



# Management and control systems

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# Contents of Presentation

- Architecture of management and control systems
- General principles and functions of authorities (CA, MA, AA)
- Re-inforced accountability of the MA
- Delegation of functions to the IB
- Monitoring Designation process
- Implications of E-Cohesion

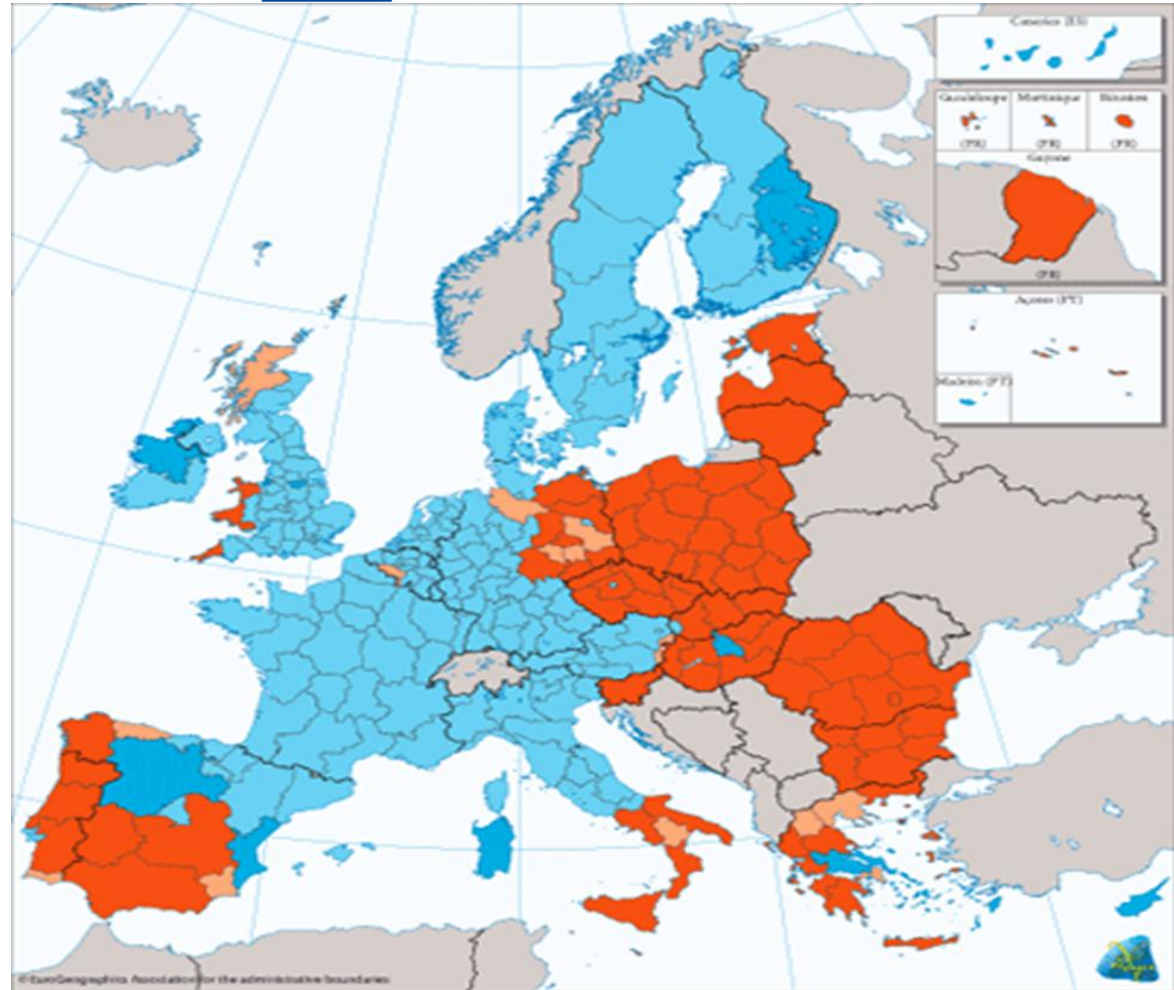


European  
Commission

# European Regions 2007-2013

## Convergence Objective



-  Convergence Regions
-  Phasing-out Regions
-  Phasing-in Regions
-  Competitiveness and Employment Regions

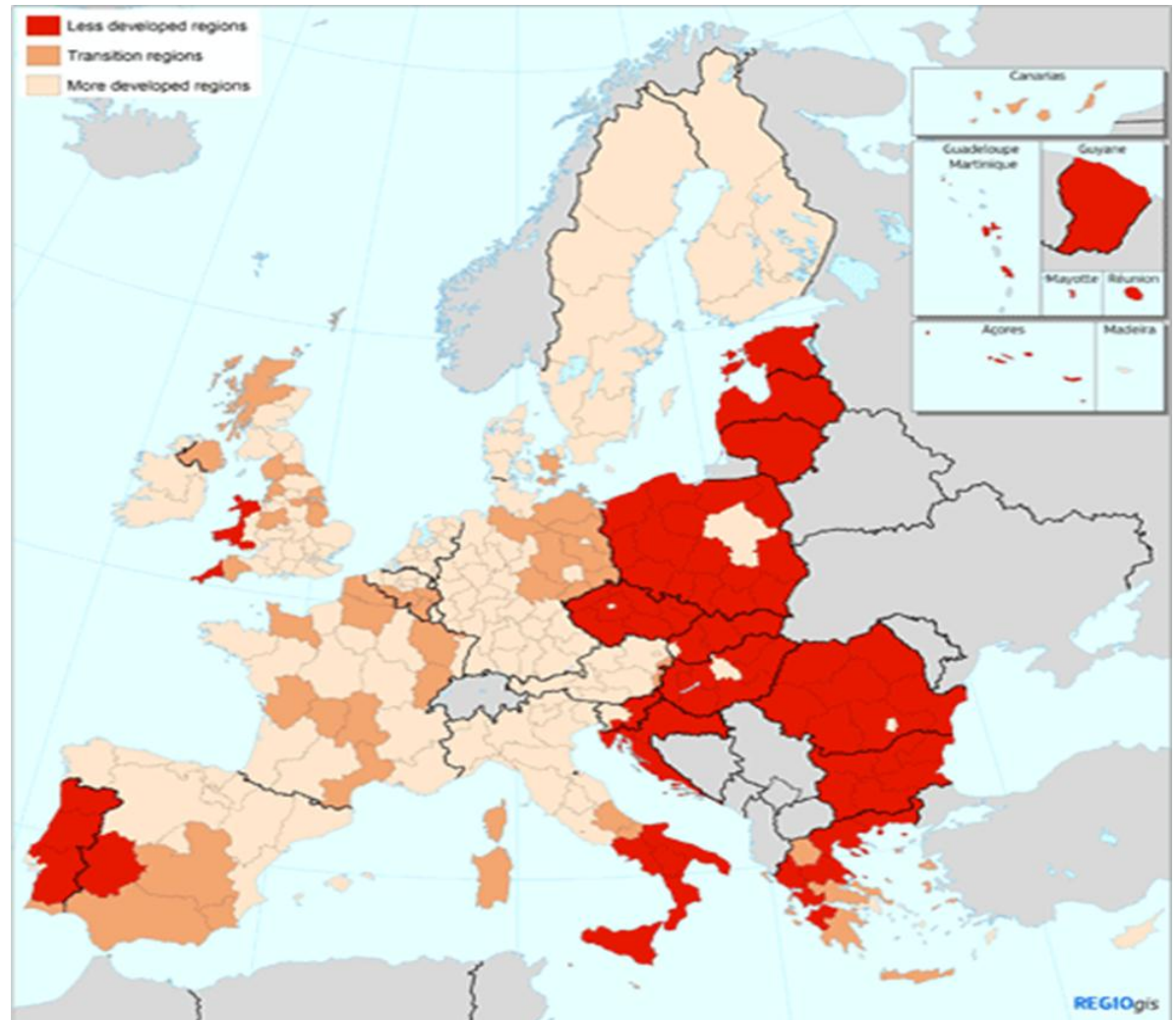




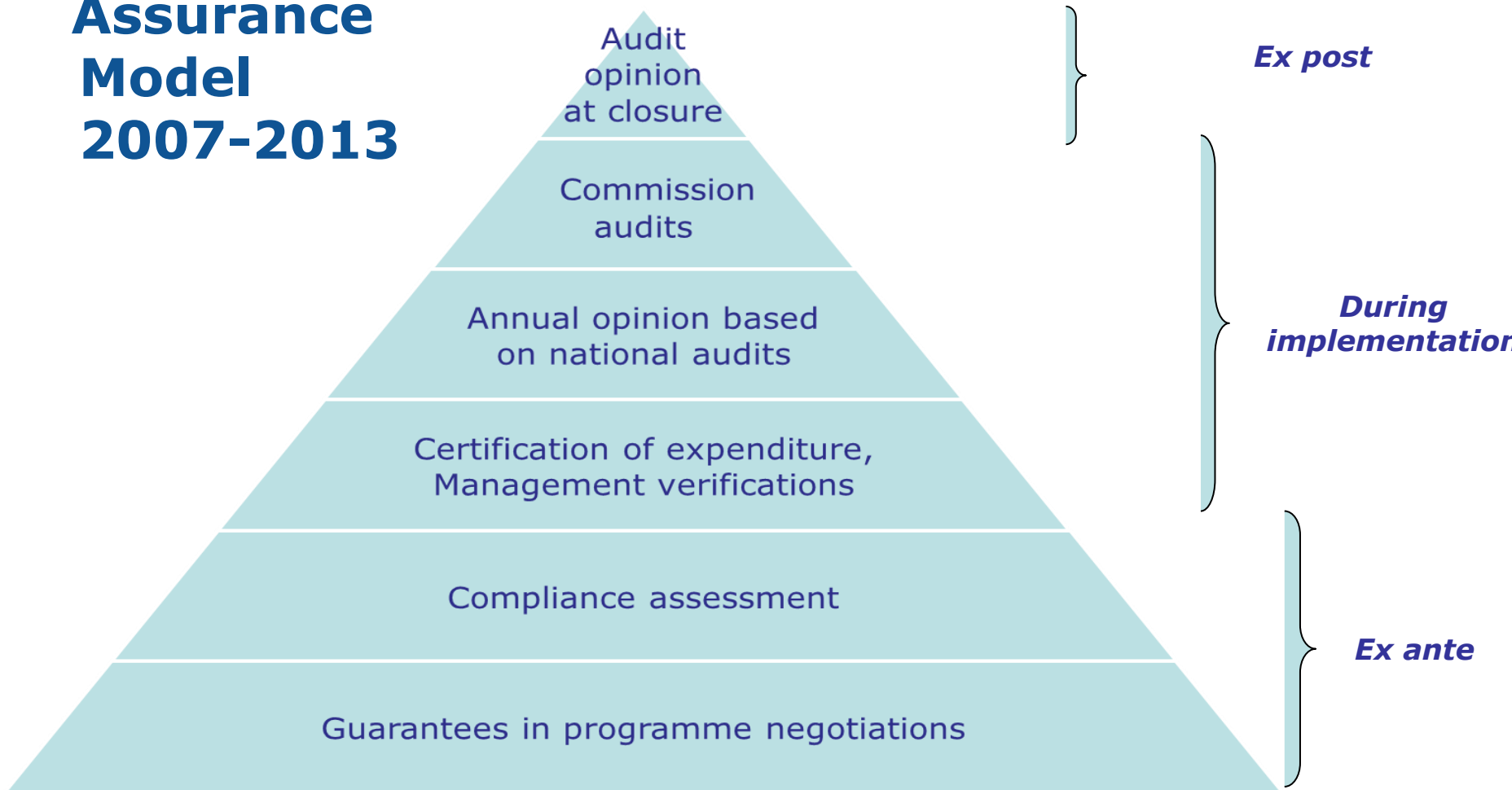
European  
Commission

# European Regions 2014-2020

-  Less Developed Regions
-  Transition Regions
-  More Developed Regions



# Assurance Model 2007-2013



# Assurance model 2014-2020



# Cascade Structure – key functions

**Certifying  
Authority**

*Annual accounts, certification of expenditure, IT system*

**Managing  
Authority**

*Manage OP, Verify delivery, Declaration,  
Anti-fraud measures*

**Intermediate  
Body**

*Functions delegated  
by MA or CA*

*Body receiving EU aid*

**Beneficiary**

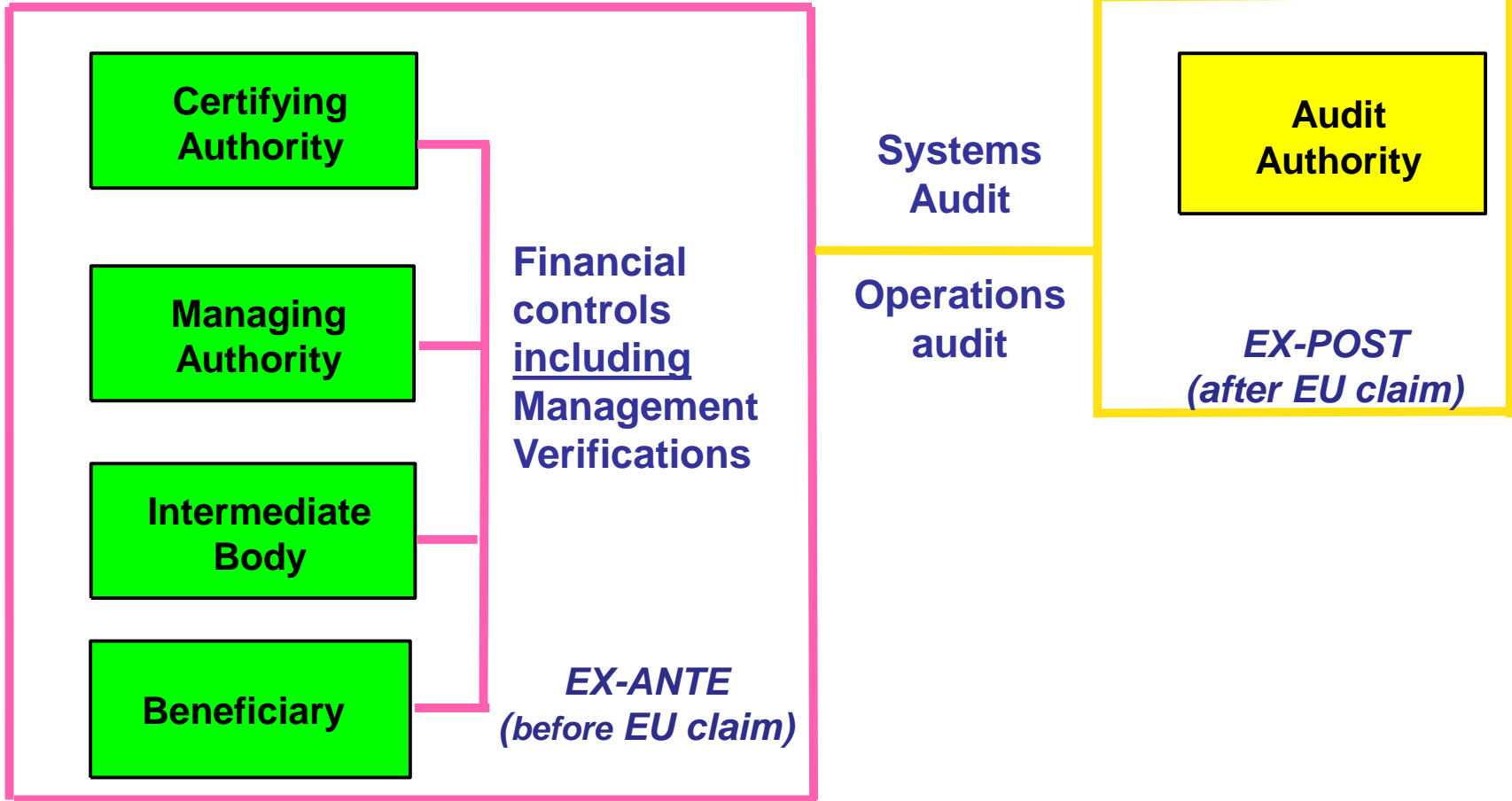
# Management & Control

## MANAGEMENT & CONTROL SYSTEMS

/

# Audit

## AUDIT





# Key functions - Managing Authority (1)

## (Article 125 CPR)

- *MA responsible for managing and implementing OP with "sound financial control"*
- *Ensure operations are selected for funding based on OP criteria*
- *Projects comply with Community and National rules*
- *Verify that co-financed products/services are delivered*
- *Expenditure declared by beneficiaries has actually been incurred*
- *On-the-spot (management) verifications may be carried out on a sample basis*
- *Ensure there is a system to record/store accounting records for each project*
- *Collect information on financial management, monitoring, verifications, evaluation and audit.*
- *Draw up and submit annual & final reports on implementation*

# Key functions of Managing Authority(2)

## (Article 125 CPR)

### New requirements

- Effective and proportionate anti-fraud measures
- Drawing up a management declaration on the functioning of the systems, legality and regularity of transactions and sound financial management
- Drawing up an annual summary of final audit reports and verifications and controls carried out, analysis of nature of errors and corrective actions taken or to be taken
- Report to EC by 15<sup>th</sup> February each year (Art.59(5)(b) Financial Regulation)

# Key functions of Managing Authority(3)

*Management Declaration: (Article 59 (5) of FR)*

- Information is properly presented, complete and accurate
- Expenditure was used for intended purpose, as defined in rules
- Control systems give necessary guarantee re legality and regularity of transactions
- Management Declaration made available to AA at least 30 days before submission to Commission
- Effective anti-fraud measures

Why?

To increase accountability of MA for an effective M&C System

# Key functions - Certifying authority (1)

## (Article 126 CPR)

*Submitting payment applications to Commission, certifying;*

- that these are based on reliable accounting systems,
- verifiable supporting documents, and,
- are subject of management verifications

*Drawing up the accounts (New)*

- Certifying the completeness, accuracy and veracity of the accounts, and,
- compliance of expenditure with applicable law defined by EU and national rules
- Ensuring existence of computerized accounting records for each operation which included amounts
  - withdrawn,
  - recovered,
  - recoverable
  - irrecoverable

## Key functions - Certifying authority (2) (Article 126 CPR)

*Ensuring, for purpose of drawing up and submitting payment applications;*

- It has received adequate information from Managing Authority (MA) re procedures and verifications carried out in relation to expenditure
- It has taken account of results of all audits carried out by, or for, AA
- Maintaining in computerised form, accounting records of expenditure declared and corresponding public contribution paid to beneficiaries
- Ensure amounts recovered are repaid to budget of the Union prior to closure by deducting from subsequent statements of expenditure.

# Key controls - Management & Control System

Separation

Organisation

Authorisation  
& approval

Physical

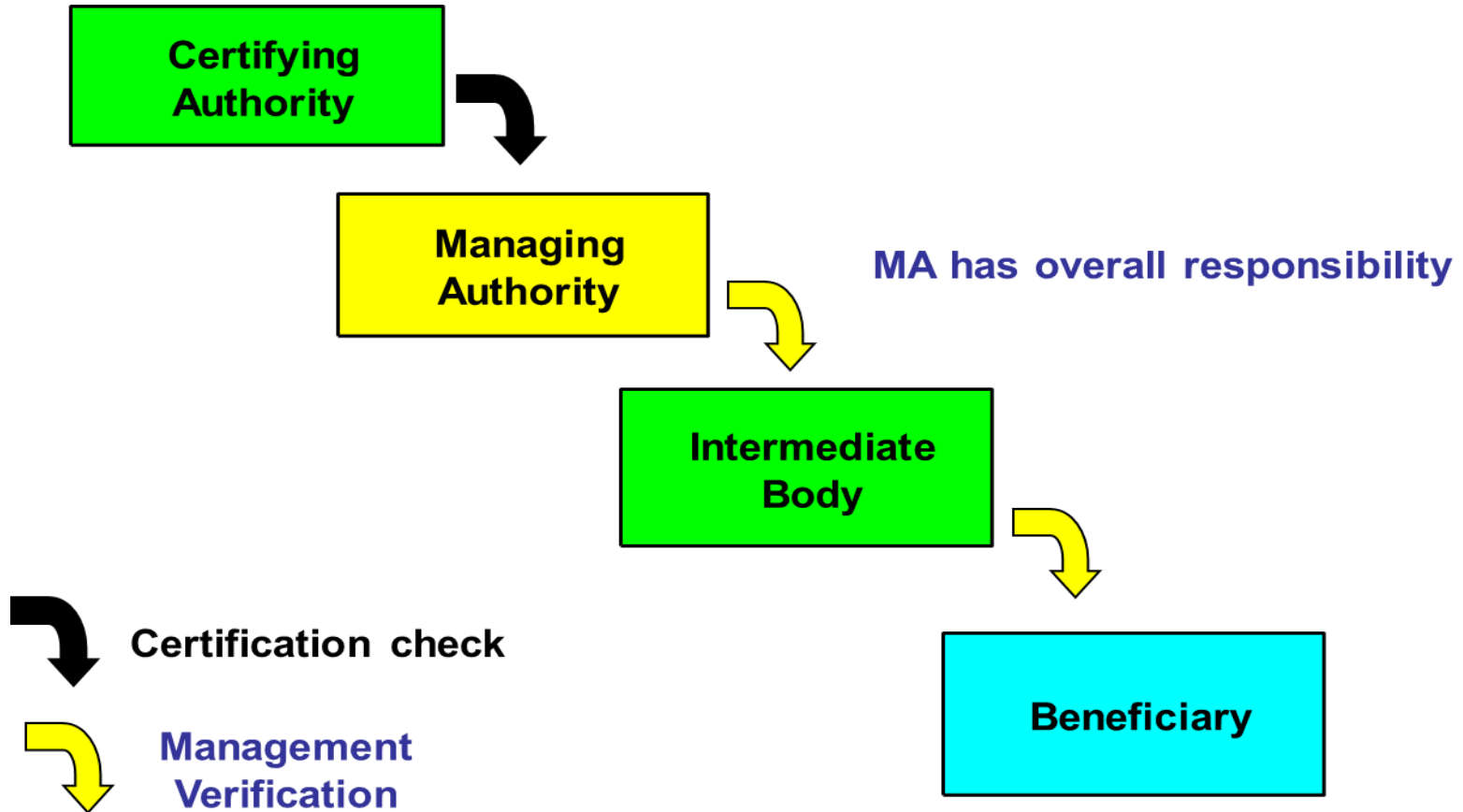
Supervision

Personnel

Accounting

Management

# Management verifications



# Designation - general objectives

- Stronger accountability at MS level:
- Timely and improved verifications (MA) reflected in management declaration
- Strict supervision over Intermediate Bodies (Article 123 (6,7) CPR)
- Certified accounts after deduction of all irregular expenditure or at risk (CA)
- Emphasis on ESIF effectiveness & performance



# Designation of Authorities

## Purpose

- Ex-ante assurance on set-up and design of the management & control system (MCS);
- Confirm that MCS for MA/CA give reasonable assurance that they are in a position to fulfil their responsibilities for the OP;
- Building on audit and control work carried out under previous period:
- Member States encouraged to retain the current systems (MAs CA & IBs) where working well (e.g. low error rates, systems assessed in categories 1 and 2, & Art. 73(3) of Regulation 1083/2006 granted to operational programme).
- A “Readiness Assessment” of system design at a point in time

# Procedure for designation of MA/CA

## Notification of the Designation Decision (Art.124 CPR)

- MS to notify the date & form of designations, at appropriate level of MS
- Prior to the submission of the first application of interim payments
- based on a report and opinion by the Independent Audit Body (IAB), possibly AA
- assessing fulfilment of designation criteria
- Commission might request these documents based on a risk assessment:
  - whether MCS is similar to 2007-2013,
  - current MCS effectively functioning,
  - if the MA and CA functions have been newly combined ...

# Designation - General principles

## (Art 72 CPR)

- Provides for a description of the functions of each body involved in management and control
- Allocation of functions within each body
- Separation of functions between and within bodies
- Procedures for correctness and regularity of expenditure
- Computerised systems for financial data and data on indicators
- Monitoring and reporting where MA/CA tasks are entrusted to other body
- Audit on functioning of systems, adequate audit trail
- Prevention, detection and correction of irregularities and fraud

# Designation of authorities

## Designation of MA, CA and possibly their IBs and AA for each OP,

- Same MA/CA/AA can be designated for several OPs
- MA can also carry out CA functions
- AA can be in the same public authority/body as MA for OPs > €250m, only if:
  - Art. 73(3) of Regulation 1083/2006 granted (reliance on AA 2007-2013), or
  - On the basis of 2007-2013 period, EC is satisfied institutional organisation and accountability of the AA guarantee its functional independence and reliability
- Coordinating body may be designated by MS to liaise with the EC, coordinate designated bodies and promote harmonised application of Union rules (MS initiative)

# Designation Criteria (1)

## (Annex XIII of CPR)

### *Main Headings*

1. Internal Control environment
2. Risk management
3. Management and control activities (MA and CA)
4. Monitoring (MA and CA)

# Designation Criteria (2)

## (Annex XIII of CPR)

### 1. Internal Control environment

- i. Organisational structure / allocation & separation of functions within MA & CA
- ii. Framework for delegation of tasks to Ibs / definition of respective responsibilities and obligations, verification of capacity, reporting procedures
- iii. Reporting and monitoring procedures for irregularities & recoveries
- iv. Plan for allocation of appropriate staff with technical skills at all levels

### 2. Risk management

On basis of proportionality, a framework for risk management exercises where necessary, particularly, where operations modified

# Designation Criteria (3)

## (Annex XIII of CPR)

### 3. Management & Control Activities

#### A. Managing Authority – procedures to ensure:

- i. grant applications / appraisal / selection / instructions and guidance to beneficiaries (Article 125(3)).
- ii. management verifications (administrative & on-the-spot)
- iii. applications for reimbursement by beneficiaries
- iv. computerised system to collect, record and store data on each operation / participants / indicators / with appropriate security
- v. beneficiaries maintain separate/adequate a/c code
- vi. proportionate anti-fraud measures.
- vii. adequate audit trail
- viii. Management declaration of assurance / reports on controls / annual summary
- ix. Beneficiary receives document setting out conditions for support

# Designation Criteria (4)

(Annex XIII of CPR)

## 3. Management & Control Activities

### B. Certifying Authority – procedures for:

- i. Certifying interim payment applications to Commission
- ii. Drawing up accounts / certify true, complete, accurate / legal compliance
- iii. Adequate audit trail & accounting records in computerized form – including amounts recoverable, recovered, withdrawn for each operation.
- iv. CA receives adequate information from MA re verifications carried out & results of audits by AA



# Designation Criteria (5)

(Annex XIII of CPR)

## 4. Monitoring

### A. Managing Authority – procedures to;

- i. Support work of Monitoring Committee
- ii. Draw up and submit annual and final implementation reports

### B. Certifying Authority – procedures to;

- Ensure fulfillment of responsibilities to monitor results of MV's & AA audits
- Prior to submitting payment application to Commission

# Designation of Intermediate Bodies

## (Article 123 (6,7) CPR)

- MS may designate one or more intermediate bodies
- To carry out certain tasks of the MA or CA under the responsibility of that Authority.
- Relevant arrangements between MA/CA and IB formally recorded in writing.
  
- MA may entrust the management of part of OP to an IB
- Agreement in writing between IB and MS or MA (a 'global grant').
- IB must provide guarantees of;
  - its solvency / competence in area concerned
  - administrative and financial management capacity.

# Key functions - Audit authority (1)

- As IAB, give an Audit Opinion on designation of CA, MA (similar to systems compliance of 07-13)
- Prepare an audit strategy (as before)
- Carry out audits on systems (as before)
- Select sample in reference to the accounting year (July n-1 to June n)
- Carry out audits on operations (as before)
- Carry out audits of the accounts certified by CA (new)

# Key functions - Audit authority (2)

Report to EC by 15th February each year,

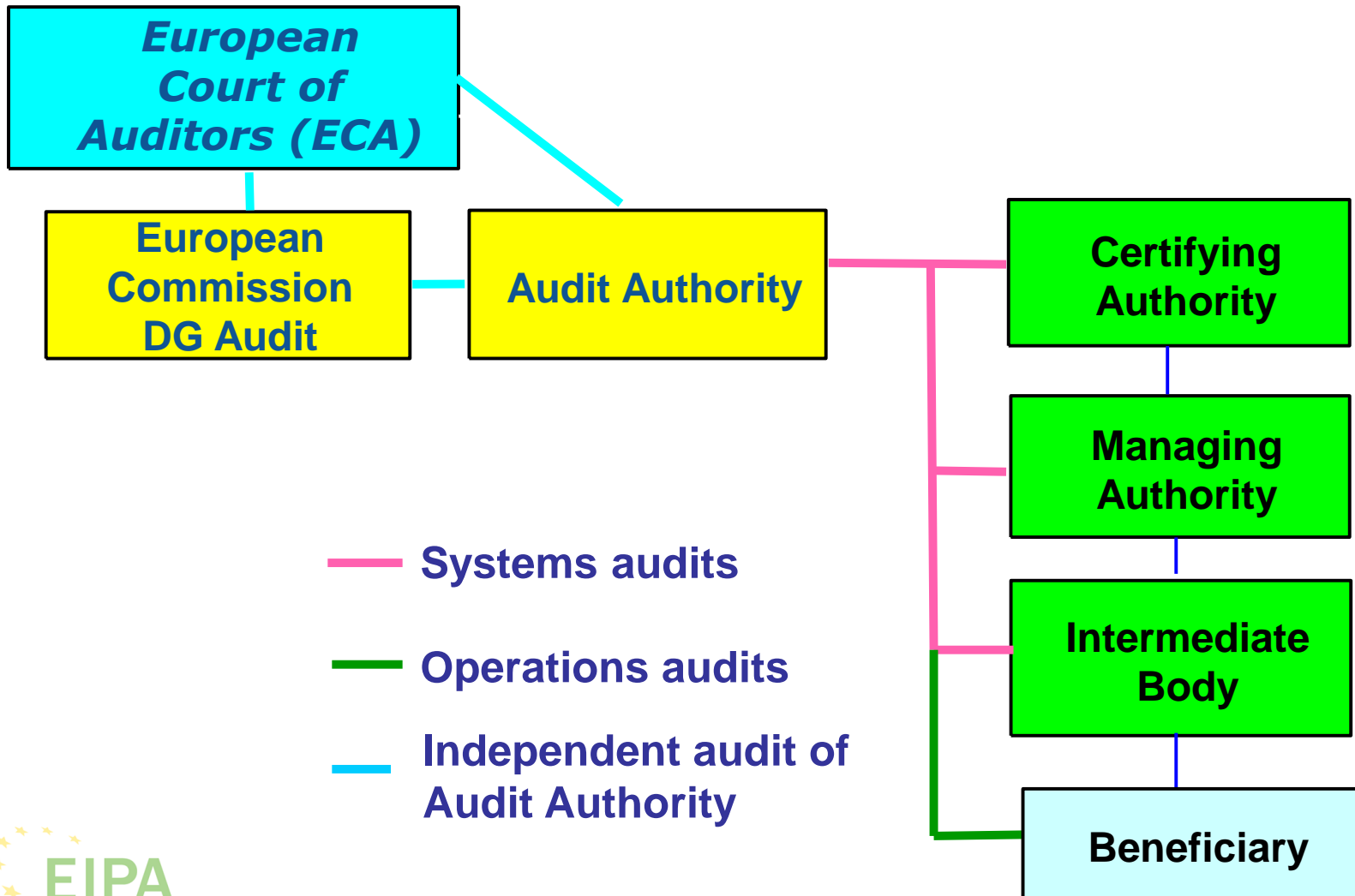
- providing a control report and audit opinion on accounts **(new)**
- legality and regularity of expenditure
- effective functioning of MCS
- statement - whether the audit work puts in doubt the assertions made in the management declaration

# Key functions - Audit Authority (3)

## *Audit of Annual Accounts*

- *To provide reasonable assurance on amounts declared in Accounts:*
  - Completeness
  - Accuracy
  - Veracity (true)
- *Based largely on audits of operations, and, systems audits in CA*
- *"True and Fair" view:*
  - Expenditure in a/cs reconciles with actual expenditure and payment applications
  - Amounts withdrawn and recovered, to be recovered, recoverable in a/cs = amounts in CA accounting system and corresponding financial corrections
  - Expenditure excluded from a/cs due to on-going assessment (legal and regular)

# Audit structure



# e-Cohesion – implications (1)

## *E-Cohesion – what is it?*

- *Electronic exchange of information between beneficiaries and programme bodies (Article 112 of CPR)*
- *Why? To simplify and streamline implementation*
- *How?*
- *After signing of subsidy/grant contract it covers:*
  - Reports on progress
  - Declarations of expenditure
  - Management verifications
  - Audits
  - Can extend to electronic submission of project applications (MS option)
  - Deadline for implementation – end of 2015

# e-Cohesion – implications (2)

## *Benefits of e-Cohesion*

- Data integrity and confidentiality
- Authentication of sender
- Storage / availability of documents (Article 140 of CPR)

### MA/IB

- Reliance on e-documents for management verification (desk checks)
- Electronic check lists recorded on system

### AA

- May use data to plan and prepare for audits of operations



# QUESTIONS?

