



MEMORANDUM OF UNDERSTANDING

between
the Republic of Slovenia and Hungary,
and
the Managing Authority, the Certifying Authority, the Audit Authority
on the Implementation of the Cooperation Programme
INTERREG V-A SLOVENIA-HUNGARY

In accordance with the below stated legal basis and their subsequent amendments or modifications

- The EU regulations laying down provisions on the European Structural and Investment Funds, in particular Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **Common Provisions Regulation**), Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **ERDF Regulation**), Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **ETC Regulation**);
- REGULATION (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union; and COMMISSION DELEGATED REGULATION (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union;
- Implementing Regulation (EU) No 2015/207 of 20 January 2015;
- Pre-agreement on the content of the Cross-Border Cooperation Programme Interreg V-A Slovenia-Hungary 2014-2020 and confirmation of national co-financing according to Article 8 (9) of the ETC Regulation;
- Cooperation Programme Interreg V-A Slovenia-Hungary as approved by Commission Decision No. C(2015)6511 as of 18 September 2015;
- Decree on the implementation of procedures for the use of funds of the European Territorial Cooperation programmes in the Republic of Slovenia in the programme period 2014-2020, Official Gazette of the Republic of Slovenia No 52/16, dated 29 July 2016 (hereafter referred to as Decree);
- Government Decree No 238/2015 (IX. 4.) on the national institutions implementing certain programmes related to cross-border co-operation under the European Regional Development Fund, the Instrument for Pre-accession Assistance and the European Neighbourhood Instrument in the period 2014-2020 (in Hungary);
- Government Decree No. 126/2016 (VI.7.) on the implementation of certain cross-border co-operation programmes financed under the European Regional Development Fund and the Instrument for Pre-accession Assistance in the 2014-2020 programming period;



the Parties of the Memorandum of Understanding:

- The **Republic of Slovenia**, represented by the Government Office for Development and European Cohesion Policy (hereinafter referred to as **GODC**) acting as Member State (hereinafter referred to as **MS**). In line with the Decree, European Territorial Cooperation Division of GODC, acting as National Authority (hereinafter referred to as **NA**);
- **Hungary**, represented by the Prime Minister's Office (hereinafter referred to as **MS** and **NA**);
- The Government Office for Development and European Cohesion Policy, Cross-border Programmes Management Division (Slovenia) acting as the Managing Authority (hereinafter referred to as **MA**);
- The Ministry of Finance, Budget Supervision Office of the Republic of Slovenia (Slovenia) acting as the Audit Authority (hereinafter referred to as **AA**) in cooperation with the Directorate General for Audit of European Funds (Hungary), acting as Audit Body (hereafter referred to as **AB**);
- Public Fund of the Republic of Slovenia for Regional Development and Development of Rural Areas acting as the Certifying Authority (hereinafter referred to as **CA**);

have agreed on the good governance of the Cooperation Programme Interreg V-A Slovenia-Hungary (hereinafter referred to as **CP**), approved by the Commission Decision No. C(2015)6511 as of 18 September 2015, on the implementation of the CP and regulating especially financial control procedures, financial responsibilities and financial flows.

Article 1

ERDF funding appropriations

1. The CA administers the ERDF funding in its own name and for the account of the MSs. ERDF payments will be made by the European Commission (hereinafter referred to as **EC**) to a sub-account of the GODC. The CA shall issue a request for payment to the GODC, on the basis of which the GODC shall issue an order to transfer the funds to a single programme account of the CA. The CA shall bear overall responsibility for the above mentioned funds credited on the cited account. Any interest income generated from the prefinancing must be spent on the Programme in accordance with the decisions of the Monitoring Committee (hereinafter referred to as **MC**).

Article 2

National co-financing

1. Both MS are committed to provide the national co-financing necessary to implement the CP. The national co-financing can also be provided from public funds.
2. The implementation of the Technical Assistance (hereinafter referred to as **TA**) projects is to be co-financed by the ERDF funds and national co-financing. In general, there shall be seven types of TA projects: (TA 1) MA/JS core management (hereinafter referred to as **JS**), (TA 2) Info points and Hungarian member of JS, (TA 3) CA activities, (TA 4) support activities of the SI FLC and NA, (TA-5) activities of the HU FLC, (TA 6) activities of the HU NA and (TA 7) AA/AB activities.



Each Member State where TA beneficiary is located shall provide the national co-financing of the respective TA beneficiary. The TA 1 project will be co-financed by Slovenian and Hungarian national funds, for purpose of technical balancing set out in the Guideline for using TA funds.

3. Hungarian national share for TA 1 project shall be made based on the request basis after the validation of expenditures of each beneficiary report by Slovenian TA FLC. The Hungarian National Authority shall transfer the Hungarian national share of validated expenditures on an official request of the Managing Authority within 30 calendar days to the account notified by the MA in the official request.
4. TA MA shall send an official letter to the Hungarian National Authority until February 28th of every year, which is containing the estimated budget and the estimated Hungarian national contribution of the TA 1 project for the next year.
5. The MA shall prepare a report on the payment situation for the MC once a year, in the framework of the annual implementation report drafted in accordance with Article 50(1) of the Common Provisions Regulation and Article 14 of the ETC Regulation.

Article 3

Agreement on general procedures in case of n+3 losses

1. In case of de-commitment at programme level according to Article 86 and 136 of the Common Provisions Regulation, the amounts shall be de-committed from the funds available at programme level.
2. In case no funds will be available at programme level the ERDF will be reduced based on the conclusion of MA which in close cooperation with CA and NAs will investigate the reasons and determine the MSs' financial liabilities. This rule applies if deficiency cannot be explicitly addressed to project parts, projects and/or participating MS and/or programme authorities.

Article 4

Subsidy Contracts and payments to Lead Partners

1. The decision on the use of the available ERDF funds is subject to the approval of the MC. Based on the decision of the MC the MA concludes Subsidy Contracts in its own name with the LP on the implementation of the projects.
2. Any financial support will be granted to the LP exclusively for the project as described in the last approved Project Application Form in the electronic Monitoring system (hereinafter referred to as **eMS**) and in accordance with the joint decision of the MC.
3. Payments may only be made by the CA if the LP provides proofs of verification and progress of the project to the relevant programme bodies.
4. Pursuant to Article 132 of the Common Provisions Regulation the MA shall ensure that the LP receives the total amount of eligible public expenditure due in full and no later than 90 days from

the date of submission of the Project Progress Report by the LP as long as the funds are available. Pursuant to Article 21 (2) of the ETC Regulation, the CA shall, as a general rule, make payments to the LP in accordance with the Article 132 of the Common Provision Regulation. No other deduction, withholding or specific charges which would reduce the amount for the beneficiaries shall be applied.

5. Funds will be disbursed in Euro (EUR) to the bank account named by the LP indicated in the eMS or in exceptional cases (e.g. insolvency procedures, etc.) directly to the project partners (hereinafter referred to as **PPs**).

Article 5 **Control System (First Level Control)**

1. Slovenia and Hungary shall set up a control system in accordance with Article 74 and Part four Title I of the Common Provisions Regulation and Article 23(4) of the ETC Regulation.
2. Information on the structures and procedures of its control system shall be provided at the request to the MA by each MS to satisfy itself that the control method used by the First Level Control (hereafter to as **FLC**) is reliable and effective.
3. Each MS shall ensure that the expenditure of a beneficiary can be verified within a period of three months from the submission of the documents by the beneficiary concerned. These control systems shall provide for "verification of expenditure" confirming that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with the CP and the conditions for support of the project. The confirmation shall derive from a competent FLC controller, who is independent from the implementation of the project.
4. As to the on-the-spot verifications carried out within the meaning of Article 125 (5) (b) of the Common Provisions Regulation, these shall be performed on two levels:
 - On partner level: the responsibility of planning and executing on-the-spot verification (the SI FLC will carry out the on-the-spot verifications on sample basis, the HU FLC will carry out the on-the-spot verifications at least once during the project implementation), lies with the FLC bodies in line with Article 23 of the ETC Regulation in order to ensure that the projects with high risk parts are checked at least once during the project implementation.
 - On project level: the responsibility of planning and executing site visits on project level lies with the MA and JS which shall perform check of all approved projects.
5. The Hungarian NA and the Slovenian FLC have to notify all discovered irregularities via eMS to the MA Irregularity Officer.
6. In the implementing phase of the period 2014-2020, the FLC bodies shall give special attention to control of double financing, revenue, state aid and public procurement and durability of projects.
7. In case the MA has doubts on the reliable and effective functioning of the respective control system, it will address it to the MS concerned and try to find a solution.



8. The MA ensures that all outstanding questions will be fully followed-up before any Project Progress Report is accepted. No Project Progress Report will be approved and no payment will be transferred to the LP by the CA until full and satisfactory information has been provided on the control system in case of any doubts.

Article 6

Irregularities and financial liability

1. With reference to Article 122 (2) of the Common Provisions Regulation, each MS is responsible for preventing, detecting and correcting irregularities and recovering amounts unduly paid together with any interest on late payments chargeable from the beneficiaries.
2. According to Article 122 (2) of the Common Provisions Regulation, each MS hosting a beneficiary is responsible for reporting irregularities above 10,000 EUR detected in the framework of the CP to the EC. At the same time, the MS shall also inform MA Irregularity Officer who shall then inform the MA, CA and AA.
3. In case irregularities are discovered, the respective control systems set up in each MS according to Articles 23(4) of the ETC Regulation, have to ensure that - prior to certifying further expenditure - any corrections required have been satisfactorily implemented. The affected MS shall report irregularities detected as set out in Article 6 (2) above.
4. In case the irregularity is established e.g. during the day-to-day-management of a project or in case the MA is notified of such irregularities as well as in case of breach of contract or infringement of the provisions it is based on, the MA in close cooperation with the CA shall, in consultation with the respective MS concerned and when relevant in consultation with the MC, and in accordance with Article 27 (2) of the ETC Regulation, demand repayment of the ERDF subsidy in whole or in part if the ERDF funds have already been paid out. The repayment ERDF amount can be calculated against the next payment claim of the LP or, where applicable, remaining ERDF payments can be suspended. When this is not possible or if the irregularity is discovered after the last ERDF disbursement was paid out, a recovery procedure is initiated: amounts received from the reclaim of ERDF payments will be credited to the accounts of the Programme and if applicable to EC.
5. In case the MA in close cooperation with the CA is not able to recover unjustified ERDF funding by using all reasonable endeavors and appropriate legal means from the LP within 90 days, the CA on behalf of the MA, sends the LP a demand letter with a 30 day deadline. After the lapse of the latter deadline, it is the MS on whose territory the respective beneficiary is located, that bears the financial liability for irregularities committed by that beneficiary. The respective MS - based on the official letter of MA - has to repay to the CA any unduly paid ERDF funding in compliance with Article 27(3) of the ETC Regulation. If necessary, the MA shall, in consultation with the MC, exercise its right to terminate the ERDF Subsidy Contract. The MA is responsible for reimbursing the ERDF amounts concerned to the general budget of the Union.
6. In case the amount of unduly paid ERDF amounts is not recoverable from the LP following the procedure described in paragraph 5, the MA will claim the ERDF repayment from:

- The Government Office for Development and European Cohesion Policy on behalf of the MS Slovenia;
- The Prime Minister's Office, Deputy State Secretariat for International Affairs on behalf of the MS Hungary.

The responsible body has to repay the unduly paid ERDF amounts within 90 days of the receipt of the MA's request.

7. The MA shall - on request - provide for the MS hosting a beneficiary with all the information they require in order to take up their responsibilities and liability towards the Programme. This includes the ERDF Subsidy Contracts, Partner/Project Progress/Final Reports and related assessments concerning the beneficiary located on their territory as well as the documentary evidence of the unsuccessful recovery procedure of ERDF amounts.
8. Should the MA bear any legal expenses for ERDF recovery recourse proceedings – initiated after consultation and in mutual agreement with the respective MS – even if the proceedings are unsuccessful it will be reimbursed by the MS hosting the LP or PP responsible for the said procedure.
9. After ERDF recovery, the CA repays the irregular ERDF payments recovered, together with the interest received on account of late payment, by deducting the amounts concerned from its next payment application or accounts to the EC, or if this is insufficient, by effecting a refund to the European Union.
10. As defined in the CP, paragraph 5.4 participating MSs bears liability for possible financial consequences of irregularities caused by the beneficiary located in its territory.

Following the rules set out above, the financial liability in connection with the use of the programme ERDF funds is as follows:

- Each MS bears liability for possible financial consequences of irregularities caused by the LPs and PPs located on its territory, only after lead partner already used all available legal means to recover the amounts unduly paid from PPs;
- For a systemic irregularity or financial correction on programme level that cannot be linked to a specific MS, the liability shall be jointly borne by the MS in proportion to the ERDF claimed to the EC for the period which forms the basis for the financial correction (if applicable);
- For TA expenditure incurred by the MA and JS, the liability related to administrative irregularities shall be borne by the MA and JS;
- For financial corrections on programme level; If there is a need for a financial correction on programme level because of the irregular amounts proposed by the AA in a single year exceed 2 % of the validated funds in that year, the MSs shall be liable to the payment of such correction. Each MS shall pay a share of the correction which is proportional to the amounts found by the AA to be wrongfully validated by that MS.
- For TA expenditure incurred by the CA, the liability shall be borne by the CA; For TA expenditure incurred by the AA/ AB, the liability shall be borne by the AA/AB. For TA expenditure incurred by the NAs, the liability shall be borne by the NAs concerned.



11. In the case that an interruption of payments according to Article 83 of the Common Provisions Regulation, suspension of payments according to Article 142 of the Common Provisions Regulation or de-commitment according to Articles 86 and Article 136 of the Common Provisions Regulation results in any loss of funds MA in close cooperation with CA and NAs will investigate the reasons and determine the MSs' financial liabilities, based on the audit report or on any other form of correspondence from the EC.
12. In case an irregularity above 10.000 EUR of contribution or a suspected or established fraud is identified, the MA shall on a quarterly basis notify the relevant MS representative in order to communicate with the respective national body designated to address the cases and to report to the European Antifraud Office (hereinafter referred to as **OLAF**).

Article 7 **Audits (Second Level Control)**

1. The AA together with the AB organised in the Group of Auditors, referred to in Article 25 (2) of the ETC Regulation, shall ensure that audits are carried out in compliance with Article 127 (1) of the Common Provisions Regulation and Article 27 and Article 28 of the Commission Delegated Regulation (EU) No 480/2014. The establishment of the Group of Auditors in accordance with Article 25 (2) of the ETC Regulation, its responsibilities and procedures for the planning of audits, methodology applied, execution of the audits and reporting, are defined in the Audit Strategy.
2. The AA assisted by the Group of Auditors will jointly agree on the approach to audit and will jointly decide on the Audit Strategy in accordance with the requirements set out in Article 127 (4) of the Common Provisions Regulation and the model in accordance with Article 127 (6) of the Common Provisions Regulation. The Audit Strategy shall be updated and reviewed annually and, if necessary, during the course of the year. The assigned auditors will undertake the audits in compliance with the Audit Strategy mutually agreed within the Group of Auditors.
3. In compliance with Article 127(5) of the Common Provisions Regulation, the AA draws up and submits Annual Control Reports to the EC and issues each year an opinion to confirm the effective functioning of the management and control system put in place using the models as set out in Annex IX (annual control report) and Annex VIII (audit opinion) of the Implementing Regulation (EU) No 2015/207. In order to do so, the AA relies on control reports issued by the AB for the system audits and audits of projects carried out in their duties. The Annual Control Report and opinion shall be drawn up using the models referred to above. The Group of Auditors shall agree only the report, and, after having agreed thereon, the AA shall forward it to the MA and MA Irregularity Officer if applicable in due time to be presented to the MC for information according to Article 110 of the Common Provisions of Regulation and to be included in the Annual Summary of Final Audits and Controls by the MA and in the annual accounts by the CA if applicable.
4. If any of the Annual Control Reports and/or the opinions do not allow the provision of an unqualified opinion referred to in Article 127 of the Common Provisions Regulation, the AA shall give the reasons and estimate the scale of the problem and its financial impact.



5. The audits shall establish whether any problems encountered are of a system character. If that is the case, the AA shall ensure further examination, including, where necessary, additional audits to establish the scale of such problems, and shall recommend the necessary corrective actions.
6. Following Article 128 of the Common Provisions Regulation, the AA supported by the Group of Auditors shall cooperate with the EC to coordinate their audit plans and audit methods and to immediately exchange the results of the audits carried out.

Article 8 **Designation procedure**

1. During the programme implementation, where audit and control results show that designated authorities no longer comply with the designation criteria, also as a result of institutional changes, the necessary action is to be taken in order to ensure that the responsible authorities comply with the designation criteria.

Article 9 **Programme closure**

1. After 2023 the closure activities can be followed by the legal successor of the signatories of this MoU.

Article 10 **Special provisions regarding the JS**

1. With the agreement of the HU NA, the Hungarian member of the JS is employed by the Széchenyi Programme Office Consulting and Service Nonprofit Limited Liability Company.

Article 11 **Anti-fraud policy**

1. The signatories of the MoU have a zero tolerance policy to fraud and corruption, and support the Programme in prevention and detection of fraud as well as in correction of their impact, should they occur. They are committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wish to be seen as opposed to fraud and corruption in the way that they conducts their business.

Article 12 **Final Provisions**

1. This MoU shall be governed in accordance with the EU laws and depending on the location, the laws of the Republic of Slovenia or laws of Hungary. In case of differences that are not ruled by this document, the parties agree to find an amicable and mutually acceptable solution.



2. Each MS shall undertake their utmost effort to support the MA/JS, CA, AA/AB in their efforts to best implement the CP and to comply with the tasks pursuant to this document. Each MS shall provide answers to specific questions that may be set by the MA in respect of the implementation of the CP and *vice versa*.
3. If any provision of this document should be or become wholly or partly ineffective, all other provisions remain valid. The parties to this document will undertake all necessary steps and actions to replace the ineffective provision by an effective provision which comes as close as possible to the purpose of the ineffective provision.
4. Amendments to this MoU require written approval of all the signatory parties.
5. Written communication between the signatory parties is carried out in English.
6. The official languages of the CP are Slovene, Hungarian and English.
7. This document for the execution of the CP shall be signed by representatives of each MS, the MA, AA/AB, CA and NAs. It becomes effective on the date on which the last signature is given and shall apply for the duration of the implementation of the CP, including the preparation of the Final Report according to Article 14 of the ETC Regulation and the closure of the whole Programme in line with Article 141 of the Common Provisions Regulation. It will be signed in 1 original, which will be archived in the premises of MA.



The Member State Republic of Slovenia, represented by:
Government Office for Development and European Cohesion Policy
Kotnikova 5
1000 Ljubljana

Place, Date: Ljubljana, **16 -02- 2017**

Name and function of the person entitled to represent
the Member State Republic of Slovenia:

Alenka Smerkolj, Minister without portfolio responsible for Development, Strategic Projects and
Cohesion

Signature: _____






The Member State Hungary, represented by:

Prime Minister's Office

Kossuth Lajos tér 1-3.

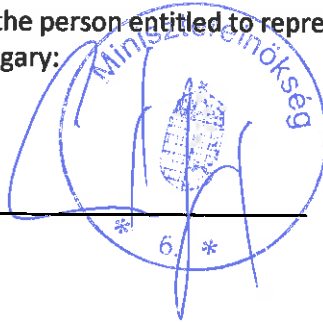
1055 Budapest

Place, Date: 24 February 2017

Name and function of the person entitled to represent
the Member State Hungary:

János Lázár, Minister

Signature: _____





The Managing Authority, represented by
Government Office for Development and European Cohesion Policy
European Territorial Cooperation and Financial Mechanism Office
Cross-border Programmes Management Division
Kotnikova 5
1000 Ljubljana

Place, Date: Ljubljana, **13 -02- 2017**

Name and function of the person entitled to represent
the Managing Authority:

mag. Nina Seljak, under the Authority No. 1001-12/2014/29 dated on 1 January 2016
Head of the Managing Authority

Signature: _____

A handwritten signature in blue ink, appearing to read 'N. Seljak', written over a horizontal line.



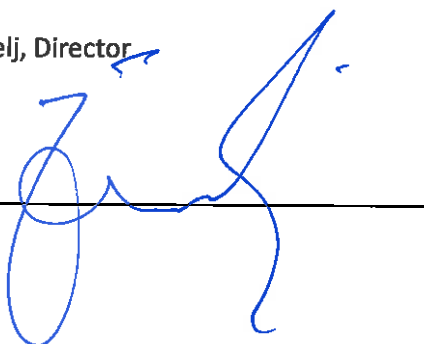
The Certifying Authority, represented by
Public Fund of the Republic of Slovenia for Regional Development and Development of Rural Areas
Škrabčev trg 9a
1310 Ribnica

Place, Date: Ribnica, 15.2.2017

Name and function of the person entitled to represent
the Certifying Authority:

Velislav Žvipelj, Director

Signature: _____





The Audit Authority, represented by
The Ministry of Finance Slovenia, Budget Supervision Office
Fajfarjeva 33
1000 Ljubljana

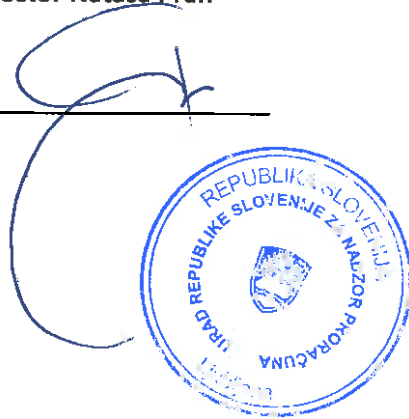
Place, Date: Ljubljana,

13.2.2017

Name and function of the person entitled to represent
the Audit Authority:

Ksenija Grabner Ričko
by the authority of the Director Nataša Prah

Signature: _____





Interreg



SLOVENIA - HUNGARY

European Union | European Regional Development Fund

The Audit Body, represented by
Directorate General for Audit of European Funds
Bartók Béla út 105-113.
1115 Budapest

Place, Date: Budapest, 24 February 2017

Name and function of the person entitled to represent
the Audit Body:
dr. Balázs Dencső
Director General

Signature: _____

A handwritten signature in blue ink, appearing to be 'Balázs Dencső', written over a horizontal line.





List of acronyms and abbreviations:

AA	Audit Authority
AB	Audit Body
CA	Certifying Authority
CP	Cooperation Programme Interreg V-A Slovenia-Hungary
EC	European Commission
eMS	Electronic Monitoring System
ERDF	European Regional Development Fund
EUR	Euro
FLC	First Level Control
GODC	Government Office of the Republic of Slovenia for Development and European Cohesion Policy
JS	Joint Secretariat
LP	Lead Partner (refers to Lead Beneficiary)
MA	Managing Authority
MC	Monitoring Committee
MS	Member States
NA	National Authority
OLAF	European Anti-Fraud Office
PP	Project Partner
TA	Technical Assistance