



Commission's proposal post 2020

Management and control systems

**9th Networking meeting of Audit authorities and
members of the Group of Auditors of Interreg Programmes
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General principles

- Stability: roll over of the 2014-2020 management and control systems, retain *assurance model based on accounts, functioning of systems and Legality and Regularity of expenditure* certified
- The audit work should focus on providing assurance on the functioning of the management and control system
- Annual accounts and 10 % retention on interim payments

Legislative proposal post 2020

Adopted by Commission on 29/05

Commissioner Cretu:

"simpler rules, less red tape, big urban dimensión, easier cross-border cooperation and above all: support for every región"

General principles

- *Simplification to alleviate control burden*
- *Clarity: common rules for shared management programmes: Cohesion, Fisheries, Migration and Asylum*
- *Main elements in CPR (main text / annexes) including models for Audit Strategy, ACR, AO, Accounts, description of MCS,..*
- *Reinforce single audit arrangements, increased synergies between 1st level controls and audits*
- *Systems proportionate to identified risks & Reliance on national management systems: enhanced proportionate arrangements*

Designation

➤ ***No designation:***

Early system audit will address the risk at beginning of the programming period in particular for new (part of) systems/bodies

Management verifications

- ***Management verifications shall be risk-based and proportionate to risks identified***

Managing authority to prepare a risk management strategy

Both administrative and on-the-spot risk-based and to be carried out by the submission of accounts

ETC Regulation may establish specific rules

Accounting function

- *Accounting function to be performed by managing authority or another body*
- *Accounting function shall not comprise verifications at the level of beneficiaries*

Audit work: continuity from 2014-2020

- Audit Strategy
- System audits
- Audit of operations through statistical samples
- Audit on accounts
- Same ACR model and Audit Opinion

Simplified audit work

- Grouping of OPs for sampling purposes using AA professional judgement (no condition of common MCS)
- Non-statistical sampling for population below 300 sampling items
- Common sample for ETC OPs

Single audit arrangements

- ***EC and AAs in their audits shall*** first use of all information and records available including results of management verifications
- **Audit of operation at the level of beneficiary,** the **increased threshold** of Omnibus **are kept** except if AA concludes that it's not possible to draw a valid audit opinion

Enhanced proportional arrangements

*For **well-functioning OPs** more proportionate arrangements*

- **Management verifications following national procedures**
- **No systems audits**
- **Audit of operations: fixed sample of 30 items for all concerned programmes in MS**

Enhanced proportional arrangements

Criteria for application

- *EC has confirmed in the AAR for 2 consecutive years a total error rate below 2%*
- *Possibility to use data on similar OPs from 2014-2020 at the start of the period*

Impact audit work / simplification of reporting requirements for MS

- Simplification of financial corrections: cancellation of expenditure in declarations to EC (withdrawal/deduction from EU budget); no reporting of recoveries to EC
- Financial instrument: only one advance of 25%, then declaration based on incurred expenditure
- No State aid advances

Increased legal security for programme authorities and beneficiaries

- *Commission audits shall be carried out up to 3 calendar years following the acceptance of accounts*
- *Availability of documents: 5 years from 31/12 of the year in which the last payment by the managing authority to the beneficiary is made*

Accounts

Main aspects remain but rationalisation of the reporting obligations

Out of current 8 appendices, half will be removed

- Appendix 2 and 4 on recoveries
- Appendix 5 on irrecoverable amounts
- Appendix 7 on state aid advances

ETC single audit sample, why?

- **Significant reduction of audit effort and associated costs**, in 2015 the audit carried out for ETC represented 15% (1300 operations) of total while ETC weight on expenditure was of 3%
- Proposed approach of single sample would divide by around 10 the audits to be carried out

ETC single sample

- *Commission selects a representative sample of OPs for which have provided necessary information*
- *Stratification can be used for group of programmes depending on the risks identified*

Programme authorities

- *Submit by 1 September detail information on the expenditure included in the last payment claim*
- *It shall be provided in a standardized electronic, shall be complete and reconcile with the expenditure declared to the Commission for the reference accounting year*
- *For OPs which does not meet the deadline, standard audit work under tight timetable*

Audit authorities

- *Carry out the audit of operations requested by the Commission and report the results in the ACR*
- *Carry out system audits to issue an annual system assessment*
- *Carry out audit of accounts to issue an annual opinion on the accounts*
- *No obligation to issue an annual audit opinion on legality and regularity*

Commission's work

- Communicate in due time the sample to the concerned audit authorities, stratification is possible in line with risks / previous audit results
- Following assessment of the results of audits of operations, the Commission will calculate a global total error rate, and when relevant, a global total residual error rate
- Where the global residual error rate is above 2% of the expenditure certified for these programmes, determine the need for additional audit work (to be performed by the audit authorities) in order to further evaluate the error rate and assess the necessary corrective measures

Global TER above 2% and then?

- *No automatic extrapolated correction*
- *First step, assessment of audit results, determination of the problem*
- *Targeted additional audit work required*
- *Finally targeted additional financial corrections*

Other practical elements common sample

- Use of an harmonised sampling unit (project partner,...)
- Capacity to provide data in due time to Commission. Standardization of the data
- Need to good coordination with Commission

Open topics to discuss

- *Real reduction of workload for AAs*
- *What to do in case of outsourced audits*
- *Timing: 1 month after the final payment application*
- *Common sample unit: partner*
- *Treatment of results, error rate above 2%*

**Thank you for
your attention**