway make available grant funding to 15 beneficiary countries. In the period 2004-2009, this amounted to €1.3 billion.¹ Projects were to be implemented by 30 April 2012.

With large volumes of grant-making and numerous organisations involved, the grant schemes carry an inherent risk. The purpose of this report is two-fold:

- Firstly, it sets out to explain the control mechanisms in place to ensure that the money is spent correctly, how checks are carried out and what action is taken in cases where funds are not being managed well.
- Secondly, it gives an overview of all closed irregularity cases from 1 May 2004 to 30 June 2014.

The grants are contributions from public resources in the donor states. Ensuring openness and transparency is essential both for the implementation of the grants and to keep the public informed on the implementation and achievements of the funding.

This report is updated on a quarterly basis.

Further details can be found in the *Good Governance and Anti-corruption policy and guide*² and the *Irregularities Guideline*³.

¹ This report includes information on the funding that is managed by the Financial Mechanism Office. The Norway Grants for Bulgaria and Romania are administered by Innovation Norway.

² The *Good Governance and Anti-corruption policy and guide* can be found here:
<http://eeagrants.org/content/download/6798/73041/version/1/file/Good+governance+and+anti-corruption+policy.pdf>

³ The *Irregularities Guideline* can be found here:
http://eeagrants.org/content/download/1359/6426/version/2/file/335_1.pdf

1. SCOPE OF ERRORS

Zero-tolerance to corruption and mismanagement has always been a guiding principle underlying the implementation of the Grants. Consequently, cases investigated by the donor states through the Financial Mechanism Office⁴ (FMO) may vary considerably in scope and degree.

An error is any breach of rules in using the grant. This does not necessarily mean that funds have disappeared, been lost or wasted. An error is not fraud. While errors are often unintentional mistakes, fraud entails deliberate deception for the purpose of making an unjust gain.

Investigations that have been concluded are referred to as 'closed cases'.

Overview of cases

Of the 1,196 projects funded through the FMO in the 2004 to 2009 period, the FMO has registered 227 cases that might involve a breach of rules in using the grant. These cases covered in total 184 projects, as several cases may relate to one project. The FMO has completed and concluded the investigation of 225 cases (for 182 projects). Of these closed cases, errors were confirmed in 173 cases (for 139 projects) of which seven cases involved fraud.

Nearly all of the closed cases relate to errors and not fraud. Only a marginal percentage (0.59%) of EEA and Norway Grants has been subject to fraud (seven cases out of 1,196 projects/funds). The majority of the examinations by the FMO have concerned possible breaches of public procurement rules and eligibility errors.

In addition to sanctions on the seven cases with confirmed fraud, 133 of the 173 closed cases with confirmed errors prompted sanctions. The other 33 error cases did not require any sanction.

An overview of closed cases with confirmed fraud or errors is available at the end of this document:

- 7 fraud cases, see pages 6 - 7
- 166 error cases, see pages 7 - 17

Examples to illustrate the types of irregularities that have prompted sanctions:

- Fraud: False information was provided in the project application and the applicant turned out not to fulfil the eligibility criteria.
- Deviation from grant agreement: Real estate property reconstructed with a grant was mortgaged, while the implementation agreement prohibited this.
- Deviation from public procurement procedures: The concluded contract did not comply with provisions of the draft contract in the tender documentation.
- Errors affecting project progress: Payments to a project were suspended until the necessary permits for construction works were obtained.
- Error in payment claim: Non-eligible expenditure was included in the claim.

⁴ The FMO is Iceland, Liechtenstein and Norway's day-to-day secretariat for the EEA Grants and the Norway Grants. The FMO reports to the Ministries of Foreign Affairs of the three donor states.

2. CONTROL ROUTINES: PREVENTION

Mechanisms are in place to ensure that the funding is used in line with rules and regulations set out for the grants. Regular control and monitoring of projects at both national level and by the FMO may unveil potential irregularities.

The control mechanisms consist of:

1. Financial control of payment claims

Individual projects: Payments are based upon a system of reimbursement of incurred costs, e.g. costs which have already been paid by the project promoters.

The project promoters report on their incurred costs in regular 'project interim reports'. These payment claims, with proof of expenditures, are verified by the relevant national authorities before they are submitted by the beneficiary state to the FMO. The FMO assesses the financial progress, project implementation and whether any relevant conditions attached to the grant have been met before a disbursement is made to the project through the relevant national authority.

Funds: The funds are based upon a system of pre-financing. The certification of incurred costs in the 'project interim reports' follows the same procedures as for individual projects, but the fund operator receives the grant as an advance payment.

2. Monitoring of projects in implementation

In addition to financial checks, projects are also monitored to ensure that the grants are spent as intended. The 15 beneficiary states are obliged to carry out monitoring of every project prior to the end of the grant. The donor states, through the FMO, can also conduct external monitoring and auditing of all supported activities. This provides a double safety net and allows for control above and beyond those performed by the beneficiary states.

Companies used by the FMO for external appraisal and/or monitoring of projects:

- Safege Baltija (Baltic office for Safege International)
- Cross Czech
- DNV - Det Norske Veritas
- Ernst & Young (auditors)
- INBAS GmbH
- Integration GmbH
- Norconsult
- Pitija
- Ramboll
- Scanteam
- Swiss TPH

Elements in place to seek to prevent the occurrence of errors:

- public access to information, including financial figures and other key project information, to ensure openness and transparency (see www.eeagrants.org/project-portal)
- the use of external, independent appraisal agents in evaluating project applications
- requiring the adherence to national and European procurement rules
- the use of external, independent monitoring agents in monitoring of projects
- the reimbursement of eligible project expenses

3. CONTROL ROUTINES: IDENTIFICATION

Errors are mainly detected and reported through audits and controls by the relevant national agencies in the beneficiary states. Controls and audits take place before (through project appraisal), during (verification of payment claims, monitoring and on-the-spot audits) and after the project/fund is implemented (post-completion monitoring).

The most serious irregularities, suspected or actual cases, are to be reported immediately by the beneficiary state to the FMO. Additionally, reports from the Focal Points⁵ describing all suspected or actual cases are provided on a quarterly basis. Irregularities may also be detected by external monitoring agents and audits carried out by the FMO.

Information regarding irregularities may also come from members of the public. Members of the public who suspect mismanagement or corruption under the EEA and Norway Grants are encouraged to share their concerns with the FMO, the relevant Focal Point or other agents responsible for the management of the grant schemes. Additionally, an 'alert button' is available from the front page of the web site of the grant schemes (www.eeagrants.org). Members of the public wishing to address their concerns regarding possible mismanagement or corruption are granted confidentiality.

Elements in place to enable the identification of irregularities:

- ensuring widely available information on supported activities
- use of independent appraisal and monitoring agents
- thorough controls of payment claims by the beneficiary states
- use of external controls (external auditors and monitoring agents) to complement those performed by the beneficiary states

4. CONTROL ROUTINES: SANCTIONS

The FMO works closely with the Focal Points in the beneficiary states to pursue the zero-tolerance approach to corruption and mismanagement.

The FMO is subject to control by the EFTA Board of Auditors (EBoA) and the Norwegian Office of the Auditor General, while the Focal Points are subject to control by the respective national audit authorities.

In case of instances of mismanagement of funds or fraud, the donor states may:

- suspend continuation of grant schemes at country level that are examined due to accusations of corruption or mismanagement
- suspend payments to a project / fund
- require the recovery of funds that have been found to be misspent due to corruption or mismanagement at project / fund level
- lower the amount of grant available to the project / fund
- close down the project / fund

Iceland, Liechtenstein and Norway have twice suspended payments at country level in the beneficiary states. For further information, see the overview of suspensions of payments in Bulgaria and Greece on page 17.

⁵ A National Focal Point is the coordinating authority and contact point in each of the beneficiary states. An overview of all Focal Points is available at: <http://eeagrants.org/Who-we-are/Contact/Focal-Points>

5. OVERVIEW OF RECOVERED AMOUNTS AND GRANT REDUCTION AMOUNTS

If any resources are unduly paid or lost to corruption, fraud or mismanagement, the beneficiary state is responsible for refunding the donor states either by reclaiming it from the project promoter or from their own national funds. Between May 2004 and September 2015, a total amount of €3,976,743 have been recovered and paid back to the three donor states.

Procedures for recovering funds or reducing the grant amount:

If mismanagement of funds is detected and confirmed after a payment has already been made towards a project, a request will be made to have those funds be paid back to the FMO. To name a few examples, that would be the case when costs have been reported on as eligible in a payment claim and have been reimbursed by the FMO, but where the national entity responsible for verifying the payment claim later discovers that the costs in question were in fact ineligible.

This would also be the case where the project promoter has deviated from public procurement rules and the amount of the contract involved in the procurement has been reimbursed to the project promoter. The donors would apply a financial correction (as a percentage of the contract involved in the irregularity) and the corresponding amount would be requested to be paid back to the FMO.

In cases where the mismanaged funds have not yet been reimbursed to the project promoter, the grant available to the project would be lowered to ensure that the mismanaged funds would not be paid to the project promoter at a later stage.

In cases of actual fraud or corruption, the entire project would be closed down, and a request would be made to have the amounts already reimbursed to the project promoter paid back.

TABLE 1: Recovered amounts and grant reduction amounts

Description	Number of cases	Amount	In % of committed funds
Recovered amounts	86	€3,976,743	0.35%
Grant reduction amounts	68	€7,049,959	0.63%
- including: grant reduction amounts without recovery of funds	31	€3,087,310	0.27%

6. OVERVIEW OF FRAUD CASES

Of the closed cases investigated by the FMO, only seven have concerned fraud - deliberate deception for the purpose of making an unjust gain.

TABLE 2: Overview of fraud cases

Case number	Country	Source of funding	Case opened	Case closed	Recovered amount	Reduced grant amount	Decision
ID016	Latvia	EEA & Norway Grants	Aug-10	Nov-10	€2,580	€2,580	Project closed, entire grant withdrawn and grant amount reallocated to a different project
ID019	Slovakia	EEA & Norway Grants	Jan-10	Dec-10	€0	€445,974	Project closed and entire grant withdrawn. No payment had been made to the project
ID098	Slovakia	EEA & Norway Grants	Mar-12	Sep-12	€668,184	€668,184	Project closed, entire grant withdrawn, amount already reimbursed paid back
ID099	Poland	EEA & Norway Grants	Sep-11	Oct-12	€111,471	€111,471	Project closed, entire grant withdrawn, amount already reimbursed paid back.
ID102	Bulgaria	EEA Grants	Sep-10	Oct-13	€0	€0	Request for reimbursement waived based on Grant Agreement.
ID125	Poland	EEA & Norway Grants	Feb-13	Oct-13	€23,288	€23,288	Request for reimbursement partly waived based on Grant Agreement.
ID126	Poland	Norway Grants	Feb-13	Oct-13	€686,802	€686,802	Project closed and entire grant withdrawn. No payment had been made to the project.
Total					€1,492,325	€1,938,299	

All cases were reported to the FMO. Following investigation, the donor states took the decision to sanction the project promoters. The sanctions were effectively carried out by the appropriate bodies in the beneficiary states.

Further details on the seven fraud cases:

ID016: A project applicant under a fund included false information in the submitted application and it was revealed later that the applicant did not fulfill the eligibility criteria. The project was stopped, the advance payment that had already been paid out (€2,580) was recovered and the grant amount was re-allocated to the next project applicant on the waiting list under the last open call of the fund.

ID019: The project promoter stated in the application that the required procurement procedures for selecting the project partner had been carried out prior to submitting the project application. During the implementation of the project, it was revealed that no such procurement procedures regarding the choice of partner had been carried out. It was therefore decided to close the project and de-commit the entire grant amount.

ID0098: Following fraud allegations received by the Norwegian embassy, the FMO decided to commission an audit of the project. The audit indicated that price inflation had taken place and revealed shortcomings in the construction works and public procurements procedures. The FMO was also informed of a falsified bank account statement confirming the transfer in the amount of more than €60,000 from the project bank account to the bank account of the contracted constructor. Based on these fraudulent actions, it was decided to close the project, request the reimbursement of funds already paid to the project and de-commit the grant amount.

ID0099: This case involves a project under a fund. Following fraud allegations received by a partner to the project, the FMO decided to commission an audit of the project. The audit identified several shortcomings in the project, including a number of high risk invoices, potentially also with falsified signatures. Moreover, the project promoter admitted to having falsified the partner signature on the partnership agreement. Based on these fraudulent actions, it was decided to close the grant, request the reimbursement of all funds already paid to the project and de-commit the grant-amount.

ID102: This case involves a project under a fund. Following fraud allegations received by a former employee of the project promoter, the Beneficiary State and the FMO commissioned audits of the project. The audits revealed the existence of invoices as well as bids falsified by the project promoter, thereby confirming the fraud allegations. Based on these fraudulent actions, it was decided to close the project, request the reimbursement of all funds already paid to the project and de-commit the grant amount. Based on the Grant Agreement, the fund operator requested to waive the reimbursement of funds. It was decided to waive the reimbursement as the fund operator had taken all possible methods and legal measures to recover the funds misspent by the project promoter.

ID125: This case involves a project under a fund. Two joint monitoring visits of the project revealed double funding and documents falsified by the project promoter. Based on these fraudulent actions, it was decided to close the project, request the reimbursement of all funds already paid to the project and de-commit the grant amount. The fund operator requested to waive partially the reimbursement of funds, as it demonstrated that it had taken all possible methods and legal measures to recover the funds misspent by the project promoter. It was decided to partially waive the reimbursement of funds.

ID126: A court sentence concluded that the project promoter requested bribes when selecting service providers. It was therefore decided to close the project, request the reimbursement of all funds already paid to the project and de-commit the grant amount.

7. OVERVIEW OF ERROR CASES

The majority of closed cases are related to errors. An error is any non-compliance with the conditions for receiving the grant, and does not necessarily mean that funds have disappeared, been lost or wasted.

Common errors in the management of the EEA and Norway Grants at a national level include, for example, contracts awarded without following the correct tender procedure or errors in payment claims.

TABLE 3: Category of error cases

Category	Closed cases with errors	Number of projects	Recovered amount	Reduced grant amount
1. Deviation from grant agreement	23	21	€ 631,317	€ 1,526,511
2. Deviation from public procurement procedures	112	87	€ 1,648,284	€ 2,632,674
3. Errors affecting project progress	5	5	€11,144	€515,806
4. Error in payment claim	26	25	€ 193,673	€436,669
TOTAL	166	135	€ 2,484,418	€ 5,111,660

When several identical errors occurred within the same project, these have been merged into one single case in tables 4 to 7 below. One listed case might therefore include several occurrences of error.

7.1 DEVIATION FROM GRANT AGREEMENT

A deviation from the grant agreement means that all the funding conditions are not met. Errors in this category are often of a formal or procedural rather than financial nature, and may therefore often be corrected without any financial sanctions.

At fund level, deviation from the grant agreement could include non-compliance with agreed procedures for the selection, monitoring or follow-up of projects. For individual projects, this could range from failing to receive all necessary permits in time for building works to not respecting lease or ownership clauses in the grant agreement.

TABLE 4: Projects with confirmed cases with deviation from grant agreement

Case number	Country	Source of funding	Case opened	Case closed	Recovered amount	Reduced grant amount	Decision
ID001	Slovenia	EEA & Norway Grants	Oct-09	Dec-09	€0	€0	Irregularity remedied – no action needed
ID002	Lithuania	Norway Grants	Nov-09	Jan-10	€0	€0	Irregularity remedied – no action needed
ID015	Czech Republic	EEA & Norway Grants	Apr-10	Oct-10	€0	€0	Project implementation not at risk– no action needed
ID018	Lithuania	EEA Grants	Oct-10	Nov-10	€0	€0	Irregularity remedied – no action needed
ID020	Portugal	EEA Grants	Nov-10	Dec-10	€0	€0	Irregularity remedied – no action needed
ID029	Hungary	EEA & Norway Grants	Sep-10	Apr-11	€1,692	€0	Amount linked to irregularity paid back

ID074	Hungary	EEA Grants	Mar-12	Apr-12	€0	€173,245	Amount linked to irregularity deducted from payment claim
ID075	Poland	EEA & Norway Grants	Sep-11	Apr-12	€0	€0	Request for reimbursement waived based on Grant Agreement
ID076	Poland	EEA & Norway Grants	Jul-11	Apr-12	€0	€0	Request for reimbursement waived based on Grant Agreement
ID077	Hungary	EEA Grants	Apr-11	May-12	€0	€6,189	Amount linked to irregularity deducted from payment claim
ID082	Estonia	EEA & Norway Grants	Dec-09	Jun-12	€0	€0	Request for reimbursement waived based on Grant Agreement
ID083	Lithuania	EEA & Norway Grants	Mar-12	Jun-12	€0	€58,070	Amount linked to irregularity deducted from payment claim
ID094	Hungary	EEA & Norway Grants	Mar-12	Sep-12	€95,140	€0	Amount linked to irregularity paid back
ID103	Lithuania	Norway Grants	Sep-12	Nov-12	€3,341	€0	Amount linked to irregularity paid back
ID106	Lithuania	Norway Grants	Sep-12	Jan -13	€0	€0	Irregularity remedied - no action needed
ID111	Lithuania	EEA Grants	Sept-12	Feb-13	€0	€0	Irregularity remedied - no action needed
ID113	Lithuania	Norway Grants	Jan-13	Feb-13	€0	€0	Irregularity remedied - no action needed
ID118	Lithuania	Norway Grants	Feb-13	May-13	€0	€0	Irregularity remedied - no action needed
ID124	Lithuania	Norway Grants	Mar-12	Dec-13	€498,863	€498,863	Irregularity remedied - no action needed
ID131	Poland	Norway Grants	Jun-13	Dec-13	€0	€757,862	Project closed and entire grant withdrawn. No payment had been made to the project
ID144	Slovakia	EEA & Norway Grants	Apr-11	Feb-15	€32,282	€32,282	Project closed, entire grant withdrawn, amount already

							reimbursed paid back
Total					€ 631,317	€ 1,526,511	

7.2 DEVIATION FROM PUBLIC PROCUREMENT PROCEDURES

A deviation from public procurement procedures could imply the inadequate assessment of bids, absence of tendering or inappropriate use of tendering procedures.

If a breach of the public procurement procedures is detected, the donors apply a financial correction (as a percentage of the contract involved in the irregularity) and the corresponding amount would either be requested to be paid back to the FMO or deducted from the grant amount made available to the project. More serious breaches, such as a failure to advertise a contract where this is required, result in a 100% financial correction.

TABLE 5: Projects with confirmed cases with deviation from public procurement procedures

IRR Case number	Country	Source of funding	Case opened	Case closed	Recovered amount	Reduced grant amount	Decision
ID003	Poland	Norway Grants	Dec-09	Feb-10	€0	€710,940	Grant reduced and amount linked to irregularity not paid to the project
ID006	Poland	Norway Grants	Nov-09	Apr-10	€0	€15,660	Grant reduced and amount linked to irregularity not paid to the project
ID008	Hungary	Norway Grants	Jan-10	Aug-10	€0	€0	Irregularity remedied - no action needed
ID009	Poland	Norway Grants	Nov-09	Jun-13	€1,342	€0	Amount linked to irregularity paid back
ID014	Latvia	Norway Grants	Jan-10	Sep-10	€0	€88,502	Grant reduced and amount linked to irregularity not paid to the project
ID017	Estonia	Norway Grants	Dec-09	Nov-10	€3,390	€4,238	Grant reduced and amount linked to irregularity not paid to the project
ID021	Poland	EEA Grants	Nov-09	Dec-10	€0	€49,549	Grant reduced and amount linked to irregularity not paid to the project
ID022	Hungary	Norway Grants	Nov-10	May-12	€423	€20,424	Grant reduced and amount linked to

							irregularity not paid to the project
ID023	Slovakia	EEA & Norway Grants	Sep-10	Jan-11	€0	€1,714	Grant reduced and amount linked to irregularity not paid to the project
ID024	Poland	EEA Grants	Aug-09	Jan-11	€0	€4,829	Grant reduced and amount linked to irregularity not paid to the project
ID025	Latvia	Norway Grants	Dec-10	May-12	€3,444	€40,230	Grant reduced and amount linked to irregularity not paid to the project
ID027	Czech Republic	EEA Grants	Dec-10	Mar-11	€0	€0	Deviation of formal nature - no action needed
ID031	Hungary	EEA Grants	Jan-11	Apr-12	€0	€48,289	Grant reduced and amount linked to irregularity not paid to the project
ID032	Hungary	Norway Grants	Jan-11	May-13	€15,847	€10,614	Grant reduced and amount linked to irregularity not paid to the project/deducted from payment claim/paid back
ID035	Latvia	EEA Grants	Mar-11	Aug-12	€655	€8,013	Grant reduced and amount linked to irregularity not paid to the project/deducted from payment claim/paid back
ID036	Latvia	EEA Grants	Mar-11	May-11	€0	€9,521	Grant reduced and amount linked to irregularity not paid to the project
ID037	Hungary	EEA & Norway Grants	Jan-11	May-11	€0	€4,604	Grant reduced and amount linked to irregularity not paid to the project
ID038	Hungary	Norway Grants	Jan-11	May-11	€0	€36,255	Grant reduced and amount linked to irregularity not paid to the project
ID039	Hungary	EEA Grants	Jan-11	Mar-12	€0	€72,172	Grant reduced and amount linked to

							irregularity not paid to the project
ID040	Hungary	Norway Grants	Apr-11	May-11	€0	€5,823	Grant reduced and amount linked to irregularity not paid to the project
ID041	Slovakia	EEA & Norway Grants	Nov-10	Jun-11	€0	€0	Irregularity committed by entities not involved in the project - no action needed
ID042	Hungary	Norway Grants	Jun-11	Jul-11	€0	€0	Deviation of formal nature - no action needed
ID043	Hungary	EEA Grants	Jun-11	Jul-11	€0	€0	Deviation of formal nature - no action needed
ID044	Czech Republic	EEA Grants	Dec-10	Aug-11	€5,719	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID046	Hungary	EEA Grants	Apr-11	Aug-11	€0	€2,513	Grant reduced and amount linked to irregularity not paid to the project
ID047	Hungary	Norway Grants	Apr-11	Nov-12	€7,869	€28,498	Grant reduced and amount linked to irregularity paid back
ID048	Hungary	EEA & Norway Grants	Apr-11	Aug-11	€0	€4,538	Grant reduced and amount linked to irregularity not paid to the project
ID049	Latvia	Norway Grants	Apr-11	Aug-11	€161,013	€39,693	Grant reduced and amount linked to irregularity not paid to the project/deducted from payment claim
ID050	Latvia	Norway Grants	May-11	Aug-11	€0	€180,597	Grant reduced and amount linked to irregularity not paid to the project
ID051	Latvia	Norway Grants	Apr-11	Aug-11	€0	€6,134	Grant reduced and amount linked to

							irregularity not paid to the project
ID052	Poland	EEA Grants	Jul-11	Sep-11	€94,253	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID053	Latvia	Norway Grants	Oct-11	Oct-11	€0	€229,801	Grant reduced and amount linked to irregularity not paid to the project
ID054	Latvia	Norway Grants	Sep-11	Nov-11	€0	€34,456	Grant reduced and amount linked to irregularity not paid to the project
ID055	Poland	EEA & Norway Grants	Jul-11	Nov-11	€0	€35,205	Grant reduced and amount linked to irregularity not paid to the project
ID056	Hungary	EEA & Norway Grants	Dec-11	Dec-11	€0	€0	Deviation of formal nature - no action needed
ID057	Hungary	EEA & Norway Grants	Dec-11	Dec-11	€0	€0	Deviation of formal nature - no action needed
ID059	Czech Republic	EEA Grants	Dec-10	Feb-12	€8,498	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID060	Czech Republic	Norway Grants	Jun-11	Jan-12	€3,878	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID061	Estonia	Norway Grants	Sep-11	Mar-12	€2,505	€0	Grant reduced and amount linked to irregularity not paid to the project
ID062	Hungary	EEA & Norway Grants	Dec-11	Feb-12	€0	€0	Deviation of formal nature - no action needed
ID063	Hungary	EEA & Norway Grants	Jan-12	Feb-12	€0	€839	Amount linked to irregularity deducted from payment claim

ID064	Hungary	Norway Grants	Dec-11	Mar-12	€0	€5,029	Amount linked to irregularity deducted from payment claim
ID065	Hungary	Norway Grants	Dec-11	Feb-12	€0	€0	Deviation of formal nature - no action needed
ID067	Poland	EEA & Norway Grants	Sep-11	Mar-12	€0	€796	Grant reduced and amount linked to irregularity not paid to the project
ID068	Poland	Norway Grants	Jan-12	Jan-12	€0	€0	Deviation of formal nature - no action needed
ID069	Bulgaria	EEA Grants	Mar-12	Mar-12	€0	€0	Deviation of formal nature - no action needed
ID071	Hungary	Norway Grants	Dec-11	Mar-12	€0	€23,726	Amount linked to irregularity deducted from payment claim
ID072	Czech Republic	Norway Grants	Dec-10	Apr-12	€6,787	€0	Amount linked to irregularity paid back
ID078	Hungary	EEA & Norway Grants	Oct-11	May-12	€144	€6,136	Amount linked to irregularity deducted from payment claim
ID079	Latvia	Norway Grants	Dec-11	May-12	€22,027	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID080	Latvia	Norway Grants	Jan-12	May-12	€4,757	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID081	Latvia	Norway Grants	Jan-12	May-12	€1,147	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID084	Poland	Norway Grants	Sep-11	Jun-12	€6,833	€0	Amount linked to irregularity paid back, no reduction of grant needed as

							project already completed
ID085	Poland	EEA Grants	Jun-12	Jun-12	€0	€0	Deviation of formal nature - no action needed
ID088	Romania	EEA Grants	May-12	Jul-12	€1,193	€0	Amount linked to irregularity paid back
ID091	Poland	Norway Grants	Jun-12	Jul-12	€0	€0	Deviation of formal nature - no action needed
ID092	Portugal	EEA Grants	May-12	Aug-12	€7,456	€0	Amount linked to irregularity deducted from payment claim
ID093	Poland	EEA Grants	Sep-12	Sep-12	€0	€0	Deviation of formal nature - no action needed
ID096	Latvia	Norway Grants	Jun-12	Sep-12	€6,318	€0	Amount linked to irregularity paid back
ID097	Latvia	Norway Grants	Jun-12	Sep-12	€857	€0	Amount linked to irregularity paid back
ID101	Romania	EEA Grants	Oct-12	Oct-12	€3,628	€0	Amount linked to irregularity paid back
ID104	Czech Republic	EEA Grants	May-11	Nov-12	€69,706	€0	Amount linked to irregularity paid back
ID105	Czech Republic	Norway Grants	Dec-11	Nov-12	€4,130	€0	Amount linked to irregularity paid back
ID107	Poland	Norway Grants	Jun-12	Jan-13	€52,282	€0	Amount linked to irregularity paid back
ID108	Romania	EEA Grants	Sep-12	Feb-13	€5,378	€0	Amount linked to irregularity paid back
ID109	Hungary	Norway Grants	Nov-11	Feb-13	€4,188	€0	Amount linked to irregularity deducted from payment claim
ID110	Greece	EEA Grants	Feb-13	Feb-13	€2,750	€0	Amount linked to irregularity deducted from payment claim

ID112	Poland	Norway Grants	Feb-13	Feb-13	€0	€0	Deviation of formal nature - no action needed
ID115	Czech Republic	Norway Grants	Jan-13	May-13	€29,191	€0	Amount linked to irregularity paid back
ID116	Hungary	Norway Grants	Feb-13	May-13	€1,426	€0	Amount linked to irregularity paid back
ID117	Czech Republic	Norway Grants	Mar-12	May-13	€187,284	€0	Amount linked to irregularity paid back
ID120	Romania	EEA Grants	Apr-13	May-13	€3,805	€0	Amount linked to irregularity paid back
ID121	Romania	EEA Grants	Nov-12	May-13	€12,148	€0	Amount linked to irregularity paid back
ID123	Poland	EEA Grants	Feb-13	Jun-13	€2,678	€0	Amount linked to irregularity paid back
ID127	Czech Republic	Norway Grants	Jun-13	Oct-13	€15,210	€15,210	Amount linked to irregularity paid back
ID128	Czech Republic	Norway Grants	Mar-12	Oct-13	€51,558	€51,558	Amount linked to irregularity paid back
ID130	Czech Republic	EEA Grants	Apr-13	Oct-13	€14,381	€14,381	Amount linked to irregularity paid back
ID132	Bulgaria	EEA Grants	Oct-13	Jan-14	€8,500	€8,500	Amount linked to irregularity paid back
ID134	Czech Republic	EEA Grants	Dec-10	Feb-14	€316,658	€316,658	Amount linked to irregularity paid back
ID135	Czech Republic	Norway Grants	Mar-12	Feb-14	€16,754	€16,754	Amount linked to irregularity paid back
ID136	Czech Republic	Norway Grants	Dec-11	Feb-14	€70,370	€70,370	Amount linked to irregularity paid back
ID138	Poland	Norway Grants	Jul-13	Jun-14	€8,826	€8,826	Amount linked to irregularity paid back
ID139	Bulgaria	EEA Grants	Jan-14	Sep-14	€136	€136	Amount linked to irregularity paid back
ID141	Bulgaria	EEA Grants	Jan-14	Sep-14	€4,115	€4,115	Amount linked to irregularity paid back
ID143	Romania	EEA Grants	Jun-14	Feb-15	€3,083	€3,083	Amount linked to irregularity paid back
ID145	Czech Republic	EEA & Norway Grants	Dec-11	May-15	€69,102	€69,102	Amount linked to irregularity paid back

ID146	Slovakia	EEA & Norway Grants	Jan-13	Aug-15	€145,097	€145,097	Amount linked to irregularity paid back
ID147	Slovakia	EEA & Norway Grants	Apr-13	Aug-15	€179,546	€179,546	Amount linked to irregularity paid back
Total					€ 1,648,284	€ 2,632,674	

7.3 ERRORS AFFECTING PROJECT PROGRESS

Errors affecting project progress could include cases where a project is not progressing as planned, or that it is at risk of not being implemented at all.

For projects that are not being implemented, the donors would stop the project, reduce the grant 100% and request any already paid out amounts to be paid back.

TABLE 6: Confirmed cases with errors affecting project progress

IRR Case number	Country	Source of funding	Case opened	Case closed	Recovered amount	Reduced grant amount	Decision
ID011	Lithuania	EEA Grants	Mar-10	Aug-10	€858	€257,651	Project closed, entire grant withdrawn, amount already reimbursed paid back
ID026	Poland	EEA Grants	Oct-10	Mar-11	€0	€0	Project implementation not at risk – no action needed
ID034	Lithuania	Norway Grants	Sep-10	May-11	€0	€0	Irregularity remedied – no action needed
ID100	Slovakia	EEA & Norway Grants	Jul-11	Oct-12	€1,148	€258,155	Project closed, entire grant withdrawn, amount already reimbursed paid back
ID122	Hungary	EEA & Norway Grants	Sep-11	Jun-13	€9,138	€0	Amount linked to irregularity paid back
Total					€11,144	€515,806	

7.4 ERROR IN PAYMENT CLAIM

The most common error in payment claims is the inclusion of ineligible costs, such as costs incurred prior to project approval or costs outside the scope of what was agreed in the grant agreement. Any sums unduly paid out are requested to be paid back.

TABLE 7: Confirmed cases with error in payment claim

IRR Case number	Country	Source of funding	Case opened	Case closed	Recovered amount	Reduced grant amount	Decision
ID004	Czech Republic	Norway Grants	Dec-09	Apr-10	€2,342	€0	Amount linked to irregularity paid back
ID005	Spain	EEA Grants	Jan-10	Apr-10	€5,019	€0	Amount linked to irregularity paid back
ID007	Poland	EEA Grants	Nov-09	May-10	€10,201	€0	Amount linked to irregularity paid back
ID010	Czech Republic	EEA & Norway Grants	Apr-10	Aug-10	€58	€0	Amount linked to irregularity paid back
ID012	Czech Republic	Norway Grants	Aug-10	Aug-10	€3,216	€0	Amount linked to irregularity paid back
ID013	Czech Republic	EEA & Norway Grants	Apr-10	Sep-10	€62	€0	Amount linked to irregularity paid back
ID028	Malta	Norway Grants	Oct-10	Mar-11	€2,076	€0	Amount linked to irregularity paid back
ID030	Hungary	Norway Grants	Jan-11	Apr-11	€13,767	€0	Amount linked to irregularity paid back
ID033	Czech Republic	EEA Grants	Sep-10	Apr-11	€7,978	€0	Amount linked to irregularity paid back
ID045	Estonia	Norway Grants	Jun-11	Aug-11	€961	€0	Amount linked to irregularity paid back
ID058	Czech Republic	Norway Grants	Jun-11	Jan-12	€9,179	€0	Amount linked to irregularity paid back, no reduction of grant needed as project already completed
ID066	Lithuania	Norway Grants	Mar-12	Mar-12	€0	€40,457	Amount linked to irregularity deducted from payment claim
ID070	Czech Republic	Norway Grants	Dec-10	Mar-12	€853	€0	Amount linked to irregularity paid back, no reduction of grant

							needed as project already completed
ID073	Hungary	EEA Grants	Mar-12	Apr-12	€0	€30,584	Amount linked to irregularity deducted from payment claim
ID086	Estonia	EEA & Norway Grants	Mar-12	Jun-12	€0	€3,436	Amount linked to irregularity deducted from payment claim
ID087	Slovakia	EEA & Norway Grants	Mar-12	Jul-12	€3,815	€0	Amount linked to irregularity paid back
ID089	Romania	EEA Grants	May-12	Jul-12	€5,671	€0	Amount linked to irregularity paid back
ID090	Romania	EEA Grants	Jul-12	Jul-12	€5,497	€0	Amount linked to irregularity deducted from payment claim
ID095	Romania	EEA Grants	Sep-12	Sep-12	€1,886	€0	Amount linked to irregularity paid back
ID114	Spain	EEA Grants	Mar-12	Mar-13	€91,430	€335,015	Amount linked to irregularity deducted from payment claim. Remaining amount paid back
ID119	Romania	EEA Grants	Jan-13	May-13	€2,485	€0	Amount linked to irregularity paid back
ID129	Czech Republic	Norway Grants	Nov-11	Oct-13	€8,586	€8,586	Amount linked to irregularity paid back
ID133	Poland	Norway Grants	Oct-13	Jan-14	€646	€646	Amount linked to irregularity paid back
ID137	Hungary	EEA Grants	Nov-13	Mar-14	€13,169	€13,169	Amount linked to irregularity paid back
ID140	Bulgaria	EEA Grants	Jan-14	Oct-14	€232	€232	
ID142	Romania	EEA Grants	Jan-14	Oct-14	€4,543	€4,543	

Total	€ 193,673	€ 436,669	
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8. OVERVIEW OF SUSPENSIONS OF THE GRANT SCHEMES

8.1 SUSPENSION OF PAYMENTS TO BULGARIA

Payments within the EEA Grants to Bulgaria and the role of the Central Finance and Contracts Unit (CFCU) in the implementation of the grant schemes in Bulgaria were suspended in the period 3 September 2008 to 10 June 2009.

The suspension followed the European Commission decision of 23 July 2008 to withdraw the accreditation of the CFCU and to suspend payments of some EU Funds in Bulgaria. The decision to suspend payments was not applied to the NGO Fund, which was implemented directly by the Financial Mechanism Office. The Norway Grants were not suspended, as the grant scheme were implemented by Innovation Norway and without the involvement of the CFCU.

Bulgaria became a member of the EEA and thus eligible for the EEA Grants in 2007. At the time of the suspension, projects had not started. When the suspension was lifted, the pending grant agreements for 42 projects were signed, allowing their project promoters to start project implementation.

The suspension was lifted after an agreement was reached with Bulgaria to replace the CFCU in the country's EEA Grants implementation set-up with the Structural Funds and International Educational Programmes (SFIEP) Directorate General. The SFIEP Directorate was accepted on the condition that the new agency expanded its role in verifying public procurements processes and contracts made by project promoters. In addition, the Financial Mechanism Office was to assess the quality of payment check procedures at the SFIEP Directorate and the standard of audit trails all the way to the project promoter level.

8.2 SUSPENSION OF PAYMENTS TO GREECE

Payments within the EEA Grants to Greece were suspended in the period 19 May 2011 to 8 August 2011. The decision was based on Greece's failure to fulfill necessary obligations.

Payments were suspended due to lack of Greek co-funding to projects and lack of documentation on payments already made. Greece had taken the responsibility to provide approximately 50% co-financing to every project. This had not been followed up in all cases. It was also unclear whether all funds already disbursed to Greek authorities had been transferred to project promoters.

Approximately €1.7 million had been disbursed to projects before payments were suspended. The remaining €29.4 million remained frozen for the period of the suspension.

The temporary suspension of payments was lifted after Greece reorganised and improved its payment system.