



European Structural and Investment Funds

Guidance for Member States
on the Drawing of
Management Declaration and Annual Summary

Programming period 2014-2020

Revision 2018

DISCLAIMER: This is a document prepared by the Commission services. On the basis of the applicable EU law, it provides technical guidance to colleagues and other bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds (except for the European Agricultural Fund for Rural Development (EAFRD)) on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission's services explanations and interpretations of the said rules in order to facilitate the programmes' implementation and to encourage good practice(s). This guidance note is without prejudice to the interpretation of the Court of Justice and the General Court or decisions of the Commission.

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LIST OF ACRONYMS AND ABBREVIATIONS

AA	Audit Authority
ACR	Annual Control Report
AIR	Annual Implementation Report
CA	Certifying Authority
CCI	Code Commun d'Identification (reference number of each programme, attributed by the Commission)
CDR	Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014
CIR	Commission Implementing Regulation (EU) No 207/2015 of 20 January 2015
CPR	Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17.12.2013) ¹ as amended by Regulation (EU, Euratom) 2018/1046
EGTC	European Grouping of Territorial Cooperation (Regulation (EU) No 1302/2013 of 17 December 2013)
ESIF	European Structural and Investment Funds This guidance applies to all ESI Funds (ERDF, ESF, Cohesion Fund, EMFF) except for the European Agricultural Fund for Rural Development (EAFRD)
ETC	European Territorial Cooperation (Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013)
MA	Managing Authority
MCS	Management and Control System

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303>

I. BACKGROUND

1. Regulatory references

Regulation	Articles
Reg. (EU) No 1303/2013 as amended by Regulation (EU, Euratom) 2018/1046 Common Provisions Regulation <i>(hereafter CPR)</i>	Article 125(4)(e) CPR - Functions of the managing authority – MA responsibility for drawing up the management declaration and the annual summary
Reg. (EU) No 207/2015 Commission Implementing Regulation <i>(hereafter CIR)</i>	Articles 6 (1) and Annex VI (model for the management declaration)
Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018, on the financial rules applicable to the general budget of the Union <i>(hereafter Financial Regulation)</i>	Article 63(5) (a) and (b)

2. Purpose of the guidance

The MA is required to draw up a management declaration and an annual summary in accordance with Article 63(5) (a) and (b) of the Financial Regulation and Article 125(4)(e) CPR. These documents contribute to strengthening internal control at Member State level for the implementation of ESIF and to increasing accountability under the shared management system.

The purpose of the present document is to give practical guidance to the Member States on their responsibilities with regard to the drawing up of the management declaration and the annual summary².

² Required under Article 125 (4)(e) CPR.

II. GUIDANCE

1. The management declaration

Introduction

The model for the management declaration is set out in Annex VI CIR.

The management declaration comprises two parts:

- the declaration itself which, in accordance with Article 63(6) of the Financial Regulation, confirming three elements:

- (1) The proper presentation, completion and accuracy of information in the accounts,
- (2) The use of expenditure entered in these accounts for its intended purpose, and
- (3) The MCS ensuring the legality and regularity of the underlying transactions (section 1.1 hereafter); and

- a confirmation by the MA of the effective and compliant functioning of the MCS in relation to a number of key elements: appropriate treatment in the accounts of irregularities detected, including in the case of an on-going assessment of the legality and regularity of expenditure; data relating to indicators, milestones and progress of the programme; effective and proportionate anti-fraud measures; lack of undisclosed matters which could damage the reputation of cohesion policy (section 1.2 hereafter).

The management declaration is to be drawn up for each programme separately and relates to the implementation of the programme throughout the accounting year. The management declaration should be consistent with the annual summary. In case of multi-fund programmes, where accounts should be submitted to the Commission separately for each fund, a single management declaration should be drawn up by the MA.

1.1 Elements covered in Part 1 of the management declaration

1.1.1 The information in the accounts is properly presented, complete and accurate in accordance with Article 137(1) of the CPR

The MA has to establish a system to record and store in computerised form data on each operation necessary, inter alia, for the purpose of financial management, verification and audit. The financial data recorded by the MA underpin the preparation of the annual accounts by the CA. The MA is responsible for ensuring that reliable data is transmitted to the CA for the purpose of the preparation of the annual accounts. Within the limits of such responsibility, the MA is in a position to provide confirmation that the information in the accounts is properly presented, complete and accurate.

The ultimate responsibility to draw up the annual accounts and to certify their completeness, accuracy and veracity however remains with the CA.

1.1.2 The expenditure entered in the accounts was used for its intended purpose, as defined in the CPR, and in accordance with the principle of sound financial management

The expenditure entered in the accounts is considered to be used for its intended purpose and in accordance with the principle of sound financial management when, in line with the intervention logic of the programme, it contributes to the achievement of the specific objectives and results set at the level of the priority axes under which the related operations are selected.

In order to be able to provide such confirmation, the MA has, through the functioning of the MCS, satisfied itself of at least the following:

- that the approved selection criteria are linked to the **intervention logic** under each priority and are designed to select operations which will deliver **outputs and results** in line with the objectives of the priority axis and the related indicators and performance framework;
- that the operations for which expenditure is entered in the accounts have effectively been selected in line with the **approved selection criteria** and;
- in case of expenditure related to **financial instruments**, the latter in addition are based on an ex ante assessment which has established evidence of market failures or suboptimal investment situations;

For ETC the same principles apply. One element which deserves particular attention for ETC, based also on the experience from the 2007-2013 programming period, is the setting out and application of appropriate and clear conditions for the selection of operations in order to ensure that only genuinely joint operations are co-financed.

1.1.3 The MCS put in place for the programme gives the necessary guarantees concerning the legality and regularity of the underlying transactions, in conformity with the applicable law

The MA is able to conclude that the MCS put in place for the programme gives the necessary guarantees concerning the legality and regularity of the underlying transactions, in conformity with the applicable law, when:

- a) the key requirements of MCSs as detailed in Annex IV CDR have been assessed as compliant (or generally compliant) during the accounting year³. Compliance with those key requirements ensures the legality and regularity of underlying transactions and the reality of operations included in programmes supported by the ESIF; and
- b) in cases where instances of non-compliance were identified, the MA has taken into account the results and the recommendations of the AA and, where relevant, of EU auditors in relation to the programme.

More specifically, the MA has satisfied itself of at least the following:

- the existence of a reliable computerised system to collect, record and store data on each operation required by Annex III CDR, including data relating to the progress of the

³ Category 1 or 2; see Table 10.1 of Annex IX CIR and Table 1 of Annex IV CDR and Commission's *Guidance on the common methodology for the assessment of management and control systems*" (EGESIF_14-0010-final of 18/12/2014).

programme in achieving its objectives, financial data and data related to indicators and milestones as foreseen under Article 125(2)(a) CPR. Where an operation is supported by the ESF, this should include data on individual participants and a breakdown of data on indicators by gender where required by the ESF;

- that, when selecting operations, particular attention has been paid to the following aspects:
 - that the **scope of the intervention** is within the types of activities that can be co-financed from the ESIF;
 - that the **geographical location** of the operations is within the areas which are eligible for the particular type of programme or activity;
 - that the **types of beneficiaries** are eligible (only certain enterprises, bodies or economic actors are eligible for support under given measures);
 - that the **operations are durable** and the investments are maintained for the time limits set out in Article 71 CPR;
- that, before expenditure is declared to the CA and up to the time of drawing up the accounts, adequate management verifications have been carried out by the services of the MA or by intermediate bodies acting under its supervision. The verifications shall include both administrative verifications in respect of each application for reimbursement by beneficiaries (where justified it may be done on a sample of transactions) and on-the-spot verifications of operations, thus confirming the existence of an adequate audit trail (cf. Commission's *Guidance on management verifications* and in particular its section 1.7⁴);
- that proportionate anti-fraud measures are in place and are effective, and are taken into consideration when certifying the expenditure in the accounts;
- that appropriate action has been taken in respect of findings and recommendations of the CA;
- that appropriate action has been taken in respect of findings and recommendations from national or EU audit bodies.

The same principles apply for ETC programmes but require greater coordination given the usually complex systems in place and the variety of actors. The role of the joint secretariat, the functions of the controllers referred to under Article 23(4) ETC, and the written arrangements to be established between them and the MA form essential elements of the MCS for ETC programmes.

Therefore, the MA should base its statement that the MCS put in place for the ETC programme gives the necessary guarantees concerning the legality and regularity of the underlying transactions and in conformity with the applicable law on its appreciation of the coordinated work of the above mentioned bodies and authorities.

⁴ Document EGESIF_14-0012 and any updated versions.

1.2 Elements covered in part 2 of the management declaration

1.2.1 Irregularities identified in final audit or control reports in relation to the accounting year and reported in the annual summary attached to the management declaration have been appropriately treated in the accounts

For this purpose, the MA should have satisfied itself that an appropriate follow-up of the irregularities was given up to the time of submission of the accounts to the Commission in relation to the results of its own management verifications and to the final audit and control results by national or EU audit bodies.

An appropriate follow-up means that the corresponding irregular amounts have been effectively deducted through either a withdrawal from a subsequent interim payment application within the accounting year⁵ or through deduction from the accounts⁶.

The three guidance notes on accounts⁷ provide further assistance and recommendations to national authorities in this respect.

In the case of deficiencies in the MCS for which the follow-up was still ongoing at the time of signing of the management declaration, the MA specifies under this section the list of the required ongoing remedial actions and the corresponding amounts involved, if applicable (free text foreseen in the template of the declaration).

1.2.2 Expenditure which is subject to an ongoing assessment of its legality and regularity has been excluded from the accounts, pending conclusion of the assessment

Article 137(2) CPR states that where expenditure previously included in an application for interim payment for the accounting year is excluded by a Member State from its accounts due to an ongoing assessment of that expenditure's legality and regularity, any or all of that expenditure subsequently found to be legal and regular may be included in an application for interim payment relating to subsequent accounting years.

The CA shall declare in the accounts only expenditure which is found to be compliant with applicable law, i.e. legal and regular. This provision therefore provides the basis for excluding expenditure from the accounts in case doubts have arisen as to its legality and regularity since its declaration in a previous interim payment claim. Such doubts may have been raised through further verification work by the MA or the CA or audits by the AA or by EU auditors, for which definitive results are not yet available (pending required additional verifications or completion of the contradictory procedure, for example). Further guidance on the possible treatment of expenditure under ongoing assessment is provided in the Commission's *Guidance on ACR and Audit Opinion* (EGESIF 15_0002) as updated and Commission's *Guidance on amounts withdrawn, amounts recovered, amounts to be recovered and irrecoverable amounts* (EGESIF 15_0017) as updated.

5 Amounts to be included in Appendix 2 of Annex VII of Commission Implementing Regulation (EU) No 1011/2014

6 In this case appropriate information is provided in the reconciliation of expenditure in Appendix 8 of Annex VII of Commission Implementing Regulation (EU) No 1011/2014.

7 Cf. Commission's *Guidance on preparation, examination and acceptance of accounts* (EGESIF 15_0018) as updated, Commission's *Guidance on amounts withdrawn, amounts recovered, amounts to be recovered and irrecoverable amounts* (EGESIF 15_0017) as updated and the Commission's *Guidance on audit of accounts* (EGESIF 15_0019) as updated.

If the MA has doubts regarding the legality and regularity of expenditure following its management verifications, it should not in first instance declare such expenditure to the CA until it has concluded on the legality and regularity of the concerned expenditure. Such doubts as to the legality and regularity of expenditure may also arise due to management verifications carried out after inclusion of the corresponding expenditure in a payment claim (for example following on-the-spot verifications or as a result of additional verifications of systemic issues), additional desk verifications by the CA or preliminary or draft audit results which are under contradictory procedure at the time of preparing the accounts. In this case, it is recommended that the CA, at the MA request or as a result of its own responsibilities, excludes the concerned expenditure from the accounts in relation to a particular accounting year, until all the verification work has been carried out and pending conclusion of the assessment. The MA and AA are kept informed of such exclusion that is indicated through a comment in the table on reconciliation of expenditure in the accounts (cf. Appendix 8 of Annex VII of Commission Implementing Regulation (EU) No 1011/2014 and the Commission's *Guidance on preparation, examination and acceptance of accounts EGESIF 15_0018*, as updated). If the amounts provisionally excluded are subsequently found to be eligible, i.e. after submission of the accounts for an accounting year, they may be included in a subsequent application for interim payment of the following accounting year(s), in line with Article 137(2) CPR.

1.2.3 Data relating to indicators, milestones and the progress of the programme required under Article 125(2)(a) CPR is reliable

The MA is able to provide confirmation on the reliability of the data relating to indicators, milestones and the progress of the programme (common and programme-specific indicators as well as the financial data related to the programme) when it has in place an effective computerised system to collect, record and store data on each operation, as indicated in section 1.1.3 above. The MA has satisfied itself that the established procedures, taking account of internationally accepted IT standards⁸, functioned effectively to ensure the system security.

Moreover, the MA has satisfied itself through its procedures, instructions and verifications that detailed accounting records and supporting documents are kept at the appropriate management level for each operation, thus ensuring an adequate audit trail. Finally, the MA has also taken into account the results of audits carried out by the AA or EU bodies on the reliability of data relating to indicators and milestones provided under Article 125(2)(a) CPR.

1.2.4 Effective and proportionate anti-fraud measures are in place and take account of the risks identified

Article 125(4)(c) CPR lays down that the MA shall put in place effective and proportionate anti-fraud measures taking into account the risks identified. The Commission's *Guidance on Fraud risk assessment and effective and proportionate anti-fraud measures (EGESIF 14-0021-00 of 16/06/2014)* provides assistance and recommendations to MAs in this respect.

The MA is in a position to provide the required confirmation when it has put in place anti-fraud measures which are proportionate to the identified risks and tailored to the specific situations related to the delivery of the ESIF in a particular programme and region. It is

⁸ In addition to the COBIT (Control Objectives for Information and related Technology) framework, internationally accepted standards for information security include but are not limited to the ISO/IEC standard 27001 ("Information technology - Security techniques - Information security management systems – Requirements") and the ISO/IEC 27002 ("Information technology - Security techniques - Code of practice for information security controls"), last re-issued in 2013. The MA may also take into consideration any related national standards.

recommended that the MA corroborates its confirmation on the existence of effective and proportionate anti-fraud measures by keeping updated information on the number of suspected and established fraud cases dealt with and by analysing the modus operandi of these latter cases and the missing controls that made such established cases possible.

1.2.5 There is no undisclosed matter which could be damaging to the reputation of the cohesion policy

For the purpose of this confirmation the MA satisfies itself that it is not aware of any undisclosed matter related to the implementation of the programme which could be damaging to the reputation of cohesion policy. To this end, the MA should have disclosed and shared all relevant information available to it with the programme authorities, national services competent for fraud investigation, the Commission services in charge of ESI Fund and, where appropriate, OLAF. This includes information linked to weaknesses identified in the MCS, irregularities or suspicion of fraud or corruption.

2. The annual summary

The MA shall draw up an annual summary, which provides a global and synthetic picture of the final results of management verifications, controls and audits performed in relation to expenditure declared during an accounting year and entered into the accounts. All actions in relation to expenditure and/or systems under ongoing assessment should be disclosed in the text of the annual summary. However, any subsequent financial corrections related to this expenditure should be reported only in the annual summary⁹ for the accounting year in which the assessment is finalised and the final corrective measures are decided and implemented.

The annual summary is one of the main foundations on which the management declaration is built and it complements the information included in the accounts and ACR. For the annual summary there is no model provided in the EU legislation. In order to promote a consistent approach a non-binding recommended template is included in Annex 1.

In order to avoid administrative burden and overlaps, the Commission recommends that the annual summary should not repeat information already available in the ACR to be submitted by the AA. Instead, cross-references to the specific sections of the ACR should be considered in the annual summary as a cost-effective option. The corresponding sections of the ACR are therefore considered as the part of the annual summary on final audit reports requested under the Financial Regulation.

The MA should further include all relevant data on management verifications carried out and the resulting analysis in the annual summary. The list of controls carried out should be compiled by the MA on the basis of the administrative verifications and on-the-spot checks directly performed by it or by any intermediate body to which it has delegated such controls, under its supervision.

For ETC programmes, each participating Member State or third country may decide to designate a body or person for carrying out such controls in relation to beneficiaries on its territory (the "controllers"). In this case, the MA shall satisfy itself that the expenditure declared by each beneficiary participating in an operation has been verified by a designated controller and that the results of the verifications are reported in the annual summary.

⁹ Tables in the respective parts of the annual summary containing quantification of corrective actions.

In addition, if considered important for the purpose of the management declaration, the MA can also include in annual summary information on other audits and controls performed by national/and/or EU bodies which are not part of the MCS of the programme.

For the preparation of the annual summary it is expected that the procedures in place ensure:

- a. the collection of the final results of all audits and controls carried out by the relevant bodies for each program, including management verifications carried out by the MA or on its behalf by intermediate bodies and audits carried out by or under the authority of the AA;
- b. an analysis of the nature and extent of the errors and weaknesses identified in the systems and the subsequent follow-up to these deficiencies (corrective action taken or planned);
- c. the implementation of preventive and corrective action in case of identification of systemic errors.

2.1. Summary of final audit reports of the AA

Duplication of information relating to final audit reports should be avoided since this information is already included in the ACR prepared by the AA.

2.1.1 Procedural aspects

Where the MA chooses to include all the relevant data in the annual summary itself, the summary of final audit reports should be prepared by the MA based on information received from the AA. It is therefore essential that the AA makes all the final audit reports (system audit reports¹⁰, reports on audit of operations¹¹, report on the audit of the accounts) available to the MA on a timely basis.

In case the responsibility for aggregating the information related to the summary of final audit reports is assigned to different bodies (MA, AA, delegated audit bodies), there should be arrangements in place between those bodies to ensure adequate co-ordination and a reliable information system which supports the gathering of data. In case of a common database, the AA and, where applicable, the delegated audit bodies should encode the data related to the final audit reports directly into the common database for the purpose of both the annual summary of the MA and the ACR.

In case the MA decides not to repeat information already provided by the AA in the ACR, it should include in the annual summary appropriate cross-references to the relevant sections of the ACR (see template of the annual summary proposed in Annex 1).

2.1.2 Nature and extent of errors and weaknesses identified in systems

The summary of final audit reports, which are available after the contradictory procedure with the auditee, should also include an analysis of the nature and extent of errors and weaknesses identified in the systems, including identification of problems with a systemic character.

This analysis is provided by the AA under sections 4, 5 and 6 of the ACR. It includes the following elements, which may be cross-referenced in the annual summary:

¹⁰ Including horizontal/thematic audits.

¹¹ Including audits of a complementary sample, where applicable.

- In the case of system audits, the analysis should refer to the key elements of the systems taking into account the minimum requirements of the applicable legal framework (Table 10.1 of Annex IX CIR and Table 1 of Annex IV CDR. Further advice is included in the Commission's *Guidance on the common methodology for the assessment of management and control systems*" (EGESIF_14-0010-final of 18/12/2014).

- In the case of audits of operations, the analysis should include the amount of irregular expenditure in the random sample, the total error rate, total residual error rate, the amount of other expenditure audited outside the random sample and the corrections implemented as a result of the total error rate (Table 10.2 of Annex IX CIR). The analysis should also indicate whether any such irregularity has either a systemic or anomalous nature.

- In the case of audits of the accounts, the analysis of errors should indicate whether exceptions detected refer to the proper presentation, completeness or accuracy of the accounts and it should include an indication of the financial corrections made and reflected in the accounts.

2.2. Summary of management verifications

The MA should include in the annual summary synthetic information on all administrative and on-the spot controls carried out and an assessment of their results and impact on the MCS and legality and regularity of the expenditure entered in the accounts. The guidance document on management verifications (EGESIF 14-0012) provides detailed guidance in this respect.

2.2.1 Procedural aspects

The summary of the desk administrative verifications carried out on expenditure declared should include a description of the methodology followed by the MA during the year. The methodology should indicate if the administrative verifications covered 100% of the expenditure items included in each application for reimbursement submitted by a beneficiary or were carried out on a sample basis (see section 1.7 of GN on management verifications). In the latter case, the methodology and risk criteria used for the sample selection should be explained (e.g. by type of beneficiary, category of expenditure, value of items, past experience). The MA should further confirm whether the administrative controls or part of them were delegated to intermediate bodies. In this case the annual summary may contain a description of the supervisory procedures in place during the accounting year for the MA to satisfy itself of the adequacy and compliance of the verification work carried out by intermediate bodies.

The summary of the on-the-spot controls should include the number of controls carried out on expenditure declared during the accounting year and a description of the methodology followed by the MA, including the criteria to select operations subject to such on-the-spot controls. The description of the methodology used for on-the-spot controls would also add value to the annual summary if it would also refer to the main aspects verified on the spot, in particular those aspects that are either not possible or are difficult to verify through desk administrative verifications (e.g. confirming the reality of accounting entries in the official accounts of the beneficiary, checking the reality of the operation, the physical progress, the respect of Union rules on publicity, the delivery of the product or service in full compliance with the terms and conditions of the contractual agreements).

In case the Commission has requested the description of the functions and the procedures in place for the MA in accordance with Article 124(3) CPR, a reference to the relevant section of the description where the methodology is described would be sufficient.

Similarly where the same methodology or criteria continue to be applied in subsequent years either for the administrative desk or on-the-spot controls, the MA might make reference to the description made in previous annual summaries. However, in both cases, any modification to the methodology already provided should be disclosed.

For ETC programmes, when aggregating information on the overall work performed at the level of the programme, the MA shall satisfy itself and confirm in the annual summary that the expenditure of each beneficiary participating in an operation has been verified by a designated controller in each Member State or third country.

2.2.2 Nature and extent of errors and weaknesses identified in systems

The MA is requested to include in its annual summary a description of the main results arising from the administrative verifications and the on-the-spot controls (cf. part B and C of Annex 1), including a list of the main types of errors detected. In this regard, the MA is recommended to follow the standardised typology of errors defined and agreed between the Commission and audit authorities (cf. Annex 2, also used on a voluntary basis by audit authorities for the purpose of the ACR to allow for an aggregate analysis at programme, Member State and EU level).

This section of the annual summary should also indicate whether the errors detected during the administrative or on-the-spot controls are of a systemic nature or related to tasks delegated by the MA to any intermediate body.

2.3. Corrective actions taken or planned

The MA should carry out an assessment of the errors detected before the preparation of the draft accounts. The MA indicates what conclusions it has drawn from these management verifications and audits and controls and indicates the corrective measures that it has adopted regarding any improvement in the functioning of the MCS or individual operations. Such corrective measures may include instructions, guidance and training planned or provided to beneficiaries and applicants as well as to its own/IBs' staff to prevent repetition of the same errors in future operations. The MA should further describe in the annual summary the corrective actions taken or planned, taking into account whether any problems identified were considered to be of a systemic character. In such cases, the MA explains in the annual summary how the quantification of the irregular expenditure has been extended to the whole population affected by the identified problems.

When such measures are still to be implemented, the MA describes the corrective measures decided and the timetable for their implementation. This description supports the information reported in the respective section of the management declaration (cf. sections 1.2.1 and 1.2.2 above).

Where the errors detected are attributable to tasks delegated to an intermediate body, the MA is invited to indicate the measures it has requested from the intermediate body to improve its administrative verifications and on-the-spot controls. In addition, if necessary, the MA may describe how it has reviewed its procedures to supervise the tasks delegated to the intermediate body (e.g. by carrying out re-performance of verifications or on-the-spot controls performed by the intermediate body, if necessary). If it is the case, the MA may also indicate that it has reconsidered and possibly withdrawn the delegation of tasks where repeated weaknesses were detected in the delegated tasks without improvement over time.

Where the results of the verifications, audits and controls¹² led to adjustments in the accounts compared to expenditure included in interim payments within the accounting year, following individual or systemic corrections, it would be helpful to indicate the amounts concerned per priority axis in the annual summary. In addition, it should be indicated which amounts were corrected before and after the submission of the final interim payment claim. This will facilitate the work of the CA and AA to ensure that these corrections have been duly reflected in the accounts to be submitted to the Commission.

3. Work to be performed by AA on the management declaration

In accordance with Article 63 of the Financial Regulation, the AA should state after its audit opinion whether its audit work puts in doubt the assertions made by the MA in the management declaration.

The AA should therefore compare the assertions made in the management declaration with the results of its audit work, in order to satisfy itself that no divergence or inconsistency is present.

In case of divergences or inconsistencies, it is recommended that the AA discusses its observation with the MA so that the latter provides additional information or amends its management declaration, if time allows.

For the ETC programmes, a single AA should be responsible for carrying out the AA functions in order to ensure uniform standards across the whole programme area. Where that is not possible, a group of auditors should be able to assist the programme AA. In this case, the group of auditors representing each Member State or each third country participating in a cooperation programme shall be responsible for providing the elements of the management declaration relating to its territory so that the programme AA is in a position to perform its assessment.

4. Timing and planning

Article 138 CPR states that the management declaration and the annual summary (together with the accounts, the audit opinion and the control report) shall be submitted for each accounting year from 2016 until and including 2025 by the deadline set out in Article 63(5) of the Financial Regulation, i.e. 15 February of the following year. The Commission may exceptionally extend this deadline to 1 March, upon justified request by the Member State concerned. This deadline applies to all documents described above. It is up to the Member State to define its procedures for transmitting the documents internally so that this deadline is respected at Member State level.

The MA should make available to the AA a copy of its final management declaration and the annual summary of the final audit reports and controls carried out including an analysis of the nature and content of errors and weaknesses identified in systems, as well as corrective actions taken or planned. For this, it is recommended that the programme authorities agree appropriate internal deadlines for the transmission of documents between authorities for the purpose of their respective responsibilities. All correspondence between the Member State and the Commission related to the information required under Article 63(5)(a) and (b) of the Financial Regulation will be exchanged via SFC 2014.

Annex 3 presents an indicative work timeline between the programme authorities in order to

¹² This information may also include the follow-up of audit findings related to the accounts and how this resulted in the necessary accounting adjustments before submitting the accounts to the Commission.

be able to submit to the Commission the assurance documents described above by the regulatory deadline of 15 February each year.

The MA is recommended to assign clear responsibilities to ensure that all the data needed to prepare the annual summary is obtained from its services and from the intermediate bodies to which certain tasks have been delegated, where applicable. This should include a list of all controls carried out together with a summary and review of their results including information on main problems identified and corrective actions taken or planned.

In addition, arrangements should be made with the AA for the provision of relevant information on final audit results, a list of all final audit reports or cross-reference to the relevant sections of the ACR.

It would be considered good administrative practice that the MA ensures that all information that is needed to prepare the annual summary and draw the management declaration is reviewed at the appropriate level and consolidated in good time for the signature of the management declaration.

According to Article 83(1)(c) CPR, the authorising officer of the Commission may interrupt the payment deadline for an interim payment if there is a failure to submit one of the documents required under Article 63(5) of the Financial Regulation, i.e. amongst others the management declaration or the annual summary.

ANNEX 1 - TEMPLATE FOR THE ANNUAL SUMMARY

*Annual summary of the final audit reports and of controls carried out, including an analysis of the nature and **extent** of errors and weaknesses identified in systems, as well as corrective action taken or planned.*

A) Summary of the **final audit reports** issued in relation to

- audits of the MCS put in place for the programme... (CCI No and title)
- audits of the expenditure declared during the accounting year ended 30 June ... (year);
- audits of the accounts referred to in Article 127(5) (a) CPR and Article 63(5)(a) of the Financial Regulation.

<u>Type of audit</u>	<u>Results of audits</u>	<u>Analysis of the nature and extent of errors and weaknesses identified,</u>	<u>Corrective action taken or planned</u>
<u>System audits</u>	Ref. to reports / description of scope or Cross-reference to ACR (Table 10.1 of Annex IX CIR)	Ref. to reports / description of scope or Cross-reference to ACR (Sections 4.3, 4.4, 4.6 of Annex IX CIR)	Ref. to reports / description of scope or Cross-reference to ACR (Sections 4.4, 4.5 of Annex IX CIR)
<u>Audits of operations</u>	Ref. to reports / List of operations or Cross-reference to ACR (Table 10.2 and Section 5.13 of Annex IX CIR)	Ref. to reports / List of operations or Cross-reference to ACR (Sections 5.7, 5.10, 5.11, of Annex IX CIR)	Ref. to reports / List of operations or Cross-reference to ACR (Sections 5.8, 5.11, 5.12 of Annex IX CIR)
<u>Audit of accounts</u>	Ref. to reports / description of scope or Cross-reference to ACR (Section 6.3 of Annex IX CIR)	Ref. to reports / description of scope or Cross-reference to ACR (Section 6.4 of Annex IX CIR)	Ref. to reports / description of scope or Cross-reference to ACR (Section 6.3 of Annex IX CIR)
Amount of corrections reflected in the accounts as a result of irregularities detected and implemented until and after the submission of the final interim payment claim.			

	Until submission of final interim payment claim	After submission of final interim payment claim (ref. table on reconciliation of expenditure – Appendix 8 of Annex VII of Commission Implementing Regulation No 1011/2014)
	<u>Aggregated amount (EUR)</u>	<u>Aggregated amount (EUR)</u>
<u>Priority axis 1</u>		
<u>Priority axis 2</u>		

B) Summary of the controls carried out on expenditure in relation to the accounting year ended 30 June ... (year): **administrative management verifications** pursuant to Article 125(5)(a) CPR

Provide in the following form a brief description or summary of

- the methodology adopted and details of risk assessment made: verification of each expenditure item or on a sample basis. In the latter case, indicate the sample basis, e.g. by type of beneficiary, category of expenditure, value of items, past experience, etc. In case the Commission has requested the description of the functions and the procedures in place for the managing authority in accordance with Article 124(3) CPR, a reference to the relevant section of this description would be sufficient. When the methodology is changed this section of the annual summary should include the updated information.
- the main results and type(s) of errors detected
- Conclusions drawn from these controls and, consequently, the corrective measures adopted regarding e.g. the functioning of the MCS, in particular in case of detection of systemic irregularities, the need for update of the methodology for management verifications and of instructions or guidance to beneficiaries, etc.
- Financial corrections applied, per priority axis, as a result of management verifications carried out in relation to expenditure to be entered in the accounts

Description of the methodology adopted		
<p><u>Main results and type of findings detected</u></p> <p>(Select from the list)</p> <p>Ineligible projects Project's objectives not achieved Ineligible expenditure Audit trail Public procurement State aid Financial instrument Revenue generating operations Reliability of data and indicators Information and publicity measures Environmental rules Simplified costs option Durability of operations Equality between men and women, equal opportunities Non discrimination Sound financial management</p> <p>[Other] (Specify)</p> <p>Or, if possible, list the main types of findings detected referring to categories (and possibly sub-categories) in Annex 2</p>		<p>Conclusions drawn and corrective action taken or planned [depending on the nature of the irregularity, i.e. individual or systemic]</p>
<p>Amount of corrections in the accounts as a result of irregularities detected and implemented until and after the submission of the final interim payment claim, aggregated by priority axis.</p>		
	<p>Until submission of final interim payment claim</p> <p><u>Aggregated amount (EUR)</u></p>	<p>After submission of final interim payment claim (ref. table on reconciliation of expenditure – Appendix 8 of Annex VII of Commission Implementing Regulation (EU) No 1011/2014)</p> <p><u>Aggregated amount (EUR)</u></p>
<u>Priority axis 1</u>		
<u>Priority axis 2</u>		

C) Summary of the controls carried out on expenditure in relation to the accounting year ended 30 June ... (year): **on-the-spot management verifications** pursuant to Article 125(5)(b) CPR

Provide in the following template the total number of on-the-spot verifications carried out and a brief description or summary of

- the methodology applied, objective of the verifications (to confirm or to complement the result of administrative verifications); aspects verified; etc. In case the Commission has requested the description of the functions and the procedures in place for the MA in accordance with Article 124(3) CPR, a reference to the relevant section of this description would be sufficient. When the methodology is changed this section of the annual summary should include the updated information.
- the main results and of the type of errors detected
- conclusions drawn from these controls and, consequently, the corrective measures adopted regarding the functioning of the management and control system, in particular in case of detection of systemic irregularities, the need for update of the methodology for management verifications and/or of instructions or guidance to beneficiaries, etc.
- financial corrections applied, per priority axis, as a result of on-the-spot verifications carried out in relation to expenditure to be entered in the accounts

Description of the methodology adopted	
<p style="text-align: center;"><u>Main results and type of findings detected</u></p> <p><u>(Select from the list)</u> Ineligible projects Project's objectives not achieved Ineligible expenditure Audit trail Public procurement State aid Financial instrument Revenue generating operations Reliability of data and indicators Information and publicity measures Environmental rules Simplified costs option Durability of operations Equality between men and women, equal opportunities Non discrimination Sound financial management [Other] (Specify)</p> <p><u>Or, if possible, list the main types of findings detected referring to categories (and possibly sub-categories) in Annex 2</u></p>	<p>Conclusions drawn and corrective action taken or planned [depending on the nature of the irregularity, i.e. individual or systemic]</p>

Amount of corrections in the accounts as a result of irregularities detected and implemented until and after the submission of the final interim payment claim, aggregated by priority axis:

	Until submission of final interim payment claim <u>Aggregated amount (EUR)</u>	After submission of final interim payment claim (ref. table on reconciliation of expenditure – Appendix 8 of Annex VII of Commission Implementing Regulation (EU) No 1011/2014) <u>Aggregated amount (EUR)</u>
<u>Priority axis 1</u>		
<u>Priority axis 2</u>		

ANNEX 2 - TYPOLOGY OF FINDINGS FROM MANAGEMENT VERIFICATIONS

Category	Ref.	Sub-Category
Public Procurement - Contract notice and tender specifications	1.1	Lack of publication of contract notice or unjustified direct award (i.e. unlawful negotiated procedure without prior publication of a contract notice)
	1.2	Artificial splitting of works/services/supplies contracts
	1.3	Lack of justification for not subdividing a contract into lots
	1.4	Non-compliance with time limits for receipt of tenders or time limits for receipt of requests to participate or Failure to extend time limits for receipt of tenders where significant changes are made to the procurement documents
	1.5	Insufficient time for potential tenderers/candidates to obtain tender documentation or restrictions to obtain tender documentation
	1.6	Lack of publication of extended time limits for receipt of tenders or failure to extend time limits for receipt of tenders
	1.7	Cases not justifying the use of a competitive procedure with negotiation or a competitive dialogue
	1.8	Non-compliance with the procedure established in the Directive for electronic and aggregated procurement
	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.
	1.10	Use of - criteria for exclusion, selection, award or - conditions for performance of contracts or - technical specifications that are <u>discriminatory</u> on the basis of unjustified national, regional or local preferences
	1.11	Use of - criteria for exclusion, selection, award or - conditions for performance of contracts or - technical specifications that are not discriminatory in the sense of the previous type of

		irregularity but still <u>restrict access</u> for economic operators
	1.12	Insufficient or imprecise definition of the subject-matter of the contract
	1.13	Limiting sub-contracting
Public Procurement - Selection of tenderers and evaluation of tenders	1.14	Selection criteria (or technical specifications) were modified after opening of tenders or were incorrectly applied.
	1.15	Evaluation of tenders using award criteria that are different from the ones stated in the contract notice or tender specifications Or Evaluation using additional award criteria that were not published
	1.16	Insufficient audit trail for the award of the contract
	1.17	Negotiation during award procedure, including modification of the winning tender during evaluation
	1.18	Irregular prior involvement of candidates/tenderers towards the contracting authority
	1.19	Competitive procedure with negotiation, with substantial modification of the conditions set out in the contract notice or tender specifications
	1.20	Unjustified rejection of abnormally low tenders
	1.21	Conflict of interest with impact on the outcome of the procurement procedure
	1.22	Bid-rigging (identified by a competition / anti-cartel office)
	Public Procurement - Contract implementation	1.23
Public Procurement - Others	1.24	Others
State aid	2.1	Failure to notify State Aid
	2.2	Wrong aid scheme applied
	2.3	Misapplication of the aid scheme
	2.4	Monitoring requirements not fulfilled

	2.5	Reference investment not taken into account in the applicable aid scheme
	2.6	No consideration of revenue in the applicable aid scheme
	2.7	No respect of the incentive effect of the aid
	2.8	Aid intensity not respected
	2.9	De Minimis threshold exceeded
	2.10	Error in the application of the SGEI
	2.11	Other State aid
Revenue Generating projects	3.1	Incorrect treatment of revenues generated by an operation
	3.2	Incorrect calculation of the funding gap
Financial instruments	4.1	Non-compliance with the implementing modalities for Holding Funds
	4.2	Non-compliance with the rules for selection of Financial Intermediaries
	4.3	Absence of essential elements in the business plan
	4.4	Absence of / inconsistency of investment strategy with programme's objectives
	4.5	Modification of the FEI set-up not in accordance with applicable rules
	4.6	Absence of funding agreement
	4.7	Absence of essential elements in the funding agreement
	4.8	Breach of funding agreement: national co-financing not effectively paid at the level of the FEI
	4.9	Absence of a separate block of finance within a financial institution
	4.10	Investments not eligible
	4.11	Final recipient not eligible
	4.12	Management costs/fees not eligible
	4.13	Incompatible State aid
	4.14	Incorrect use of interests generated from programme contribution
	4.15	Incorrect use of resources return
	4.16	Other financial instruments
Missing supporting	5.1	Missing or incorrect supporting information or documentation

information or documentation	5.2	Lack or incomplete audit trail
Ineligible project	6.1	Project not eligible
	6.2	Project's objective not achieved
Accounting and calculation errors at project level	7.1	Accounting and calculation errors at project level
Other Ineligible expenditure	8.1	Expenditure incurred before or after the eligibility period
	8.2	Expenditure not paid by beneficiary
	8.3	Expenditure not related to the project
	8.4	Expenditure outside of the eligibility area
	8.5	Ineligible VAT or other taxes
	8.6	Non-compliance with rules on purchase of land or real estate
	8.7	Ineligible beneficiary
	8.8	Double financing
	8.9	Other ineligible expenditure
Environmental rules	9.1	Non respect of environmental requirements (Natura 2000, EIA,..)
Equal Opportunities / Non discrimination	10.1	Non compliance with the principle of equal opportunities
Information and publicity measures	11.1	Beneficiary not informed of the EU support
	11.2	Lack of billboard
	11.3	Lack of commemorative plaque
Simplified Cost Options	12.1	Wrong methodology (in advance, fair, verifiable and equitable)
	12.2	Wrong application of the methodology (off-the-shelf or other)
Sound Financial Management	13.1	Non compliance with the principle of sound financial management
Data protection	14.1	Non compliance with the rules of data protection
Performance indicators	15.1	Incorrect output data
	15.2	Incorrect result data

ANNEX 3 – INDICATIVE TIMELINE

