COMMISSION PROPOSAL FOR SIMPLIFICATION OF MANAGEMENT CONTROL SYSTEM (MCS) IN POST 2020 CPR & INTERREG Reg.

Sliema, Malta, Oct. 24th – Borislava Woodford

Management and Control post 2020

Contents of the presentation:

- 2 parts to it:

(i) on CPR – general MCS rules,

(ii) the rules in the Interreg Reg proposal,

- 2007-2013 and 2014-2020 experience – why we proposed, what we propose?
- How we propose simplification?
- Relevance for the ETC population

- Q & A session

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Simplifying Management and Control post 2020

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,**
- **Commission's own studies**
- Recommendations from the **Court of Auditors,**
- Conclusions and recommendations of the **High level group on simplification**
- Feedback from **stakeholders**

Simplifying Management and Control post 2020

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 changing the mechanisms (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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Simplifying Management and Control post 2020

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

- NOT for the Interreg community!

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Simplifying Management and Control post 2020

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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Simplifying MCS – the Accounting function

- Why new denomination: MA should take full responsibility by certifying the legality and regularity of the expenditure
- Art 66.2: The MS may entrust the accounting function to the MA or another body
- Art 65.1: If another body is entrusted for accounting function, the body will be a programme authority (that can be the current CA), roll-over possible
- Accounting checks but not on the spot verifications at the level of beneficiaries

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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 and out

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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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Cohesion policy post-2020

Proposal for the Interreg Regulation

Simplification elements for Interreg

- Flat-rate technical assistance approach
- Certain programme modifications without Commission decision
- New rules on VAT eligibility
- No requirements for revenue-generating projects
- Single error rate approach for Interreg programmes
- No longer the level of certifying authority as such
- No more annual reports
- Combination of pre-financing and annual pre-financing

Simpler audit (Articles 47 and 48)

- **AA in whole programme area (except external Chapter VIII) (47(1))**
- Systems audits and audits on operations (47(2))
- **Where sample under Article 48, AA only audits sample** (47(3))
- Annual audit opinion (47(5)) & "Normal" Annual control report (47(6))
- Annual control report under sample (47(8))
- **COM selects a common representative sample (48(1) + (2))**
- **Where sample, no other audits on operations (48(3))**
- If programme is late → full audit under Article 73 CPR

Simplification elements – MCS for Interreg

▪ **a common ETC sample** of operations (or other sampling units) at EU level.

- **Legal basis: Article 48 of Interreg Reg. on 'Audit of operations',** all info must be in by Sept 1st

Objective: significant reduction of audit effort and associated costs

NB! *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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Simplification elements – common sample

General principles:

- The Commission will select a representative sample of operations (or other sampling units) from the 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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Simplification elements – MCS for Interreg

- ***Reporting on the results:*** At the latest, with the annual control report

- ***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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Actions to take when material level of errors

- Global TER and residual error rate above 2% - **No automatic extrapolated corrections!**
- First step: assessment of audit results, determination of the problem, etc
- Targeted additional audit work required for the programme concerned
- Eventually targeted additional financial corrections
- No strict timeframe (by next AAR following assessment of the results)

Thank you for your attention!