COMMISSION PROPOSAL FOR SIMPLIFICATION OF MANAGEMENT CONTROL SYSTEM (MCS) AND ANNUAL ACCOUNTS FOR PROGRAMMES IN POST 2020 CPR

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Simplifying Management and Control post 2020

The Commission **explored all simplification avenues** to:

- Reduce red-tape, complexity and control burden
- Strengthen the **single audit principle**

and took account of:

- 2007-2013 and 2014-2020 **experience,**
- Recommendations from the **Court of Auditors,**
- Conclusions and recommendations of the **High level group on simplification**
- Feedback from **stakeholders**

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The aim is to:

(1) **decrease the cost of controls** and **burden** on beneficiaries and programme authorities while reducing complexities and ensuring **radical simplification**

(2) **speed up programme implementation** and ensure smooth transition between periods, building on current system without fundamentally reconsidering the design and mechanism for CPR funds (stability)

(3) maintain the current robust **assurance model allowing for annual level of errors below 2%** for each programme, when necessary after financial corrections

(4) ***=> Simplification but without undue deregulation!***

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Simplification applies to all programmes.
But control requirements adjusted to the identified level of risks:

- All programmes to benefit from simplification

- For some programmes - Based on objective criteria and low risks: further simplification / proportionality – the so-called ***'Enhanced proportionate arrangements***' – Art. 77 to 79

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Main simplifications proposed for all programmes:

- **no** designation process (system roll-over) but early system audits to prevent problems
- simpler eligibility rules, mandatory use of SCOs, more funding based on conditions/milestones
- **risk-based** management verifications (from coverage of every single payment claim today)
- 'accounting function', no additional checks on beneficiaries
- streamlined **audit requirements,** synergies, single audit
- one EU-level sample for all ETC programmes

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Further simplifications and proportionate requirements proposed for 'enhanced' proportional package in the following areas:

- National rules apply for management verifications by Managing Authorities
- No obligation to carry out system audits
- Fixed sample of 30 operations audited annually for all Member State's programmes concerned
- Commission audits limited to review of the work of audit authorities, not at beneficiaries' level
- Flexible and easy to switch in; joint monitoring

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Main advantages of the intended approach:

- Speedier start of the next programming period
- Radical decrease of the control burden on beneficiaries, increased legal certainty
- Less administrative procedures and reporting for programme authorities and reduced cost of controls/audits
- Key features of assurance model maintained, including the calculation of annual residual level of error in annual expenditure

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In an effort to streamline the annual process, the Commission also simplified:

- Acceptance of accounts
- Templates for accounts

and increased legal certainty for beneficiaries:

- Clarification of meaning/reporting of financial correction for EU budget
- Period for retention of documents (5 yrs now) – Art. 76.1
- No Commission audits for more than 3 years back; transmission of report within 3 months

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Accounts post 2020

Principles remain:

- annual accounts: timing
- legality and regularity certified only once

Simplification in the model for the accounts:

- Half of appendices are removed
- No recoveries
- No advance payments on State aid

EU level sample for ETC OPs

Legal basis:

Article 48 (Audit of operations) of a draft Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) suported by the ERDF and external* financing *instruments

Objective:

Significant reduction of audit effort and associated costs

(in 2015 the audit carried out for ETC represented 15% of the total number of operations while ETC weight on expenditure was 3%)

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EU level sample for ETC OPs

General principle:

The Commission will select a representative sample of operations (or other sampling units) from the positive population of expenditure declared for all ETC programmes.

The audit of the selected sampling units will be carried out by the programme audit authorities.

The Commission shall calculate a global extrapolated error rate for all Interreg programmes covered by the common sample

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EU level sample for ETC OPs

Timing of reporting and sample selection:

By 1 September – programme authorities shall provide the information necessary for the selection of a common sample to the Commission

By 1 October – the Commission shall inform the AAs on the common sample

EU level sample for ETC OPs

Reporting on the results:

At the latest within annual control reports

Per each audited sampling unit, the AA should indicate:

a) the error in EUR (as input to calculate the global error rate)

b) Information whether financial correction was implemented and its amount in EUR (as input to calculate the global residual error rate)

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EU level sample for ETC OPs

Discussed in HGM with all audit authorities last week

AND

- **Proposal well received**
  - **BUT**
  - **Timing is very challenging**

Group of Auditors

- **Do we need a GOA …**

Perhaps one solution does not fit all … …

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Thank you for your attention!